

15 September 2025

Productivity Commission

By upload

Dear Ms Wood,

### **Productivity Commission's Interim Report - Delivering quality care more efficiently**

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to provide feedback on behalf of our members in relation to the Productivity Commission's Interim Report on Delivering Quality Care More Efficiently (the Interim Report).

The Insurance Council is the representative body for the general insurance industry in Australia, representing approximately 85% of total premium written by general insurers, spanning both insurers and reinsurers. Our members provide a range of general insurance products including public liability insurance, professional indemnity insurance and workers' compensation.

We welcome the Interim Report and strongly support its emphasis on improving both the quality and efficiency of care delivery in Australia.

The Interim Report highlights the growing pressure on the care system to deliver high-quality services at a sustainable cost as the population, and its needs, continue to evolve. It identifies greater alignment in safety regulation, improved collaboration and investment in prevention as opportunities to boost productivity in the care economy.

#### **Insurance Council position**

The Insurance Council acknowledges the benefits of improving efficiency and creating opportunities for greater collaboration between sectors and medical providers to ensure high quality care services can continue to be provided at a sustainable cost.

The Insurance Council's response focuses on Recommendation 3.1 regarding the proposed National Prevention Investment Framework, given the benefits prevention programs will bring in improving health and wellbeing outcomes and easing future pressure on acute care services. We also support the proposal for a standardised assessment process to ensure there is structured and objective evaluation of prevention initiatives, and consistent and transparent funding decisions.

The Insurance Council supports measures to prevent illnesses more broadly but wishes to highlight the need to address the rise in mental illness in particular. While most areas of health have improved for Australians over recent decades, mental illness is an outlier, with rates of mental ill health increasing dramatically.

The health of Australians has changed considerably over the last century. For example, between 1907 and 2020, deaths from infectious diseases fell by 98%<sup>1</sup> and, after peaking in 1968, deaths from

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<sup>1</sup> Deaths due to infectious diseases have increased again due to COVID-19 which was the third leading cause of death in 2022. The ongoing challenge of chronic conditions in Australia, Australian Institute of Health and Welfare, Australian Government, 2 July 2024, [Australia's health 2024: data insights: The ongoing challenge of chronic conditions in Australia - Australian Institute of Health and Welfare](#)

cardiovascular disease decreased by 85% from 1968 to 2022.<sup>2</sup> Australia has experienced this public health success through both prevention and treatment.<sup>3</sup>

While Australia has experienced success in most areas of health, more people are living with the burden of disease from chronic illnesses, including mental illness which is one of the fastest growing chronic conditions.<sup>4</sup> The leading causes of ill health between 2003-2023 were mental and substance use disorders (26% of the non-fatal disease burden in 2023).<sup>5</sup>

Given the significant impact on individuals, society and productivity more broadly, we consider that targeted and strengthened prevention initiatives are critical to address the sharp increase of mental illness in the community. Noting the finite government resources available, we support the development of approaches to assist with the efficient investment in prevention (which is likely to require cross-sector collaboration) and the prioritisation of resources to prevention activities. Digital transformation and advancements in technology may also assist with improvements in efficiency.<sup>6</sup>

Where prevention is not possible and care is required, such care should involve a comprehensive, patient-centred approach that ensures individuals receive the best possible treatment for their specific needs. Governments also need to address the shortages of medical professionals (especially psychiatrists and psychologists), particularly in regional and remote areas, to ensure that people can receive the timely and effective care they require.

## Prevalence of mental illness

Mental illness affects a significant portion of the population and rates have increased dramatically in recent years. According to the Australian Bureau of Statistics' National Study of Mental Health and Wellbeing (2020-2022):

- 43% of Australians aged 16-85 (around 8-9 million) had experienced a mental disorder at some point in their lives.
- 22% had experienced a mental disorder in the past 12 months, with 17% having an anxiety disorder.
- Among young adults aged 16-24, 39% had a mental disorder in the past 12-months.<sup>7</sup> This figure was 26% in 2007.<sup>8</sup>

## Impacts of mental illness

Mental illness has a profound impact on individuals and those close to them as well as on the community more broadly, putting pressure on health systems, workplaces, schools and both statutory

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<sup>2</sup> The ongoing challenge of chronic conditions in Australia, Australian Institute of Health and Welfare, Australian Government, 2 July 2024, [Australia's health 2024: data insights: The ongoing challenge of chronic conditions in Australia - Australian Institute of Health and Welfare](#)

<sup>3</sup> Ibid.

