Australian Alliance
for Artificial Intelligence
in Healthcare

Pre-budget Submission
2025/26

Submission

The Australian Alliance for Artificial Intelligence in Healthcare (AAAiH) welcomes the opportunity to provide a pre-Budget submission to the Labor Government for the 2025-26 Federal Budget.

AAAiH functions as the community peak body for the safe and effective use of artificial intelligence (AI) in healthcare. AAAiH actively and productively collaborated with the Department of Health and Aged Care (DoHAC) during 2023 and 2024 to identify national policy priorities that will ensure we have a safe and responsible national approach to the adoption of AI in healthcare.

AAAiH acknowledges the Government's demonstrated commitment to a whole of government approach to AI adoption. Funds provided in the 2024-25 Federal Budget to the Department of Industry, Science and Resources (DISR) programs led to:

- Creation of a **temporary AI expert group**
- **AI Adopt program for SMEs**, targeting robotics, manufacturing, forestry and agriculture, SME resources and training
- **Voluntary AI Safety Standards**
- **Proposed mandatory guardrails** for AI in high-risk setting
- **Policy development projects** within DoHAC.

The Productivity Commission's Leveraging digital technology in healthcare: Research Paper[1] highlighted the untapped potential in the use of AI in healthcare, with opportunities to increase the use of AI throughout the health system. With this submission, we identify policy opportunities that we believe will have a significant impact on our national capacity to provide sustainable healthcare and develop industry to flourish in the ultra-competitive healthcare AI market. The submission is aligned with the Government's ongoing program of reform including the 2022 Strengthening Medicare Taskforce Report,[2] the 2024 Scope of Practice Review,[3] and builds on the 2024 Productivity Commission's research on leveraging AI and digital technology in healthcare.[1]

Late in 2023 the AAAiH released its National Policy Roadmap for AI in Healthcare,[4] to widespread community and jurisdictional support, and with demonstrated impact over 2024 (e.g. triggering changes in professional codes of practice by Ahpra, changes to professional guidance by multiple healthcare peak professional groups, and guidance issued by organisations such as the Therapeutic Goods Administration (TGA) for the safe and responsible use of AI).

Based upon the priorities identified in our AI National Policy Roadmap and constructive discussions AAAiH has had with DoHAC over recent months, this pre-Budget submission suggests **seven key policy options** for consideration.

Our proposed AAAiH Budget initiatives are:

1. **Increased Investment in Federal Health AI policy and governance programs** within DoHAC, the TGA, and the Australian Commission for Safety and Quality in Health Care (ACSQHC).
2. **Peak body funding** for the AAAiH to ensure critical community input continues to shape the national policy agenda.
3. A national **Capability Centre to support the AI in healthcare industry** and healthcare service delivery organisations develop, implement, and effectively operate AI services.
4. Substantial **targeted investment in Health AI research** via the National Health and Medical Research Council (NHMRC) and the Medical Research Future Fund (MRFF).
5. New **industry tax offsets** to reduce the impact on small to medium enterprises (SMEs) of the substantial compliance costs associated with obtaining regulatory approval for new health AI products from the TGA.
6. Support for **consumers to be safe and effective users of healthcare AI**.
7. Support for the development of mechanisms to ensure **culturally safe handling of health data** from Aboriginal and Torres Strait Islander communities.

These recommendations (detailed below) seek to provide practical solutions to some of the major challenges faced by the healthcare system, and are in line with Government's reform program.

About the Australian Alliance for AI in Healthcare

AAAiH functions as the peak organisation representing the Healthcare AI sector. It was established in 2018, and its more than 100 member organisations are drawn from academia, government, consumer, clinical, industry organisations, and peak bodies.

Our clear view is that the use of AI in healthcare brings with it many unique challenges, and these will require healthcare-specific responses, beyond generic cross-industry policy. This is because AI cannot be treated as an isolated technology, but must be embedded within healthcare workflow, policy, culture, workforce, technology and practice.

AAAiH welcomed the 2024 consultations on AI from DoHAC, the TGA, DISR, and the Senate Select Committee on Adopting AI.

To facilitate engagement between government and the healthcare sector on matters relating to AI, AAAiH has undertaken a range of activities over the last 12 months:

- In late 2023 the AAAiH launched its AI National Policy Roadmap[4] after a series of extensive consultations with its membership and the broader healthcare community, highlighting 16 recommendations. We were pleased to have the opportunity to discuss these recommendations with DoHAC on several occasions over the last 12 months, and several have been actioned.
- In July of this year, Professors Enrico Coiera and Farah Magrabi, members of the AAAiH leadership team, were invited to address the Senate Select Committee on Adopting AI,[5] where they tabled the AAAiH National Policy Roadmap for AI in Healthcare, and answered questions from Committee members related to the recommendations, with specific focus of the Senators on AI Safety and the new challenges of Generative AI.
- AAAiH was pleased to assist in facilitating the recent DoHAC public consultation process: co-ordinating and running a series of three webinars reaching approximately 195 individuals. AAAiH also provided a written submission to the DoHAC consultation.

