



AIA Australia Limited
(ABN 79 004 837 861 AFSL 230043)

PO Box 6111
Melbourne VIC 3004
Phone : 1800 333 613
Fax : 1800 832 266

AIA.COM.AU

31 January 2023

Treasury
Langton Cres
Parkes ACT 2600
By email: MeasuringWhatMatters@Treasury.gov.au

Dear Sir / Madam

TREASURY CONSULTATION - MEASURING WHAT MATTERS

AIA Australia supports the Government's intention to broaden the measures, beyond traditional macroeconomic indicators, which will provide a more holistic view of the community's wellbeing and progress towards improving the lives of Australians.

As one of Australia's leading life, health and wellbeing insurers, we are committed to helping people live healthier, longer, better lives. We are a purpose-led organisation, focused on making a difference in people's lives, taking into account their physical, mental and financial wellbeing.

We take a shared-value approach, which means we put our efforts into projects and interventions that benefit not only our customers and our business, but society more broadly.

This approach benefits our customers as they can enjoy better quality of life and reduce their risk of suffering a serious illness; and for the broader community, this leads to a healthier population, improved productivity, and reduced government expenditure on healthcare and welfare.

Our response below sets out our view on objectives that we believe the Federal Government should consider as part of "measuring what matters" as well as key indicators that will help to measure progress.

Should you wish to discuss any aspects of our response please do not hesitate to contact Tom Gordon, Head of Regulatory Affairs in the first instance on tom.gordon@aia.com or [REDACTED]

Yours sincerely

Damien Mu
CEO and Managing Director
AIA Australia

Clear objectives are needed

In order to understand what to measure and track, we suggest the starting point for Government is to define what it is trying to achieve. This will assist in determining the indicators that will demonstrate progress in meeting the objectives and will provide clear direction on how Australia intends to measure wellbeing.

In our view, these objectives should include:

- Improving health outcomes
- Mitigating the impacts of climate change
- Addressing the health gap between Indigenous and non-Indigenous Australians
- Ensuring dignity in retirement

<p>Improving health outcomes</p>	<p>Good physical and mental health, and timely access to care and support are fundamental to Australians' long-term wellbeing.</p> <ul style="list-style-type: none"> • Improving overall health of all Australians, both physical and mental has significant personal benefits, allowing people to stay productive in the workforce, continue to save for their own retirement and live a better quality of life • Improving health outcomes has economic benefits – ill-health directly affects social and economic participation. Poor health status represents one of the largest brakes on an economy's labour supply, meaning that successful preventative health measures can potentially have significant positive economic impacts and improve productivity of those in the workforce. • Health related measures should have a focus on prevention – leading indicators of future health issues such as high blood pressure, dyslipidaemia, impaired fasting glucose and overweight and obesity would be more useful than lagging indicators as they are likely to drive progress • Scientific evidence shows that social relationships affect a range of health outcomes, including mental health, physical health, health habits, and mortality risk – with the strength of these connections affecting a community's ability to thrive.
<p>Mitigating the impacts of climate change</p>	<p>There is no question that climate change is having a significant impact on the wellbeing of Australians. Measuring the extent to which the country is moving towards a net-zero future will assist with improving human health – for example, reducing the risk of developing chronic diseases such as respiratory or cardiovascular disease due to air pollution and extreme temperatures. The consequences of climate change can cause significant mental distress, as well as exacerbate pre-existing mental health conditions, like, trauma related to extreme weather events.</p>
<p>Address health gap between Indigenous and non-Indigenous Australians</p>	<p>Health equity requires ensuring that the significant gap in health outcomes is addressed. Given the Federal Government has an Indigenous Health Performance Framework, it is suggested that these outcomes are used as a first port of call in establishing indicators for measuring what matters.</p>

Ensure dignity in retirement

We provide insurance via superannuation to ensure those who need to unexpectedly leave the workforce due to illness or injury can have a safety net of protection. We want to ensure Australians can remain healthy and productive, and then experience financial wellbeing once they leave the workforce.

The impact of chronic disease

Non-communicable diseases (NCDs) are the main causes of death and disability in Australia, and yet they are largely preventable. Insights from AIA Australia's 5590+ publication¹ show that by focusing on and improving five modifiable behavioural risk factors – physical inactivity, poor nutrition, smoking, excess alcohol and our interaction with the environment – we can assist to prevent five major non-communicable diseases – cancer, diabetes, respiratory diseases, heart disease and mental health conditions and disorders.

NCDs contribute not only to deaths, but also to years lived with disability. The burden of disease is measured by the cumulative effect on years lost from premature death and years spent with a disability (often referred to as disability adjusted life years). These impacts can be quantified.



Globally, NCDs were responsible for 1.62 billion total years of healthy life lost to both death and disability in 2020.² The Australian Institute of Health and Welfare (AIHW) in 2018 estimated that 38 per cent of the Australian health burden was preventable due to modifiable risk factors.³ This same report noted that a 21 per cent reduction on burden could be achieved if all Australian's experienced the same rate of disease burden as the most advantaged socioeconomic group - suggesting that financial barriers are a significant contributor to poor health outcomes.

