



Building a Better Health System

Why Measurement Matters

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Introduction

The Australian healthcare system has again been recognised as one of the world’s best, as stated in the most recent report by the Commonwealth Fund¹.

According to the report, Australia is ranked as the best performing health system in the world and is noted as the top performer across a number of metrics.

The report compared the performance of the health systems in Australia, Canada, France, Germany, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom and the United States. The findings assessed the performance for each country across five domains including access to care, care process, administrative efficiency, equity and health outcomes.

Health care system performance rankings

	AUS	CAN	FRA	GER	NETH	NZ	SWE	SWIZ	UK	US
OVERALL RANKING	1	7	5	9	2	4	6	8	3	10
Access to care	9	7	6	3	1	5	4	8	2	10
Care process	5	4	7	9	3	1	10	6	8	2
Administrative efficiency	2	5	4	8	6	3	7	10	1	9
Equity	1	7	6	2	3	8	-	4	5	9
Health outcomes	1	4	5	9	7	3	6	2	8	10

Note: SWE overall ranking does not include Equity domain. See 'How We Conducted This Study' for more detail.

Data: Commonwealth Fund analysis.

¹Blumenthal, David. et al. "Mirror, Mirror 2024: A Portrait of the Failing U.S. Health System." *The Commonwealth Fund*, 19 Sept. 2024, www.commonwealthfund.org/publications/fund-reports/2024/sep/mirror-mirror-2024, <https://doi.org/10.26099/ta0g-zp66>.

The Australian health system is ranked 1st overall in the latest report and excelled in healthcare outcomes, administrative efficiency, and equity. These findings are an improvement on rankings in the results of the previous report² where the Australian health system was ranked 3rd overall with consistent results in the highest rankings for equity and health outcomes.

Australia's healthcare system operates on a hybrid model, incorporating both a public and a private sector. The public system, funded through taxes, offers universal healthcare coverage for services like general practitioner visits, specialist care, and hospital treatments at minimal or no direct cost to patients when seeking care.

The private health sector plays a supportive role to the public system. About 45% of the population have private health insurance products with hospital coverage. Membership is encouraged through government incentives and subsidies. The private system offers patients faster access to care, shorter waiting times, more choice regarding their treating doctors, and access to private hospitals.

This dual system ensures that Australians receive prompt and efficient medical care, contributing to the nation's outstanding health results.

² The Commonwealth Fund. "Mirror, Mirror 2021: Reflecting Poorly." www.commonwealthfund.org, The Commonwealth Fund, 2021, www.commonwealthfund.org/publications/fund-reports/2021/aug/mirror-mirror-2021-reflecting-poorly.



Measuring health outcomes

Tracking health outcomes is vital for comprehending and enhancing healthcare service quality.

Australia's leading position in healthcare outcomes in the Commonwealth Fund's report emphasises the significance of systematic monitoring and assessment of what metrics are important to track over time. The 2024 report defined health outcomes across two main categories: population health outcomes and mortality amenable to health care.

The first category, population health outcomes, includes life expectancy at birth, measuring the variance from the 10-country OECD average. The metric also includes World Health Organization measures of excess deaths that are associated with the COVID-19 pandemic for those younger than 75 years of age and those older than 75 years to quantify the impact of the pandemic on mortality.

The second category, mortality amenable to health care, is defined in the report as capturing "deaths at all ages from specific causes that are considered preventable and treatable through timely and effective health care. According to the OECD, deaths considered preventable are those that can be avoided through effective primary prevention and other public health measures ("preventable mortality"). Treatable deaths are considered preventable through more effective and timely health care interventions ("treatable mortality")³.

These measures considered in the report provide objective indicators of population health and the impact of healthcare interventions and are crucial for understanding the broader effectiveness of healthcare systems in preventing and treating diseases. But they fall short of the gold standard of health outcomes measures as defined by the International Consortium for Health Outcomes measures (ICHOM⁴) which focus on measuring value from the perspective of patients directly at an individual treatment and disease pathway.