The Recommendations

1

Establish a National AI in Healthcare Council to oversee increased investment in federal Health AI governance programs within DoHAC, the TGA, and the ACSQHC.

The AI National Policy Roadmap for Healthcare's very first recommendation was for the **establishment of a National AI in Healthcare Council** to better coordinate and harmonise the responsibilities and activities of those entities responsible for oversight of AI safety, effectiveness, and ethical and security risks.

We note the clear evidence of cross-portfolio and cross-agency collaboration federally in the AI sphere, and welcome this. However, without formalisation of such collaborative structures, there is real concern that we will see fragmentation of policy, accountability and response.

We have proposed that the Council is led by Government (e.g. DoHAC), given the legislative responsibilities of Government Agencies in this space. Potentially similar in construction to the Australian Health Ministers' Advisory Council (AHMAC), it would have broad membership e.g. State, Territory and Commonwealth Health Departments, cross-portfolio representation such as DISR, and inclusion of the TGA, ADHA, ACSQHC, National Aboriginal Community Controlled Health Organisation (NACCHO), other agencies, consumers, peak professional bodies, and industry.

We continue to believe that formalisation of national policy collaboration through a Council remains a national priority.

The 2024-25 TGA Business Plan6 emphasises its role in regulatory reforms that ensure its regulatory frameworks remain fit-for-purpose. We note that this responsibility will likely see the **TGA increase its workload** to design, implement and operate the new AI governance mechanisms we anticipate will be needed in the next few years.3 The nature of AI and machine learning changes the balance of regulation from a historical focus on pre-market regulation, to one of post-market surveillance, as AI systems will modify behaviour as they adapt over time, rendering pre-market assurances moot. There will also be an **increased burden on the TGA and ACSQHC** to establish new health service accreditation mechanisms to ensure AI is safely implemented and used in the health services they currently accredit.

We thus recommend that sufficient funds be provided in the budgets of these organisations to:

1. Support DoHAC with the formation and operation of the National Council;
2. Support the TGA with the development of post-market surveillance mechanisms for AI across the healthcare sector; and
3. Support the ACSQHC to establish new AI health service accreditation mechanisms.

2

Peak body funding for the AAAiH to ensure critical community input continues to shape the national policy agenda.

AAAiH has been in operation for seven years and functions as the peak body for the healthcare community in matters related to the safe and effective use of AI in healthcare. Its 2023 AI National Policy Roadmap was the result of detailed and multipronged community consultations, and is seen by many, including DoHAC, as a landmark contribution to advancing the policy debate for AI in healthcare.

Supporting over 100 organisational members, AAAiH has operated as a volunteer organisation, but has no dedicated funding stream to support its staff or activities. Critical events such as consultations have been supported by cash and in-kind contributions from the core leadership of the Alliance. It is critically important that AAAiH remains independent and neutral, and so it has avoided seeking funds from specific sectors such as industry, to enable it to fairly reflect the views and needs of its broader membership, which also includes healthcare delivery organisations, consumer groups, and academia.

DoHAC does have a health peak and advisory bodies program (HPAB) to support peak bodies across healthcare to contribute to key health priorities, but there is no current avenue available for the funding of new peak bodies.

We therefore request consideration be given to supporting AAAiH in line with the support given to other existing peak bodies. This will allow it to fund a core executive group to manage and undertake the business of the Alliance and support the policy development work of the Alliance through working groups devoted to 1. Safety, quality and ethics of AI; 2. Workforce development; and 3. Consumer support. Funding would also support development of a revised and broadened AI National Policy Roadmap, likely in late 2025/early 2026. AAAiH would work closely with DoHAC to clearly outline a 3–5 year program of work, including timeline and deliverables, and a supporting budget to provide adequate resources.

Without a source of core funding, and despite its national importance and impact, AAAiH will not be in a position to ramp up its national contributions to meet the growing demand for policy work needed to unlock the benefits of AI,[1] and will struggle to be sustainable.

3

A national **Capability Centre to support the AI in healthcare industry** and healthcare service delivery organisations develop, implement, and effectively operate AI services.

As highlighted in the AI National Policy Roadmap, developing and sustaining a workforce capable of running a modern health system is high on our national health priorities.[7] A workforce that can engage safely and responsibly to AI design, development, implementation, evaluation and governance is essential to achieve this aim.