Ill-health directly affects social and economic participation. Poor health status represents one of the largest brakes on an economy's labour supply, meaning that successful preventative health measures can potentially have significant positive economic impacts and improve productivity of those in the workforce.

It is our view that a greater focus on prevention and early intervention from Government and the private sector would be of greatest long-term benefit to productivity. Measuring leading health indicators and supporting public policy measures that encourage people to modify these unhealthy behaviours would have a significant contribution to improving the lives of Australians.

¹ 5590+ The new health insight helping Australians lead healthier, longer, better lives – July 2021

² Global Burden of Disease, 2019.

³ Australian Institute of Health and Welfare – Australian burden of disease study: Impact and causes of illness and death in Australia 2018

Indicators that support the proposed objectives

We support use of OECD indicators as part of Treasury's measurements, to the extent that these align with the key objectives set by Government. To ensure prevention and early intervention are promoted, we believe the framework should include as many leading indicators as possible. For example, for health-related outcomes, the use of biomarkers like blood pressure, cholesterol and fasting glucose, rather than the diagnosis of a chronic health conditions.

We also support leveraging existing local research sources, such as the Australian Bureau of Statistics (ABS) and AIHW.

INDICATOR	DATA SOURCE	ADDITIONAL INFO
OBJECTIVE: IMPROVING HEALTH OUTCOMES		
Risk factors (high blood pressure, dyslipidaemia, impaired fasting glucose and overweight and obesity)	ABS population health surveys	Context and more details found in AIHW's article on biomedical risk factors https://www.aihw.gov.au/reports/australias-health/biomedical-risk-factors
Access to mental health services	ABS National Study of Mental Health and Wellbeing	https://www.abs.gov.au/statistics/health/mental-health/national-study-mental-health-and-wellbeing/latest-release
Health status - Percentage of adults reporting good, very good or excellent health	Proposed survey by ABS or AIHW	This is a unit of measurement in New Zealand's Living Standards Framework
Mental health - Percentage of adults with high or very high levels of psychological distress	Proposed survey by ABS or AIHW	This is a unit of measurement in New Zealand's Living Standards Framework
Social connectedness	Proposed survey by ABS or AIHW	AIA Australia report - <i>The power of social connection</i> . https://www.aia.com.au/content/dam/au/en/doc/reports/the-power-of-social-connection.pdf
Burden of disease	AIHW	https://www.aihw.gov.au/reports/burden-of-disease/burden-of-disease-study-2018-key-findings/contents/about
Premature mortality	ABS or AIHW	
OBJECTIVE: MITIGATE THE IMPACTS OF CLIMATE CHANGE		
Health impacts of air quality - Restricted annual activity days due to illness		This is a unit of measurement in New Zealand's Living Standards Framework

resulting from exposure to human-made PM10 pollution		
Prevalence of agricultural drought		This is a unit of measurement in New Zealand's Living Standards Framework
Progress towards net-zero commitment		
OBJECTIVE: ADDRESS HEALTH GAP BETWEEN INDIGENOUS AND NON-INDIGENOUS		
Risk factors	Indigenous Health Performance Framework	Section on health behaviours https://www.indigenoushpf.gov.au/measures
Burden of disease	Indigenous Health Performance Framework	Section on health status and outcomes https://www.indigenoushpf.gov.au/measures
Gap in life expectancy	ABS	
Social and emotional wellbeing	Indigenous Health Performance Framework	https://www.indigenoushpf.gov.au/measures/1-18-social-emotional-wellbeing
Productivity in retirement		https://www.indigenoushpf.gov.au/measures
Burden of disease	AIHW	https://www.aihw.gov.au/reports/burden-of-disease/australian-burden-of-disease-study-2022/contents/about
OBJECTIVE: ENSURE DIGNITY IN RETIREMENT		
Retirement savings at or over the retirement standard		
Gap between retirement intention and actual retirement age	ABS	https://www.abs.gov.au/statistics/labour/employment-and-unemployment/retirement-and-retirement-intentions-australia/latest-release
Reliance on social security		
Social connection in retirement	Proposed survey by AIHW	

Impact on public policy

Similar to the regulatory impact statement, public policy should be considered through the lens of how it will impact key indicators. A model similar to New Zealand's Living Standards Framework, could be adopted as this requires all new policy proposals to state how they contribute to progress outcomes in the wellbeing framework.

On a similar note, the significant volume of regulatory reforms to financial services has created significant challenges. In particular, reforms have impacted sustainability for financial services, including life insurance, with fundamental changes to the status quo. These challenges have implications for consumers as they directly impact affordability. Similarly, these reforms have impacted life insurance coverage, in terms of breadth and adequacy as each of the distribution channels have been constrained. This further increases the significant level of underinsurance in Australia. Rice Warner estimates that this

costs the Government over \$600 million per annum in social security payments of death and TPD underinsurance⁴. Increasing underinsurance impacts consumers who are at significant risk of financial duress if they or their family were to suffer serious illness or premature death.

Policymakers could consider the consequence of any regulatory reforms on sustainability and underinsurance as part of the regulatory impact statement.

⁴ Rice Warner *Underinsurance in Australia 2020*