Patient-reported data emphasises the value of healthcare from the patients' viewpoint, ensuring that the care provided aligns with their needs and expectations. A true patient-centred approach is critical for value-based healthcare systems, where the goal is to achieve the best possible experience and outcomes for patients while optimising resource use. By integrating patient-reported data into healthcare system measurement, stakeholders can gain a deeper understanding of the effectiveness of treatments and interventions, ultimately leading to improvements in care delivery, patient experience and outcomes.

The Voice of the Patient⁵ platform aims to facilitate this in the Australian market and measures the value of health services from the perspectives of patients.

³ Blumenthal, David, et al. "Mirror, Mirror 2024: A Portrait of the Failing U.S. Health System." The Commonwealth Fund, 19 Sept. 2024, www.commonwealthfund.org/publications/fund-reports/2024/sep/mirror-mirror-2024, <https://doi.org/10.26099/ta0g-zp66>.

⁴ "Home." ICHOM, www.ichom.org/.

⁵ "Voice of the Patient." *Voice of the Patient*, 2024, voiceofthepatient.com.au/home.

Voice of the Patient

The Voice of the Patient is a comprehensive platform that has been measuring the critical components required for value-based funding in the Australian private health insurance (PHI) market since 2020. It has been made available to more than 190,000 patients and has generated a near 50% response rate at the time of this report (April 2025).

Voice of the Patient was developed in partnership with various healthcare stakeholders, including clinicians, and provides a complete articulation of the value of care from multiple data sources.

This includes:

- Patient-reported data
 - Clinical data like diagnostic and procedure codes
 - Demographic data
 - Cost and claims data
 - Other data sources like healthcare provider data
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The Voice of the Patient service suite includes detailed benchmarks and scoring metrics at an individual hospital level and delivers an evidence-based perspective on the value of PHI services.

The platform was originally developed by Insight⁶ overseas and was configured to suit the Australian Healthcare context in partnership with the Australian Health Service Alliance and launched in Australia 2020 (AHSA⁷). Insight is an industry-leading healthcare consulting firm that assists clients in understanding, monitoring, and managing their risks. Their approach to measurement is to create a data-driven perspective on value and quality that can be used to improve the interactions between stakeholders in the healthcare market. The AHSA is Australia's largest health insurance buying group. As a member-owned, not-for-profit service organisation, AHSA aims to achieve a quality, sustainable private health insurance industry for their members that also contributes to the viability of Australia's healthcare industry.

⁶ insightauadmin. "Insight – Actuaries & Consultants Australia – Managing Risk & Developing Opportunity." *Insightactuaries.com.au*, 2018, insightactuaries.com.au/.

⁷ "Home - AHSA." *AHSA*, 18 Apr. 2024, www.ahsa.au/.

Evaluating health outcomes from the perspective of patients is crucial for understanding the health system and how it can be improved. It allows healthcare providers to pinpoint areas for enhancement, allocate resources efficiently, and elevate patient care. Patient-Reported Experience Measures (PREMs) and Patient-Reported Outcome Measures (PROMs) play crucial roles in this process. PREMs gauge patients' experiences with healthcare services, shedding light on factors such as communication, accessibility, and empathy. PROMs focus on health outcomes including health status post-treatment, covering aspects like functional capacity, pain levels and quality of life.

The Voice of the Patient platform integrates both PREMS and PROMS and provides Australians with a direct voice into the evaluation of quality and value from their own perspective. It enables a comprehensive and patient-centred understanding of healthcare quality and patient satisfaction. This ensures that healthcare providers can identify strengths and areas needing improvement, ultimately leading to a continuous improvement focus and better health outcomes. **An ongoing focus on value from the perspective of patients will be crucial to driving the systematic improvements that will be required for the Australian healthcare system to remain a global leader in health outcomes.**



Patient-Reported Experience Measures (PREMs)



Communication



Accessibility



Empathy



Patient-Reported Outcome Measures (PROMs)



Pain levels



Quality of life



Health status



Why measurement matters

The Voice of the Patient platform underscores the critical role of accurate measurement of patient-reported data in enhancing healthcare quality and patient outcomes.

