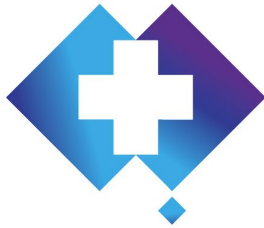

National Health and Climate Strategy

July 2023

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About Private Healthcare Australia

Private Healthcare Australia (PHA) is the Australian private health insurance industry's peak representative body. We have 24 registered health funds throughout Australia as members and collectively represent 98% of people covered by private health insurance. PHA member funds provide healthcare benefits for over 14 million Australians.

Introduction

PHA welcomes the Australian Government's commitment to a National Health and Climate Strategy.

The health risks of climate change are both obvious and uncertain. It is clear that a warmer climate will adversely affect health, but it is unclear whether obesity, transmissible disease, respiratory diseases, changes to food and water supply, mental health or stress will cause the greatest issues.

Health funds have a limited role in delivering health care, but a primary role in funding care for millions of Australians. Uncertainty is an enemy to insurance, and thus to premiums. Climate change is going to affect health funders, both through an increased need for health care and the uncertainty that climate change brings.

Health funds have been leaders in businesses' response to climate change. Many health funds are publicly committed to net zero emissions, or are on the pathway to do so. Many funds have already achieved carbon neutrality for their own operations. Several have responsible investment strategies to take into account environmental, social and governance factors such as climate change, such as not investing in fossil fuel extraction industries.

However, current regulations prohibit health funds from using their members' purchasing power to influence environmentally friendly health care from providers. Australia's regulatory framework prioritises hospital-based care over home-based care, and the high prices paid for medical devices favours devices over medicines, and encourages the import of devices rather than domestic production.

In addition to the leadership from health funds, Australia's private health sector has many providers taking climate change action, including Australia's largest hospital provider, Ramsay, making the commitment to net zero emissions. Many Catholic Health Australia members have already made net zero emissions pledges with more to follow.[1] (Australia's other major hospital provider, Healthscope, owned by Brookfield, has not made a net zero commitment.) The Australian Medical Association has declared climate change a health emergency. Learned Colleges, including the Royal Australasian College of Surgeons, have signed up to initiatives such as the green College guidelines.

Our response to the consultation paper, below, will highlight areas where PHA has particular input, and not include nil responses. For example, PHA will defer to scientific experts on issues such as types of greenhouse gas emissions and the built environment.

[1] The Pope's second encyclical, *Laudato Si,* calls upon all Catholic organisations to set an example of environmental responsibility and stewardship. The Australian Catholic Bishops Conference has recognised this, launching their *Cry for the Earth, Cry for the Poor* which makes the case for action on climate change as a social justice concern. Australian Catholic hospitals will be implementing these directives.

Response

Objective 1: measuring health system greenhouse gas emissions

PHA supports the four objectives of the Strategy (**question 1**).

The principles are sound. However, they lack accountability. PHA recommends that a principle be added that highlights that all players in the health system, including (but not limited to) providers, suppliers, consumers, funders and researchers are responsible for influencing practice where they can (**question 2**). For example, several funds have a responsible investment strategy (see example in box).

PHA supports the need for First Nations voices in health and climate policy (**questions 4, 5**). Many health funds have Reconciliation Action Plans to guide their internal processes (see example in box on following page).

Several funds already measure their output and have taken measures to reduce emissions. Work has been ongoing for many years across the industry; for example, HIF became Australia's first carbon neutral health fund as certified by the Carbon Reduction Institute back in 2008 and has been recertified every year since.

Responsible investment

HCF's Responsible Investment Policy, takes into account environmental, social and governance factors such as climate change. Within the international equities portfolio, there are a range of threshold exclusions as part of the investment mandate which include for example businesses engaged in Thermal Coal Extraction, Oil Sands Extraction and Oil & Gas Exploration & Production. In 2022, HCF invested $30 million in an impact bond strategy. The proceeds of the strategy are not only used to help mitigate and adapt to the impact of climate change but also to create a positive social and sustainable impact.

View HCF's Responsible Investment Policy.

