



Pre-Budget submission 2021-2022

Submission to Treasury

Obesity Policy Coalition

January 2021

About the Obesity Policy Coalition

The Obesity Policy Coalition (OPC) is a partnership between Cancer Council Victoria, Diabetes Victoria, VicHealth and the Global Obesity Centre at Deakin University, a World Health Organization (WHO) Collaborating Centre for Obesity Prevention. The OPC advocates for evidence-informed policy and regulatory change to address overweight, obesity and unhealthy diets in Australia, particularly among children.

Recommendations

The OPC makes the following recommendations to Treasury for the 2021-2022 Australian Government budget:

- Provide ongoing funding to implement the National Obesity Strategy, aligned to the final measures included in the strategy.
- Provide an ongoing funding commitment for preventive health, of at least 5% of the total national health budget over a set period.
- Introduce a health levy on sugary drinks¹ to effect a retail price increase of at least 20%, generating significant revenue and reducing sugary drink consumption.

Introduction

The OPC welcomes the opportunity to make a pre-budget submission to the 2021-2022 Australian Government (Government) budget. Obesity is a critical issue in Australia from both a health and economic perspective. The National Health Survey for 2017-18 reports that two-thirds (67.40%) of Australians are overweight or obese and around one-quarter (24.9%) of children aged 5-17 are overweight or obese.²

From a health perspective, these figures mean that a large proportion of the population is at heightened risk of non-communicable diseases including cardiovascular disease, type 2 diabetes and some cancers.³ After tobacco use, the risk factors of overweight and obesity

¹ Sugary drinks include all non-alcoholic water-based drinks with added sugar, such as sugar-sweetened soft drinks, energy drinks, sports drinks and cordials, excluding 100% fruit juices.

² Australian Bureau of Statistics, National Health Survey: First Results, 2017-18.

³ World Health Organization, Obesity: preventing and managing the global epidemic, Report of a WHO consultation. Technical Report Series 894. Geneva, 2000; The InterAct Consortium. Consumption of sweet beverages and type 2 diabetes incidence in European adults: results from EPIC-InterAct. *Diabetologia* PMID, 2013.

(8.4%) and poor diet (7.4%) are the highest contributors to Australia's burden of disease.⁴ Obesity may also have had an adverse impact on Australians' experience of Covid-19. Internationally, there is a growing body of evidence showing that people with obesity have a higher risk of severe illness if they contract Covid-19.⁵

From an economic perspective, high rates of obesity and associated chronic disease cost the Government, as well as State and Territory governments, businesses and individuals, a significant amount. These costs are direct and indirect costs, including costs of healthcare, and those linked to loss of productivity and reduced workforce participation. An alarmingly high percentage of young adult Australians (46% of 18-24 year olds⁶), a key demographic for Australia's workforce participation and economic productivity into the future, are above a healthy weight. As those Australians are at higher risk of non-communicable disease, this may have a significant effect on our workforce and create a large economic burden, in addition to affecting health outcomes, in years to come. Australia needs to ensure its population is as healthy and resilient as possible to enable a productive workforce.

Over the last year, Australia has experienced the devastating impact of the Covid-19 pandemic – from both a health and economic perspective. It has highlighted the importance of public health and more than ever clearly shown the critical role of sustained funding for prevention programs in protecting the health of Australians, and in creating a healthy and resilient population. We ask the Government to renew its focus on preventive public health measures and to commit to a significant increase in funding to support optimal health.

Recommendation 1: Allocate appropriate ongoing funding to implement the National Obesity Strategy

The COAG Health Council completed consultation on the National Obesity Strategy in 2019, but no final strategy has yet been released. We strongly support the urgent release of this strategy as a fundamental framework to facilitate and hasten action on obesity prevention in Australia.

⁴ Australian Institute of Health and Welfare. 2019. Australian Burden of Disease Study: impact and causes of illness and death in Australia 2015. Canberra, Australia.

⁵ Petrilli Christopher M, Jones Simon A, Yang Jie, Rajagopalan Harish, O'Donnell Luke, Chernyak Yelena et al. Factors associated with hospital admission and critical illness among 5279 people with coronavirus disease 2019 in New York City: prospective cohort study *BMJ* 2020; 369:m1966; Jennifer Lighter, Michael Phillips, Sarah Hochman, Stephanie Sterling, Diane Johnson, Fritz Francois, Anna Stachel, Obesity in Patients Younger Than 60 Years Is a Risk Factor for COVID-19 Hospital Admission, *Clinical Infectious Diseases*, Volume 71, Issue 15, 1 August 2020, Pages 896–897, <https://doi.org/10.1093/cid/ciaa415>; Hamer M, Kivimäki M, Gale CR, Batty GD. Lifestyle risk factors, inflammatory mechanisms, and COVID-19 hospitalization: A community-based cohort study of 387,109 adults in UK. *Brain Behav Immun*. 2020;87:184-187. doi:10.1016/j.bbi.2020.05.059.