To illustrate this, we conducted a comprehensive analysis of the variance in performance between the top 10% and lower scoring hospitals in the private health insurance market for a significant number of Diagnosis Related Group's (DRG). This analysis compared the correlations between the relative patient-reported experience scores and other indicators of quality and value in the form of patient-reported outcomes and patient-reported events.

Patient-Reported Experience Measures (PREMs) were evaluated at a DRG level, ensuring that comparisons were made across similar types of treatments and conditions. The relative performance measures were risk-adjusted to account for patient demographics and clinical complexities.

Hospital performance was then quantified based on the overall PREM scores per facility, per DRG, which were presented on a scale from 0% to 100%, with higher scores indicating better performance. Adjustments were made to ensure that each facility had enough data to provide a stable and statistically significant sample for each individual DRG comparison group.

The results compare the findings of three common DRGs. They are:

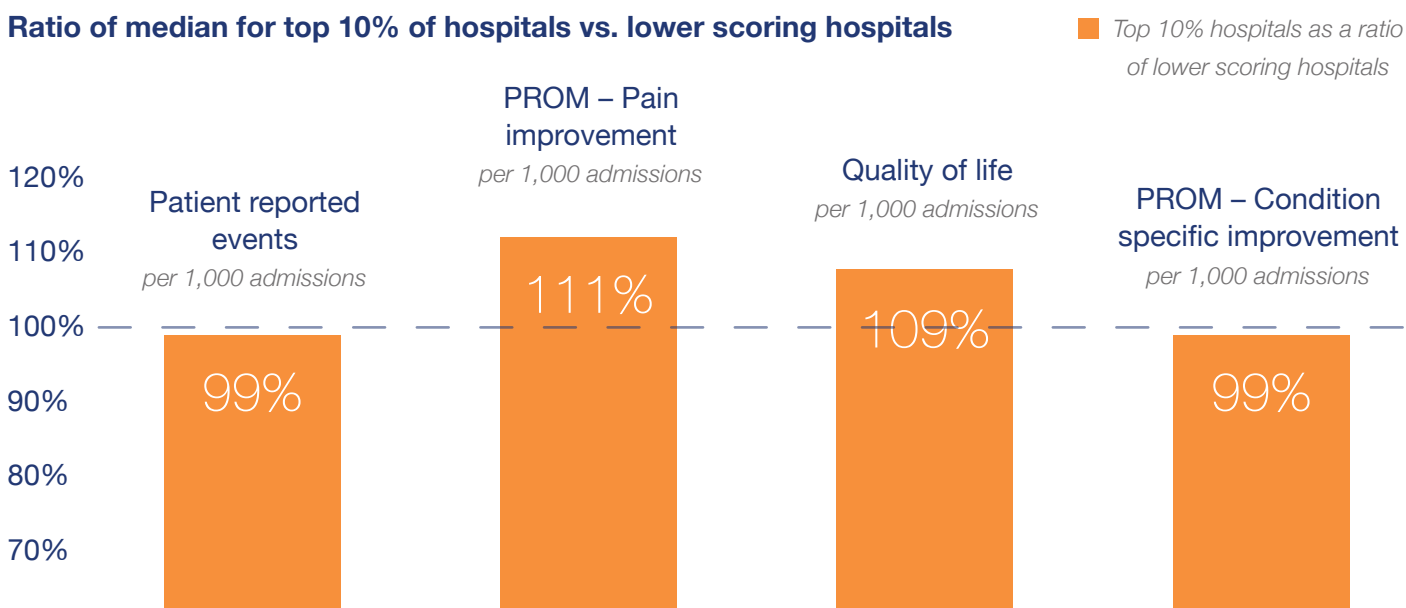
- Knee Replacements (I04B) covering 71 hospitals with sufficient data for the comparisons.
- Hip Replacements (I33B) covering 58 hospitals with sufficient data for the comparisons.
- Hernia Procedures (G10B) covering 49 hospitals with sufficient data for the comparisons.

The results compare the median values for the top 10% of hospitals against those of the lower scoring 10% as a ratio.