The recent Scope of Practice Review Final Report[3] highlighted the many reforms needed to modernise the skills and capabilities of our primary care workforce. The Review specifically notes that artificial intelligence is increasingly recognised as a tool used to manage clinical risk and could help to mitigate the potential risk of inappropriate referrals or overservicing. Recommendation 9 of the Review envisages an **independent mechanism to provide evidence-based advice** and recommendations in relation to workforce innovation and models that involve significant change of practice scope. There is also a particular requirement to **assist health service delivery organisations and professional bodies to set up the governance mechanisms and policy settings required for healthcare professionals to be fast and effective adopters of safe AI.**[1,2]

There is need for a similar capability uplift for our emerging healthcare AI industry, which is facing fierce competition internationally, often against very large, near monopoly US companies. Support for developing local industry is already a government priority, through its biotech innovation programs.

Unsurprisingly then, there is **strong demand from AAAiH's membership organisations for support to adopt responsible AI-enabled services and enhance their enterprises.** A key recommendation of the AAAiH National Policy Roadmap was for the creation and operation of a National AI Capability Centre in Healthcare to assist healthcare services and organisations in the safe and effective adoption of AI, and also to assist industry and small to medium enterprises (SMEs) in particular, to bring products to market.

There is precedent for such an entity. In 2024 the Department of Industry, Science and Resources announced five AI Adopt Centres, which provide support to a range of industries like agriculture and renewables. None were focused on health services which have a different set of needs.

We envisage that a Healthcare Capability Centre would focus on the many unique aspects of AI in healthcare. It could provide access to healthcare-specific technical consultancy services, support the workforce to develop the appropriate skills needed to use AI, provide guidance to industry on best practice in procurement and regulatory compliance, pathways to reimbursement (e.g. via the Medical Services Advisory Committee (MSAC), software licensing, and climate risk mitigation).

The outcomes from the Capability Centre would be a growing ecosystem supporting Australia's health workforce development, its fragmented and underdeveloped Health AI industry. It should also lead to a reduction in regulatory barriers, costs and time impeding AI deployment; and SMEs reaching a level of maturity allowing them to compete effectively in international markets.

Industry would additionally benefit from access to local data sets to demonstrate product safety. Governance should include consumer and health sector representatives. We suggest funding for this Centre should be within the same range as that of the other national AI Capability Centres.

4

Substantial **targeted investment in healthcare AI infrastructure and research** via the National Health and Medical Research Council (NHMRC) and the Medical Research Future Fund (MRFF).

The AAAiH AI National Policy Roadmap identified the critical role that research plays in ensuring that the development and deployment of AI in healthcare is based on the most up to date evidence, and that Australia retains world-class sovereign capability to use AI to support industry and in the national interest. At present the level of government support for critical research infrastructure, and for AI development and evaluation in healthcare, is minimal when compared to that in other comparable nations and puts Australian Research at a substantial disadvantage.

Promoting the integration of artificial intelligence into health and medical research, and its safe, ethical, equitable and effective application in health care is one of only four NHMRC health priorities[8] for the 2024–2027 triennium. While this is welcome, to date AI research in Australia has attracted only 0.9% of grant funding available from the National Health and Medical Research Council (NHMRC) and Medical Research Futures Funds (MRFF) for the period 2018-2022. By comparison, since 2018 NHS England has allocated over £144 million to healthcare AI research and development over multiple funding rounds, part of a much larger investment in embedding AI into the NHS.[9] The EU has allocated €220 million worth of investment in four sectoral Testing and Experimentation Facilities for AI, with one focused on health[10], and in previous years has made substantial research investments in AI and digital health.[11] China has also stepped up its investment in healthcare and life sciences with AI, aiming for seven percent annual growth for R&D expenditure.[12]

The breakthrough science of the next two decades will be built upon two technology platforms – Genomics and AI. Australia took the bold decision to create a national mission in genomics, ringfencing substantial funding to feed multiple research and translational activities, and the success of this investment is evident with the embedding of Australian Genomics within DoHAC.

We believe that **the time has come for a national mission in healthcare AI**. Such a bold and nation-building investment would be shaped by the lessons of the Genomics mission and would secure the future of Australia's healthcare system. Past missions have set aside substantial multi-year funding pools, and we request a similar allocation for this mission.

The funding allocated to an AI Mission could include:

- Core funding for **national centres of research excellence in healthcare AI**.
- Infrastructure funding to support the **development, governance and use of large-language and multi-modal models** (e.g. using medical image data) customised to the Australian population and health services
- Infrastructure funding to curate **Australian datasets** to train and test sovereign AI systems.[2]

Allocation of funding should be made by panels with expertise in healthcare AI, to guarantee funding is distributed to the best science and the best teams. To make certain Australia invests at a level at least equally with other developed nations, we would anticipate an AI in Healthcare mission having access to a 5-year funding pool commensurate with past Missions, and to be administered by the NHMRC.

5

New **industry tax offsets** to reduce the impact on SMEs of the substantial compliance costs associated with obtaining regulatory approval for new health AI products from the TGA.

