

Leveraging Diagnostic Technology to Improve Care, Boost Economic Resilience, and Ensure Budget Sustainability

Executive Summary

At a time of global economic uncertainty experiencing complex and unpredictable fiscal pressures, it is prudent to recognise the key role of health in this equation. Health extends beyond social good. A productive and effective health system is a foundational economic enabler that drives wider productivity, stimulates innovation, attracts investment, and builds national resilience. A well-functioning, technology-enabled healthcare system delivers benefits that extend far beyond the health portfolio to directly support Australia's fiscal strength, workforce participation, and global competitiveness.

Pathology Technology Australia (PTA) represents the manufacturers and suppliers of critical diagnostic technology that informs over 70% of clinical decisions and 100% of infection and cancer diagnoses. Currently Australia significantly under-utilises and undervalues diagnostic technologies including the most recent innovations in genomics, point-of-care testing (PoCT), and AI-enabled digital tools. Our sector represents a valuable economic lever poised to deliver:

- higher-quality healthcare more efficiently
- critical sovereignty in function and industrial capability
- more predictive, preventative and personalised health system

These gains are achievable while improving budget sustainability in a sector needing to support an aging population with growing rates of chronic conditions.

The opportunities outlined below draw on extensive research conducted by PTA in partnership with MTPConnect and expert health economists HTANALYSTS. The detailed reports can be found here: [Unleashing the Hidden Potential: Reframing Pathology Technology's Role in Australian Healthcare](#); and [Diagnostic Technology Sovereign Capability & Resilience: A National Action Plan](#)

Opportunity 1. Delivering Quality Care More Efficiently

Pathology technology underpins every stage of the health continuum—predicting risk, preventing illness, diagnosing conditions, guiding clinical decisions, targeting treatment, assessing efficacy, and monitoring population health. Yet Australia lags behind comparable nations in adopting and funding the tools that enable an effective health workforce and empower both clinicians and patients to make informed choices. Existing HTA pathways and

outdated reimbursement models significantly delay access to proven technologies, limit innovation in our sector, and minimise any return on investment of medical research funding.

Reform Proposals:

- Modernise funding pathways for diagnostics:
Establish a diagnostic-specific reimbursement stream outside of traditional HTA to support clinically important technologies and enable timely access without compromising standards.
- Ringfence AI-enabled diagnostic tools from general AI guardrails:
Ensure that medical software and diagnostics remain under TGA purview to accelerate approval while maintaining safety.
- Support digital integration of pathology services:
Invest in digital infrastructure and nationally coordinated data standards to reduce duplication, improve system productivity, and drive smarter resource allocation.

These initiatives reduce red tape, empower frontline care providers, and enhance system responsiveness while maintaining safety and clinical rigour.

Opportunity 2. Building Economic Resilience

Australia imports 97% of its diagnostic technology, posing a national security risk and a lost economic opportunity. By investing in sovereign diagnostic capability, Australia can diversify its industrial base, attract global investment, and build high-value jobs.

Reform Proposals:

- Establish an Office of Health Industry Support (OHIS):
Based on the Defence Industry Support model, OHIS would connect SMEs with national health programs, provide regulatory guidance, and coordinate procurement aligned with national priorities.
- Introduce a medtech-specific economic multiplier for procurement:
A procurement lens that includes economic value-add (as adopted in the Kentucky Model, USA) would incentivise local innovation and shift market dynamics to more accurately reflect the true value of domestic manufacturing.
- Create a commercialisation concierge for diagnostics SMEs:
A national program providing wraparound support—regulatory, business development, and grants navigation—will accelerate the translation of high-potential technologies into market-ready solutions.

These initiatives support industrial diversification, secure critical supply chains, and grow Australia's medical technology export potential. While the intent of national strategies such as MRFF and NRF is sound, lack of coherent strategy or relationship to clear health missions, means that we fail to deliver any significant sovereign capability.

Opportunity 3. Strengthening Budget Sustainability

Delays in diagnostic technology adoption have cost Australia an estimated [\\$7 billion over 20 years](#). Upfront investment in diagnostics leads to downstream savings by preventing disease, guiding earlier and more effective treatments, and safely reducing avoidable hospitalisations.

Reform Proposals:

- Establish a National Diagnostics Strategy and Advisory Group:
Ensure evidence-based prioritisation and adoption of high-impact diagnostics, aligning with national health goals while avoiding duplication and inefficiencies.
- Adopt value-based healthcare funding metrics:
Shift from volume-based funding to outcome-oriented approaches that reward diagnostics' role in early detection, intervention and personalised care.
- Link research funding to pathways for adoption and reimbursement:
Maximise return on \$6 billion+ in annual medical research investment by ensuring innovations that address or improve unmet need have a clear route to clinical and commercial use.

These proposals optimise existing public investment and avoid the escalating costs of late-stage disease care and inefficiencies in care delivery.

Tax Reform Levers

To support these reforms, we propose the following tax initiatives:

- Maintain the R&D tax incentive for Australian entities:
This is proven to support local pathology technology companies and attract further sector investment.
- Introduce tax offsets for investment in diagnostic technology R&D and commercialisation:
Encourage private investment in high-need areas and reduce reliance on direct public funding.
- Extend accelerated depreciation to Australian-manufactured diagnostic equipment:
Boost sovereign manufacturing and adoption of home-grown innovation.
- Remove import tariffs on diagnostic components not yet locally manufactured:
Support early-stage scaling of Australian diagnostic firms without penalising them for relying on global supply chains.
- Include incentives within the National Health Reform Agreement to encourage States and Territories to incorporate an economic multiplier supporting sovereign capability when making medical technology and IVD purchases:
This initiative will increase ROI on investments in R&D and commercialisation by providing a clearer path to market for locally manufactured technology and Australian-domiciled companies.

These measures are budget-neutral or budget-positive when linked to downstream savings and industry growth.

Conclusion

Delivering quality care more efficiently is one of the key pillars identified in the Government's productivity agenda. Strategic investment in diagnostic technology coupled with enabling policy reforms, will simultaneously deliver more efficient healthcare while building national economic resilience and ensuring long-term budget sustainability. Workforce is often positioned as the primary lever in productivity strategies, yet this approach is costly, delivers modest impact, and involves long lead times—especially when reliant on training or upskilling. Technology represents a lever that can be pulled now for immediate return with far-reaching and long-ranging impact. The opportunities within this submission meet the test of being in the national interest, fiscally responsible, and practically achievable. We urge government to act with ambition and urgency. The pathology technology sector remains poised and PTA, as the peak body is ready to respond to any further questions or facilitate provision of additional information.



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