- Ratio values higher than 100% indicate that the top performing hospitals yield higher incidences for a particular measure.
- Ratio values below 100% indicate that the top performing hospitals yield lower incidence for a particular measure.

By way of an example, if we compare patient-reported pain improvement scores for knee replacement surgeries between the top 10% (best-performing) and the lower scoring hospitals, if the top 10% of hospitals have a median pain improvement score of 120 and the lower scoring hospitals have a median score of 100, the ratio is $120/100$, which equals 120%. This means the top performing hospitals have a 20% higher pain improvement score. If we observe patient-reported adverse events per 1,000 admissions, and the top 10% of hospitals report a median of 80 adverse events per 1,000 admissions, while the lower scoring hospitals report a median score of 100 patient reported adverse events per 1,000 admissions, the ratio is $80/100$, which equals 80%. This indicates the top-performing hospitals have a 20% lower incidence of patient reported adverse events.

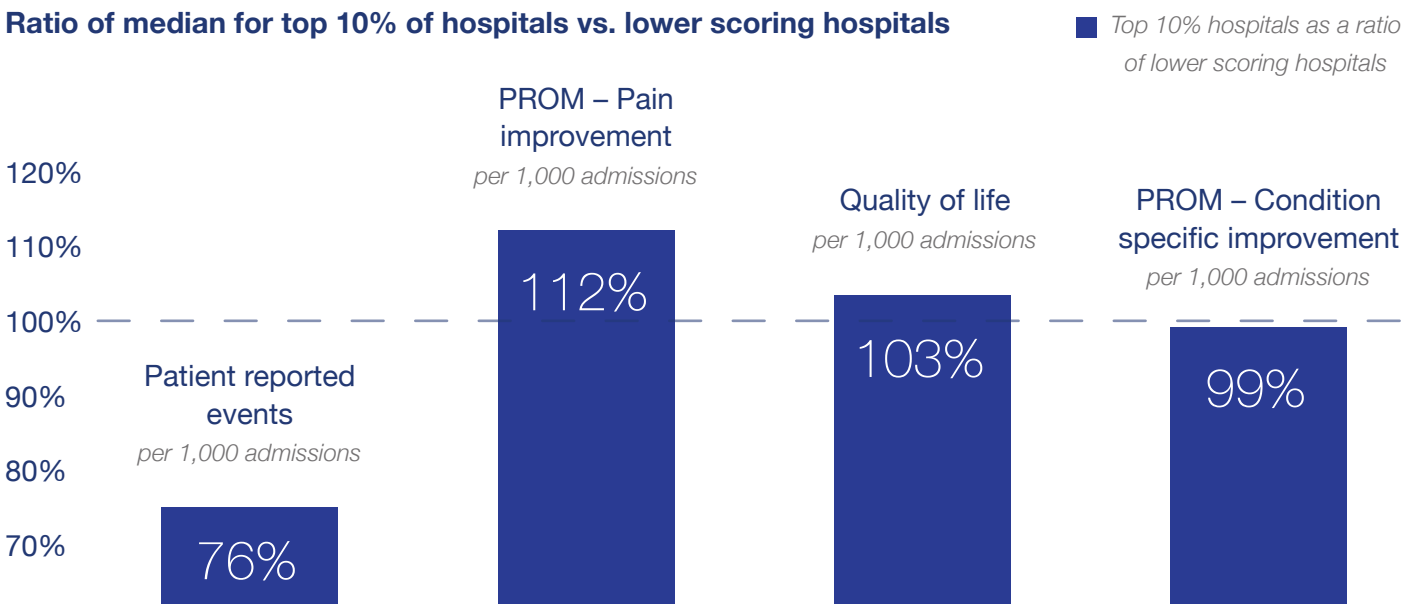
Figure 1: Knee replacements without major complexity



The results for knee replacements without major complexity, reflected as ratios of the top 10% hospitals to the lower scoring hospitals, demonstrate the importance of precise measurement in patient care. The top-performing hospitals show a nearly equal patient-reported event ratio of 99%, indicating a similar rate of adverse events as the lower scoring hospitals. However, in terms of pain improvement, the top hospitals outperform the lower scoring hospitals with a 111% ratio.