Objective 2: mitigation

PHA supports the six areas of focus for the Australian health system to reduce emissions (**question 8**). However, we recommend an additional area of focus, to fit between waste and optimising models of care:

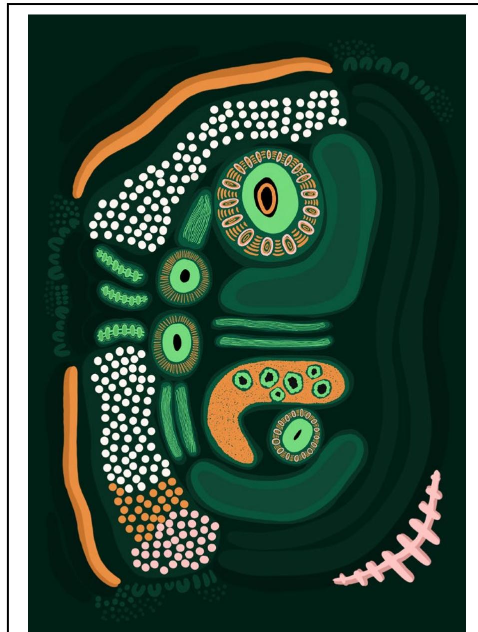
- Built environment
- Travel and transport
- Supply chain
- Medicines and gases
- Waste,
- Low value care, and
- Prevention and optimising models of care

Health funds are acting on the build environment for their own operations. For example, HCF has transitioned to 100% renewable energy for HCF occupied floors at offices located in Sydney CBD, St Leonards and Parramatta, as well as dental, eyecare and retail locations; and Bupa uses 100% Renewable electricity in directly controlled sites in Australia saving approximately 25,000 tonnes of CO2 from the atmosphere each year.

PHA supports better measurement to support health funds' demonstrated commitment to improved design, construction and operation (**question 9**).

The supply chain issues identified in the report (**questions 11, 15**) highlight the need to improve procurement practices. For medical devices, Australian Government's regulation reinforces poor environmental practices. The Prescribed List of Medical Devices and Human Tissue Products (the PL) concentrates supply to incumbent international manufacturers, who have sought to further control the supply chain through a range of measures, including a large network of salespeople and providing incentives to hospitals and health practitioners. The lack of competitive neutrality in regulation between medical devices and pharmaceuticals also results in Australia tending towards a higher rate of medical device use rather than pharmaceutical intervention, at a greater cost to the environment.

The recent Mandala report [Australia's Surgical Surcharge: How Australians are paying too much for medical devices through the Prescribed List of Medical Devices], highlights the concentration of international supply and proposes changes to encourage more local manufacturing.



nib Reconciliation Action Plan

Health funds are committed to working with First Nations peoples. For example, [nib's commitment to reconciliation] is reflected and embedded in their broader approach to business, including sustainability; diversity, equity and inclusion; and community investment

Artwork: 'the beginning' by Michelle Kerrin, a proud Arrernte and Luritja woman and artist of nib's Innovate RAP

Furthermore, the fee-per-item structure of the PL, together with the inflated benefits health funds are required to pay, creates a strong incentive for wasteful use, which is fuelled by sales-based commissions common in the medical device sector. The practice of upselling additional products into surgical cases, like glues, haemostatic substances and tissue substitutes is widespread. When the excess is inevitably discarded it is highly toxic to the environment, even when protocols for the disposal of medical waste are followed. The packaging for these items is mostly single-use plastics which are all discarded. We have long campaigned for a major overhaul of this system to remove the perverse incentives leading directly to wasteful overconsumption of surgical implants and supplies.

We understand significant work is taking place in the anaesthetics and pain clinical community to reduce the usage of anaesthetic gases which cause harmful emissions. PHA supports these initiatives, even if the alternatives are more costly.

We do, however, believe the most effective mechanism to address this is to remove low value care from the health system as much as possible. This means having a clear process in place to identify and disinvest in health interventions which are ineffective, which is independent from powerful vested interests.

PHA recommends adding low value care as a priority area (**question 8**). Reducing or eliminating low value care is likely to be the single most effective method of reducing carbon emissions in our health system. Low value care is any intervention where the costs of providing the service are higher than the benefits. Australia's health system is prone to low value care, as the direct financial costs of care are not borne by the patient directly nor the provider. The Australian Government, through Medicare, and individuals, through private health funds, provide the vast bulk of private health funding.

While low value care is mentioned briefly as part of prevention and optimising models of care, a specific focus on low value care would provide a strong return on investment for the environment. Braithwaite et al (2020) notes, "While change is everywhere, performance has flatlined: 60% of care on average is in line with evidence- or consensus-based guidelines, 30% is some form of waste or of low value, and 10% is harm."[2] Reducing low value care has the potential to reduce emissions significantly. Some areas of identified low value care have a disproportionate impact on the environment. For example, imaging for lower back pain, is identified as being poor value care and having a significant impact on the environment.

PHA supports a focus on prevention and reducing hospitalisation as a pathway to fewer harmful emissions (**questions 14, 15**). PHA has recently highlighted that over 10% of hospitalisations in Australia could be moved to lower burdensome options such as out of hospital care or reduced length of stay, with no decrease in quality or outcomes, and in many cases, improved outcomes. Our report, There's no place like home – reforming out-of-hospital care highlights key areas where the private sector can improve models of care. Reducing the burden of treatment for consumers will also reduce the burden on the environment.