Australia excels in healthcare delivery and can be positioned as a leader in AI with appropriate policies, regulation and financial incentives. CSIRO's Data 61 Artificial Intelligence Roadmap[13] identifies healthcare as one of three national priorities and the Australian Government's critical technologies list includes autonomous systems and AI technologies.[14] The Australian AI in healthcare market is projected to grow from $0.08 billion in 2022 to $1.78 billion by 2030.[15] The global market will grow from USD 15.1 billion in 2022 to USD 187.95 billion by 2030.[16]

While Australia has great potential, our existing healthcare AI industry is small when compared to other nations. The US FDA has authorised over 1000 new medical devices with AI or machine learning capabilities.[17] In the UK, investments to support the NHS in adoption of AI clinical services have made London a global capital for the healthcare AI industry.

There is a high regulatory burden on clinical AI.[1] Industry must navigate the tension between investing in innovation and compliance with regulation, with SMEs being particularly disadvantaged. Pressure from international competitors reduces the time available to bring a product to market. Larger companies with access to AI talent, technologies, training data, and the resources to meet regulatory hurdles are advantaged. Current R&D tax incentives support innovation but not regulatory compliance. US figures suggest regulatory costs can represent >75% of product development costs.[18]

The Productivity Commission's Research paper: Leveraging digital technology in healthcare[1] highlighted the role of governments to facilitate investment in digital technology by making sure regularly settings are appropriate. Government assurance that digital technolgoies and service are safe and effective will have a direct correlation with a favourable environment for investment.

We make no specific recommendation on the particular allocation to be made for industry tax offsets to support regulatory compliance, nor the restrictions on eligibility, as this will require careful modelling by government. For example, one might consider caps on offsets, limits on eligibility based on company headquarters, and turnover.

6

Support for **consumers to be safe and effective users of healthcare AI.**

A core recommendation of the AAAiH Roadmap is to support consumers who will increasingly access health services which embed AI. To date little to no progress has been made on this recommendation.

DoHAC's Strengthening Medicare Taskforce Report[2] outlines the vision that all Australians are supported through access to equitable, affordable and person-centre primary care services. The wish to provide quality person-centred care is paramount and data and digital technology are highlighted as an area of developmental opportunity with respect to providers increasing continuity, quality and safety in health care, with digital health tools and services specifically mentioned when considering continuous quality improvement.

Consumers can already access AI-enabled services and should have the skills to do so safely. AI driven recommender systems for example, have transformed purchasing decisions online and social media companies target us with advertisements that are closely matched to our interests.

Currently most of the AI-enabled health technology consumers use comes in the form of healthcare mobile apps. These include symptom checkers, which might tell a consumer whether they need to see a doctor or even provide a diagnosis, as part of a "digital first" virtual care model.

As we have seen in the recommendations of the Senate Select Committee on Adopting AI, generative AI further complicates things, as it brings with it the ability to generate compelling misinformation, such as anti-vaccination messages, or promotion of ineffective remedies instead of proven evidence-based therapies.[5]

We therefore recommend funding be set aside for the design and implementation of a nationally accessible **program for digital health literacy to inform the public of healthcare AI's benefits, risks and safe use**, and increase public trust and confidence in AI.[1,2] Such a program is most logically situated within DoHAC or the Australian Digital Health Agency (ADHA).

7

Support for the development of mechanisms to ensure **culturally safe handling of health data** and development of AI for Aboriginal and Torres Strait Islander communities.

There is particular need to work together with Aboriginal and Torres Strait Islander communities to develop a mechanism that governs and appropriately collates health-related data for use in AI in a culturally safe, unbiased, private and trusted manner within their control, in line with principles of Indigenous Data Sovereignty.[19,20] Canada, for example, has established a First Nations Information Governance Centre to deal with these matters. New Zealand is actively developing a Māori data sovereignty framework.[21]

The Strengthening Medicare Taskforce Report[2] emphasises the importance of including First Nations Australians in the design of services that ensure they are culturally safe and that there is equity in health outcomes. One of the core visions of the report was to embrace organisational and cultural change, to support innovation, empowering consumers to have a voice in the design and delivery of services.

To progress this critical issue, there is a need to specifically fund a program of work within DoHAC or ADHA that **define the elements of Australia's approach to indigenous data sovereignty**. Such a program should be developed and guided in consultation with Aboriginal and Torres Strait Islander peak bodies and representative organisations such as the National Aboriginal Community Controlled Health Organisation (NACCHO), the Lowitja Institute, and the Australian Institute of Aboriginal and Torres Strait Islander Studies.

Conclusion

AAAiH is grateful for the opportunity to contribute a pre-Budget submission considering the safe and effective adoption of AI in healthcare. We are happy to answer questions on any matters arising from this submission.

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