This highlights superior pain management outcomes for better performing (PREM scores) hospitals. The quality-of-life improvements also show a notable difference, with the top performing hospitals achieving a 109% ratio compared to the lower scoring hospitals. Finally, the condition-specific PROMs for knee replacements show a balanced ratio of 99%, suggesting similar effectiveness in managing knee-specific outcomes between the top and lower scoring hospitals.

Figure 2: Hip replacements without major complexity



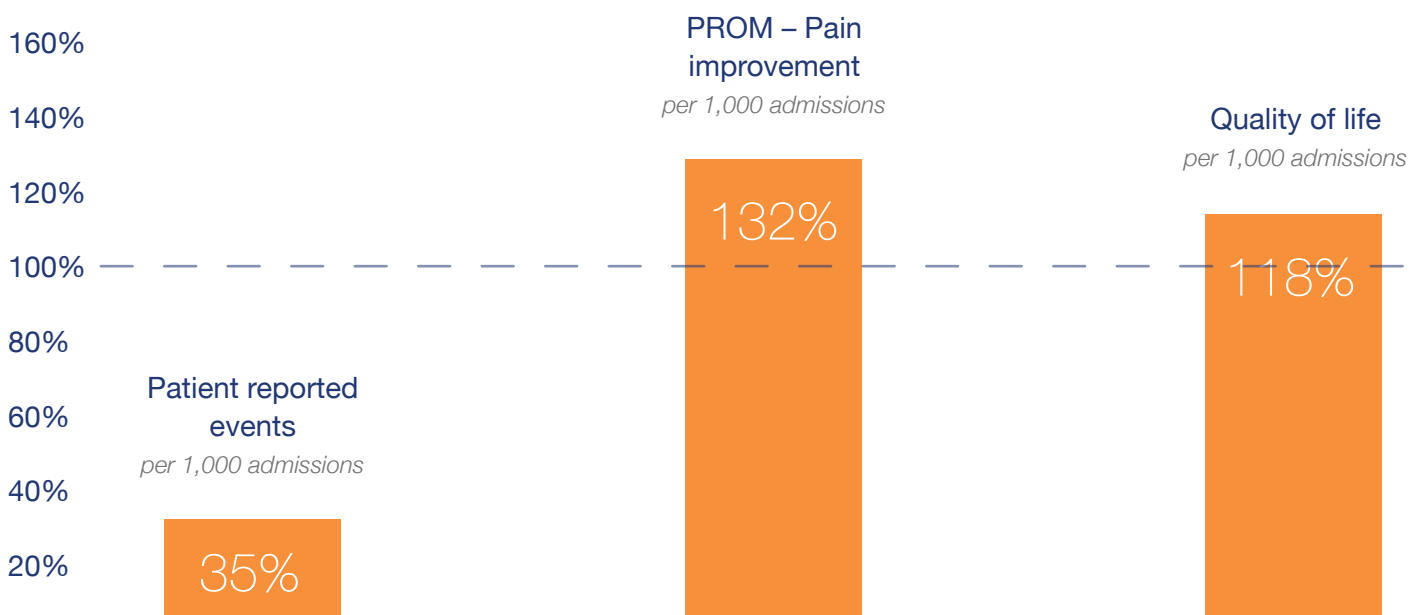
The top-performing hospitals report a 76% ratio for patient-reported events per 1000 admissions, indicating a lower rate of adverse events for top performing hospitals (in terms of PREMS) compared to the lower scoring hospitals. For PROMs related to pain improvement, the top 10% of hospitals achieve a 112% ratio, illustrating better median outcomes in pain management at these hospitals.

The quality-of-life measures also highlight a positive difference, with the top-rated hospitals achieving a 103% ratio. Condition-specific PROMs for hip replacements show a balanced ratio of 99% which is similar to the findings for knee replacements, suggesting similar effectiveness in managing hip-specific outcomes.