As noted previously, many in the private sector, including health funds, many private hospital groups and other providers have made substantial commitments to reduce emissions (**question 15**). Other organisations have not. Transparency is key, and PHA will encourage all of our member funds to consider highlighting to customer organisations that have (or have not) made commitments. Some level of public reporting by government may also be considered, as funds, hospitals and other providers are subject to regulation by the Australian Government.

The 'quick wins' for emissions reduction strategies in health (**question 17**) will occur where policy levers, such as improving medical device pricing and access and promoting out of hospital care, consider environmental factors rather than focusing on funding reform options. As highlighted in the

[2] At https://bmcmedicine.biomedcentral.com/articles/10.1186/s12916-020-01563-4

principles, all actors need to consider the environment with each decision. This includes policy decisions from government.

Objective 3: adaptation

PHA notes the selection of negative health outcomes related to climate change outlined in the consultation paper. These and other risks are of significant concern to health funds, both for the health of their customers and the impact on their businesses supporting fund members.

Some funds have already worked to quantify the anticipated impact (see the Medibank example in the box). Developing simple, cost-effective tools to assist all businesses to assess their vulnerability would be welcomed (**question 20**).

The volatile nature of climate change makes it hard to predict the priority areas. All health services will need to be ready to adapt quickly, particularly with a projected increase in natural disasters. Health funds are well practised at helping members with emergency assistance, including natural disasters. Recent examples include support for people affected by floods, fires and pandemics. Funds have provided practical assistance, financial assistance and charitable support for those affected. For example, nib has supported communities affected by flooding (see "responding to disasters" in the nib Community Report). Many funds have provided premium relief and other assistance to their customers (**question 21**).

Objective 4: health in all policies

PHA supports an approach of health in all policies. As articulated in the consultation paper, health is affected by a range of policy levers, including housing, shelter and safety; inclusion, respect and connection; wealth and access to services; and several other influences and determinants.

A good place to start would be to ask all policy areas within the Department of Health and Aged Care to consider the environmental impact of their policies and regulatory decisions (**question 22**). Current government private health policy favours in-hospital treatment; supports the import of medical devices; and subsidises

Medibank Climate Scenario Analysis

From the Medibank Sustainability Report FY21 Report

In 2021, we worked with independent specialists to undertake our first climate scenario analysis against two scenarios: a 2°C scenario aligned to the Paris Agreement (RCP 2.6) and a high emissions future (RCP 8.5) to align with the recommendations of the Climate Measurements Standards Initiative (CMSI). We reviewed more than 50 pieces of external research relating to the health impacts of climate change to identify the key health issues relevant in Australia and to our business. We then explored climate-related risks and opportunities aligned to our current operations as well as future strategic planning. To better understand our exposure to chronic and acute physical risks, we analysed historical data during periods of bushfire and heatwaves, reviewing our claims data and telehealth call volume information. We examined this by state and territory and overlaid regional climate projections. This enabled us to forecast a projected financial impact of $6.3 million by 2050 for the low emissions scenario (RCP 2.6) and $15.5 million for the high emissions scenario (RCP 8.5). The analysis found we have a number of climate resilience measures already in place, such as business continuity through flexible and remote working. Potential transition risks identified include increased regulation, emerging disclosure requirements and increased external pressure to transition to a zero carbon investment portfolio.

and encourages low value care. Assessing the environmental costs of these policies is likely to tip the balance towards removing these harmful regulatory practices.

Enablers

The consultation paper identifies a range of enablers for greater action on climate change within the health system.

The consultation paper clearly identifies the issues and has a strong focus on action. However, it is less clear on responsibility and accountability. This may result in significant goodwill and strong policy parameters failing to be implemented.

PHA recommends that the strategy add two enablers. The first is accountability, where specific actors are identified as having accountability for actions (**question 24**). This could include greater levels of transparency and reporting requirements, or specific incentives and penalties for performance.

PHA also recommends implementation be identified as an enabler. A strong policy implementation approach is needed to reduce the impact of health care on our environment (**question 24**).

Conclusion

PHA commends the Australian Government for their improved focus on environmental issues. Climate change will significantly affect our planet, our country and the lands, waters and skies with which we live.

The proposed National Health and Climate Strategy is an important step towards all Australians understanding and taking responsibility for the actions we take, and those we do not, to reduce emissions.

We look forward to working with the Australian Government, our member health funds, their 14 million customers, and others across the health system to improve our environment.