<sup>4</sup> July 2024, [Australia's health 2024: data insights: The ongoing challenge of chronic conditions in Australia - Australian Institute of Health and Welfare](#)

<sup>5</sup> Ibid.

<sup>6</sup> For example, enhanced digital capabilities have been found to increase efficiencies in the insurance industry with potential learnings for the care sector. The economics of digitalisation in insurance: new risks, new solutions, new efficiencies, Swiss Re Institute, No 5/2023, [2023-09-sri-sigma-5-the-economics-of-digitalisation-2023.pdf](#)

<sup>7</sup> National Study of Mental Health and Wellbeing 2020-2022, Australian Bureau of Statistics, [National Study of Mental Health and Wellbeing, 2020-2022 | Australian Bureau of Statistics](#)

<sup>8</sup> Australia's Youth: mental illness, Australian Institute of Health and Welfare, Australian Government, 25 June 2021, [Australia's youth: Mental illness - Australian Institute of Health and Welfare](#)

insurance classes (workers' compensation and CTP) and broader commercial lines like public liability insurance. This includes heightened demand and financial strain as well as growing complexity in underwriting and claims management.

The Productivity Commission's consideration of improvements to the quality of care, including prevention of ill health, is timely given the impacts of mental illness on the economy and productivity more broadly.

Mental illness puts significant pressure on the health system, with spending on mental health services increasing from \$11.8 billion in 2018-19 to \$13.2 billion in 2022-23.<sup>9</sup> In schools, mental illness can impact student productivity and academic performance and a study of primary and high school students found that emotional health problems such as anxiety and depression were the strongest predictors of school absences the following school year.<sup>10</sup> NAPLAN data shows that academic achievement in literacy and numeracy is impacted by every day a child is absent from school.<sup>11</sup> Since COVID-19, there has been a doubling of the rate of anxiety and depressive symptoms globally.<sup>12</sup>

In workplaces, the impacts of mental illness include increased absenteeism, higher rates of employee turnover, more workers' compensation claims and decreased productivity. The American Psychiatric Association has reported that unresolved depression accounts for a 35% reduction in productivity and employees with depression miss an average of 31.4 days of work per year.<sup>13</sup>

Mental illness related claims are also having a significant and growing impact across various lines of insurance including public liability insurance, CTP and workers' compensation insurance.

The impact on life insurance is significant with 44 per cent of life insurance payments in 2024 linked to mental ill-health rather than a physical condition or injury, compared to 25 per cent in 2019.<sup>14</sup> Life insurance claims for mental illness have grown from \$1.2 billion in 2019 to \$2.2 billion in 2024 and permanent disability claims for mental illness by those in their 30s increased 732 per cent between 2013 and 2022 and now make up 36 per cent of claims.<sup>15</sup>

Mental injury claims have risen across workers' compensation schemes in Australia. For example, in Victoria, mental injury claims made up 16% of all claims in 2024, compared to only 2% of claims in 1985.<sup>16</sup> In NSW, the number of psychological injury claims has doubled since 2018, and the average cost of claims has doubled since 2020.<sup>17</sup> Just 50% of workers with psychological claims are back at work within a year compared to 95% for physical injuries, leading to a significant decline in productivity.<sup>18</sup>

According to Safework Australia, workplace-related mental health conditions are one of the costliest forms of workplace injury with data demonstrating that they lead to significantly more

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<sup>9</sup> Expenditure on mental health services, Australian Institute of Health and Welfare, Australian Government, 25 February 2025, [Expenditure - Mental health - AIHW](#)

<sup>10</sup> School Refusal and Mental Health: Submission to the Inquiry on "The national trend of school refusal and related matters", Black Dog Institute, December 2022, [Sub05\\_BlackDogInstitute.pdf](#)

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> The Impacts of Poor Mental Health in Business, Berkeley ExecEd, [The Impacts of Poor Mental Health in Business | Berkeley Exec Ed](#)

<sup>14</sup> Millennial mental health claims help push life insurers to \$2.2b crisis, Lucy Dean and Michael Smith, Financial Review, 9 July 2025, [Mental health claims pushing life insurers to crisis point, says CALI, Acenda, AIA](#)

<sup>15</sup> Ibid.