⁶ Australian Bureau of Statistics, National Health Survey: First Results, 2017-18.

The strategy requires appropriate funding to ensure that it is implemented and monitored. This must be new funding that is ongoing and sustained over the strategy's 10-year time period. The amount of funding required must be based on the final measures included in the strategy and the implementation plan. We ask the Government to ensure that the strategy is released as a matter of priority and that appropriate allocations are included in the 2021-2022 budget based on implementation of the immediate and medium-term proposals in the final National Obesity Strategy.

Recommendation 2: Allocate a minimum of 5% of the annual health budget to preventive health

We support the Government's development of a National Preventive Health Strategy. As with the National Obesity Strategy, this must be linked to an ongoing funding allocation. We recommend that measures set out in the final National Preventive Health Strategy are allocated new funding to ensure they are implemented, monitored and maintained where effective.

In addition, we recommend the Government commit to an ongoing investment in preventive health representing at least 5% of the annual national health budget within a set time period. This would represent a significant increase from existing funding levels and would demonstrate the Government's strong commitment to preventive health and complement expenditure by State and Territory Governments.

This commitment could be achieved through graduated increases in investment, for example over the period covered by the National Preventive Health Strategy. Priority funding should be given to measures that have been demonstrated to be effective and cost-effective. The ongoing 5% investment should be embedded into ongoing funding allocations, with a mechanism developed to identify priorities for allocation of the funds on an annual basis.

We recommend this funding and associated oversight arrangements are incorporated into the National Preventive Health Strategy. This funding should be distinct from the funding required to implement the final National Obesity Strategy.

Recommendation 3: Introduce a health levy on sugary drinks to increase the retail price by 20%

Background

Health levies on sugary drinks are a 'win-win' for governments, as in addition to raising revenues, evidence suggests that they can reduce sugary drink consumption.⁷

We recommend the introduction of a levy to increase the retail price of sugary drinks by a minimum of 20%, as this is what has been shown to be effective in changing behaviour. An Australian modelling study found that a 20% health levy on sugary drinks could result in a 12.6% decline in consumption of sugary drinks and an overall decline in obesity of 2.7% in men and 1.2% in women. It is estimated that 1,606 more Australians would be alive in 25 years if the levy were introduced.⁸

Research around the world shows that these levies can be influential in improving diets across the population by encouraging companies to reformulate their products or making healthier options more affordable, raising revenues for governments to spend on obesity prevention, or both. Evidence from Mexico has found a sustained reduction in sugary drinks consumption following the 2014 introduction of a levy on sugary drinks of approximately 10%, with the biggest fall in the purchase of sugary drinks among lower socioeconomic groups.⁹ In the UK, analysis shows that producers have reduced the sugar in their drinks to minimise the tax they pay, with a 43.7% reduction in the total sugar content per 100ml between 2015 and 2019 for the drinks subject to the levy.¹⁰

Economic impact and cost-effectiveness

A health levy on sugary drinks would provide a significant revenue source for the Government, estimated by various studies and reports at between \$400 and \$642 million

⁷ Wright A, Smith KE, and Hellowell M. Policy lessons from health taxes: a systematic review of empirical studies. *BMC Public Health*, 2017; 17:583; Thow AM, Downs S, and Jan S. A systematic review of the effectiveness of food taxes and subsidies to improve diets: Understanding the recent evidence. *Nutrition Reviews*, 2014; 72(9):551-565; Helen Eyles et al., 'Food Pricing Strategies, Population Diets, and Non-Communicable Diseases: A Systematic Review of Simulation Studies' (2012) 9(12) *PLOS Medicine* 1; Brownell et al. 'The Public Health and Economic Benefits of Taxing Sugar-Sweetened Beverages' 361(16) *New England Journal of Medicine* 1599; Andreyeva et al. 'Estimating the potential impact of sugar-sweetened beverages to reduce consumption and generate revenue' (2011) 52(6) *Preventive Medicine* 413; Wang YC et al. 'A penny-per-ounce tax on sugar sweetened beverages would cut health and cost burdens of diabetes' (2012) 31 *Health Affairs* 199-207.