Figure 3: Hernia procedures

Ratio of median for top 10% of hospitals vs. lower scoring hospitals

■ Top 10% hospitals as a ratio of lower scoring hospitals



The top-performing hospitals report a 35% ratio for patient-reported events per 1000 admissions, indicating a notably lower rate of patient-reported adverse events compared to the lower scoring hospitals. For PROMs related to pain improvement, the top 10% of hospitals achieve a 132% ratio.

This demonstrates better outcomes related to long term pain outcomes for top rated hospitals. For the quality-of-life measures, the top performing hospitals achieve a 118% ratio, reflecting better overall patient well-being.

Implications

Patient-reported experience and outcome measures (PREMs and PROMs) are vital tools for improving healthcare systems. Hospitals that achieve higher PREM scores have been associated with lower hospital costs, greater hospital profitability⁸, less harm, and improved safety⁹. This interconnectedness between patient experiences, cost and clinical outcomes highlights the power of using patient-reported data as a foundation for building health systems that learn and improve over time.



Leveraging patient perspectives in contracting and reimbursement offers a powerful method to drive better healthcare outcomes and is a desired goal of many purchasing organisations and hospital providers. Hospital outcomes based funding model schemes, however, have had limited success to date with a recent review highlighting a small range of schemes having positive effects on a small scale and that no scheme had attached outright funding to PREMs or PROMs, also observing limited use of these measures within composite quality indicators¹⁰. **Through Voice of the Patient, the AHSA is now leading the Australian private health sector in development of value based contracting approaches that incorporate continuous improvement performance incentives based on patient reported data.**

⁸ Giese, Alice. et al. "Patient-reported experience is associated with higher future revenue and lower costs of hospitals." *The European Journal of Health Economics*, vol 25, no. 3, 2023, pp. 1-9

⁹ Anhang Price, Rebecca. et al. "Examining the Role of Patient Experience Surveys in Measuring Health Care Quality." *Med Care Res Rec*, vol 71, no. 3, 2024, pp. 522-554.

¹⁰ Cutler, Henry. et al. The use and usefulness of outcomes-based funding for hospitals, sax institute. *Macquarie University, Centre for the Health Economy*, 2019.



In 2024, AHSA reached a significant national funding agreement, transforming and innovating the way we fund and value private healthcare in Australia. The new agreement introduces incentives informed by AHSA's Voice of the Patient initiative, using benchmarked, risk adjusted, patient experience and outcomes data to implement value-based contracting metrics that foster continuous learning and improvement. This agreement will contribute to the advancement of understanding how such funding models influence outcomes for private patients, strengthening the currently limited evidence base for such approaches in the Australian private health system.

AHSA aims to redefine how industry stakeholders collaborate on health service agreements, emphasising efficiency, innovation and affordability. By incorporating patient insights into the contracting process, providers and funders can now design health systems that respond to patient needs and evolve based on real-world experiences.

Through Voice of the Patient, the AHSA is now able to align incentives for hospitals to drive continuous improvement and innovation based on patient experiences and outcomes, establishing a framework for sustainable, value-based healthcare across Australia. This is a watershed moment for the operationalisation of value-based healthcare in the Australian private healthcare system.





Conclusion

Australia has a world-class health system, and those with access to private hospitals are very likely to have access to some of the best treatments and care in the world. But the results indicate that there is still significant room for improvement, ongoing learning and patient-centred care.

The results indicate a strong correlation between patient experiences and health outcomes. By comparing the results of the best 10% of hospitals to those of the lower scoring hospitals in terms of PREMS scores at a DRG level, we identified substantial differences in key measures as they relate to patient perspectives, health outcomes and value.

Accurate and detailed measurement enables healthcare stakeholders to foster an environment of continual learning and improvement.

Organisations like the AHSA are at the forefront of this shift by using tools like the Voice of the Patient to better understand, measure and articulate the value of patient perspectives in improving care. It is essential to recognise that patient-reported data is key to a journey of continuous improvement

The insights gained from patient-reported data are a vital building block for a system that continually strives to maintain and enhance the quality of healthcare services.