<sup>16</sup> [The 'Scheme Modernisation' Changes to Victoria's Workers Compensation Laws - will they have the desired impact? | Turks](#)

<sup>17</sup> Workers Compensation reform passes key hurdle, 4 June 2025, NSW Government, Ministerial Media Release, [Workers Compensation reform passes key hurdle | NSW Government](#)

<sup>18</sup> Ibid.

time off work and higher compensation paid when compared to physical injuries and diseases.<sup>19</sup> For example, in 2019-20:

- The median time lost for mental health conditions was 30.7 working weeks per serious claim, compared to 6.2 working weeks per serious claim for physical injuries and diseases.<sup>20</sup>
- The median compensation paid was \$55,270 per serious claim, compared to \$13,883 for physical injuries and diseases.<sup>21</sup>
- The median time lost (in working weeks) for mental health conditions increased from 18.8 working weeks in 2015-16 to 30.7 working weeks in 2019-20.<sup>22</sup>

Claims for psychological injuries have also risen in CTP schemes. Finity notes that the proportion of claims with a psychological injury has increased in several jurisdictions and secondary psychological and mental injury claims are becoming a challenge in several CTP jurisdictions.<sup>23</sup> Suncorp has stated that more than 30% of Suncorp CTP claims in Queensland include psychiatric injuries and that separating accident-related psychological symptoms from longstanding conditions that fall outside the CTP legislation's scope is a key challenge.<sup>24</sup>

The exponential increase in mental illness related claims costs ultimately results in higher premiums for consumers, placing additional pressure on consumers during the current cost of living crisis.

It was estimated in 2020 that mental illness was costing Australia about \$200-\$220 billion per year, which was just over one-tenth of the size of Australia's entire economic production in 2019.<sup>25</sup> Given the increase in mental illness since then, it is anticipated that this figure would be higher now.

The economic cost of mental health issues in Victoria was considered in the final report of the Royal Commission into Victoria's Mental Health System, which estimated the economic cost of poor mental health in Victoria to be \$14.2 billion a year. This included a cost of \$1.9 billion a year to employers, with \$1.6 billion in lost productivity and \$300 million due to workplace injuries.<sup>26</sup>

In addition to providing quality care for those who need it, prevention of illness, especially mental illness, should be prioritised to improve people's quality of life, ensure they can contribute productively to society, alleviate pressure on the health system and avoid or reduce the burden of mental injury insurance claims on consumers.

## Benefits of prevention

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<sup>19</sup> Key work health and safety statistics Australia 2022, 17 January 2023, Safe Work Australia, [Key work health and safety statistics Australia 2022 | Safe Work Australia](#)

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Motor Injury Insights: March 2025, Finity, 21 March 2025, [Motor Injury Insights: March 2025 | News and Insights - Finity Consulting](#)

<sup>24</sup> CTP exec flags rise in mental health claims, Insurance News, 29 July 2024, [CTP exec flags rise in mental health claims - Insurance News - insuranceNEWS.com.au](#)

<sup>25</sup> Productivity Commission Inquiry Report, Mental Health, Volume 1, Productivity Commission, Australian Government, 30 June 2020, [Volume 1 - Inquiry report - Mental Health](#)

<sup>26</sup> Interim Recommendation 08, New approach for mental health investment, Victorian Department of Health, 9 December 2024, [Interim Recommendation 08 | health.vic.gov.au](#)

We strongly support increased government investment in the prevention of illness, especially mental health issues, as a vital step towards improving individual wellbeing, reducing long-term health system costs, and building stronger, more resilient communities.