⁸ Veerman JL, Sacks G, Antonopoulos N, Martin J, "The impact of a tax on sugar-sweetened beverages on health and health care costs; a modelling study", (2016) *PloS One*, 11(4).

⁹ Colchero A, Popkin B, Rivera JA, Ng SW, "In Mexico, evidence of sustained consumer response two years after implementing a sugar-sweetened beverage tax", *Health Affairs*, 2017.

<http://m.content.healthaffairs.org/content/early/2017/02/16/hlthaff.2016.1231>; Colchero, M., Popkin, B., Rivera, J., and Ng, S. (2016) 'Beverage purchases from stores in Mexico under the excise tax on sugar sweetened beverages: observational study', *BMJ*, 352:e6704. doi: 10.1136/bmj.h6704.

¹⁰ Public Health England, [Sugar reduction: report on progress between 2015 and 2019](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/474242/sugar-reduction-report-on-progress-between-2015-and-2019.pdf) (publishing.service.gov.uk), October 2020.

annually.¹¹ It is also predicted to reduce healthcare spending both in the short and longer-term.

A specific area where the Government may see substantial healthcare savings within a relatively short period is on dental health. Evidence shows that sugary drink consumption is linked to high levels of dental caries and dental erosion.¹² A decrease in sugary drink consumption may lead to a drop in the levels of dental caries and dental erosion, resulting in decreased government spending on dental services, including on hospital dental treatment for children.

In Australia, a health levy on sugary drinks could be relatively simply imposed through existing tax structures, keeping the costs of implementation and administration reasonably low.¹³ Use of existing tax frameworks capable of accommodating a tax would mean implementation would not require the development of complex independent legislation and administrative structures.¹⁴

The low cost of implementation and administration, together with its potential to reduce obesity and associated healthcare spending, mean that a health levy on sugary drinks is a cost-effective policy. A 2018 analysis of cost-effective policies to tackle Australia's obesity epidemic by Deakin University identified that a health levy on sugary drinks would save the Australian Government \$1.7bn, costing very little (~\$11.8m) to implement, while delivering \$1.7bn in total healthcare cost offsets.¹⁵

Conclusion

We urge the Government to appropriately fund implementation of the National Obesity Strategy and to allocate a minimum of 5% of the annual health budget to preventive health,

¹¹ Veerman JL, Sacks G, Antonopoulos N, Martin J, above n 8. Duckett, S., Swerissen, H. and Wiltshire, T. 2016, A sugary drinks tax: recovering the community costs of obesity, Grattan Institute.

Lal A Mantilla-Herrera AM, Veerman L, Backholer K, Sacks G, Moodie M, Siahpush M, Carter R, Peeters A. (2017) Modelled health benefits of a sugar sweetened beverage tax across different socioeconomic groups in Australia: a cost-effectiveness and equity analysis. *PLoS Med* 14(6).

¹² National Health and Medical Research Council, Australian Dietary Guidelines (Incorporating the Australian Guide to Healthy Eating) 2013; Vartanian et al., 'Effects of soft drink consumption on nutrition and health: A systematic review and meta-analysis' (2007) 97(4) *American Journal of Public Health* 667; Tahmassebi JF, Duggal MS, Malik-Kotru G, Curzon ME. Soft drinks and dental health: a review of the current literature. *J Dent* 2006; 34(1): 2-11; Armfield JM, Spencer AJ, Roberts-Thomson KF, Plastow K. Water fluoridation and the association of sugar-sweetened beverage consumption and dental caries in Australian children. *Am J Public Health* 2013; 103(3): 494-500; Moynihan PJ, Kelly SA. Effect on caries of restricting sugars intake: systematic review to inform WHO guidelines. *J Dent Res* 2014; 93(1): 8-18.

¹³ Thow A and Kaplin L (2013) 'Using economic policy to tackle chronic disease: Options for the Australian Government' 20 *Journal of Law and Medicine* 604 at 608-609.

¹⁴ *Ibid.*

¹⁵ Ananthapavan J, Sacks G, Brown V, Moodie M, Nguyen P, Barendregt J, Veerman L, Mantilla Herrera A, Lal A, Peeters A, Carter R. Assessing cost-effectiveness of obesity prevention policies in Australia 2018 (ACE-Obesity Policy). Melbourne: Deakin University, 2018.

on an ongoing basis. A substantial investment in preventive health, in particular obesity prevention, is urgently needed.

A health levy on sugary drinks in Australia deserves close attention given the evidence supporting a levy as a cost-effective and powerful intervention to reduce consumption, improve diets and potentially reduce obesity over time. For more information on the policies and positions supported by the OPC, please see our website at www.opc.org.au.