Preventing or intervening early in life and early in illness should be a priority to improve outcomes for young people throughout their lives. There is overwhelming evidence that early access to good quality treatment allows young people's mental health problems to be addressed quickly, avoiding prolonged disruption to their educational and social development.<sup>27</sup>

Despite the clear benefits of prevention, much of the current system remains focused on crisis response rather than prevention and early intervention. We note the Interim Report's findings that governments tend to underinvest in prevention and, in health care alone, the proportion of expenditure on prevention in Australia is low compared to many of our OECD peers. The Royal Commission into Victoria's Mental Health System found that a 15 percent reduction in the level of need experienced by Victorians diagnosed with mental illness would deliver \$1.1 billion in extra economic activity in the Victorian economy every year.<sup>28</sup>

It is imperative that prevention funding is well allocated and able to flow through to those with the greatest need. Medicare data shows that the number of one-hour sessions available or undertaken with a clinical psychologist falls dramatically when you leave the major urban areas.<sup>29</sup> Socioeconomic disadvantage is also a key factor in a person's access to mental health services and use of these services may be as much as nine times less proportionally to the number of people with mental health problems in the worst-off areas, compared with people in the best-off fifth of the country.<sup>30</sup>

Increased government investment in prevention programs (e.g., public education, early intervention, screening programs and support for healthier lifestyles) is critical to improving population wellbeing, reducing health inequities, and ensuring the long-term sustainability of Australia's health system. Likewise, mental health promotion in schools, workplaces and communities has been shown to improve outcomes and reduce demand for acute services.

By addressing risk factors before they develop into chronic conditions or acute episodes, the burden of disease can be reduced, hospital admissions minimised and pressure on an already stretched healthcare system eased.

The benefits of government investment in prevention include increased productivity through lower health care costs, reduced reliance on government support, lower rates of absenteeism in schools and workplaces and reduced attrition in workplaces. It is expected that improved mental health across the community will reduce the likelihood of injuries being sustained and will benefit insurance lines including workers' compensation, CTP and public liability through reduced claim numbers, lower claim costs and, ultimately, more affordable premiums for customers. In addition to these societal benefits, there are, of course, enormous benefits to individuals and those close to them when the devastating impacts of mental illness are prevented.

Where prevention is not possible, quality medical care is essential given the profound impact illness, especially mental illness, can have on every aspect of a person's life. Without proper diagnosis,

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<sup>27</sup> Hudson, J.L., Prevention of anxiety disorders across the lifespan. JAMA Psychiatry, 2017. 74(10): p. 1029-1030. DOI, [Prevention of Anxiety Disorders Across the Lifespan - PubMed](#)

<sup>28</sup> Interim Recommendation 08, New approach for mental health investment, Victorian Department of Health, 9 December 2024, [Interim Recommendation 08 | health.vic.gov.au](#)

<sup>29</sup> Three Charts on: why rates of mental illness aren't going down despite higher spending, Graham Meadows, Joanne Enticott and Sebastian Rosenberg, The Conversation, [Three charts on: why rates of mental illness aren't going down despite higher spending](#)

<sup>30</sup> Ibid.

treatment and ongoing support, individuals may experience worsening symptoms, decreased quality of life and a reduced capacity to contribute productively to society. Care should involve a comprehensive, patient-centred approach that ensures individuals receive the best possible treatment for their specific needs.

Providing quality care also requires the current shortage of medical professionals (especially psychiatrists and psychologists<sup>31</sup>) to be addressed as well as ensuring their availability in regional and remote areas. Given the finite resources available, efficiencies in the provision of care should be identified to ensure funds are used with the greatest benefit.

We hope this submission is of assistance. Please do not hesitate to contact Alice Nichol, Senior Adviser, Insurance Lines on 0427 902 960 or at [anichol@insurancecouncil.com.au](mailto:anichol@insurancecouncil.com.au) if you have any queries.

Sincerely,



**Kylie Macfarlane**

Chief Operating Officer and Deputy CEO

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<sup>31</sup> The president of the Royal Australian and New Zealand College of Psychiatrists (RANZCP), Dr Elizabeth Moore, says the current psychiatric workforce meets only 56 percent of current national demand - Mental health crisis driving huge demand for skilled practitioners, 30 September 2024, by The Age, [Mental health crisis driving huge demand for skilled practitioners | APS](#)