



Australian Government's COVID-19 Responses Based on Dodgy Modelling - A \$65b Saving Is Possible

Professor Janek Ratnatunga, CEO of the Institute of Certified Management Accountants (ICMA), stated in a paper published on March 31 titled "The Financial Modelling Wars: COVID -19 vs. The Economy", that trying to model economic impacts of this global pandemic, based on the experience gained from past virus outbreaks, is fruitless; given the significant errors in the assumptions, and the resultant predictions made in extremely recent econometric models.

He says that, "Even though the government has not released the pandemic modelling the Australian Health Protection Committee has used; if the model used in the UK is applicable here, then the extreme measures of social isolation, as those being implemented in Australia, are still inadequate to prevent the health system from being overwhelmed at the 'peak' of the epidemic".

Professor Ratnatunga's financial modelling shows that Australia would need a 900% increase in ICU Beds for 2 months at a cost of 12 Billion. This means from 2,000 beds nationally to 20,000. He says that such a boost will cost the Government at most only \$12 Billion.

Given that the Australian Federal Government is spending 130 Billion to keep the economy in 'hibernation' for 6-months; he believes that this level of expenditure will be comparatively miniscule; especially if the private hospitals and hotels are 'commandeered' into the war effort.

He says that, "Today's (April 2) announcement by Premier Daniel Andrews to double Victoria's ICU Beds and open another 4,000 does not go far enough. Even with 900% a boost, it would still mean a significant number of infections, and a dramatic rise in COVID-19 related and non-COVID19 related deaths".

In overwhelmed healthcare systems, lifesaving treatments such as mechanical ventilation have to be rationed by medical professionals, and only offered to those with maximum chance of survival, while others can only receive supportive or palliative care.

Professor Ratnatunga says that, "to prevent such battlefield decisions being made by medical professionals in isolation, governments could reduce the burden of rapid end-of-life decision making required by frontline healthcare workers by offering financial support for well people to remain home, or unwell patients to remain in total isolation at home or other external lodgings.

He also says that in this 'war' situation, governments should consider raising awareness about Advanced Care Directives and that broadening access to Voluntary Assisted Dying legislation can also be explored on a temporary basis.

The silver-lining in his paper is that by boosting the number of ICU beds, and offering financial incentives home stay/isolation during the 'peak' 2-months, will enable the Australian economy to come out of hibernation after only 3-months, saving the government at least 65 Billion in worker support costs.

Professor Ratnatunga concludes that in the longer-term, approaches such as those adopted by the Governments in Taiwan, South Korea and Singapore – whereby the economy is kept open, subject to stringent safety rules, and combined with extensive testing, contact tracing and detailed people tracking – may be the most viable way forward, though challenges may arise in liberal, Western societies.

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For further comment on the above topic, please contact:

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About the Author

Professor Janek Ratnatunga is the CEO of the Institute of Certified Management Accountants, Australia. He has held senior appointments at the University of South Australia, Monash University, University of Melbourne, and the Australian National University in Australia; and the Universities of Washington, Richmond and Rhode Island in the USA. Prior to his academic career he worked as a chartered accountant with KPMG. He has also been a consultant to many large Australian and international companies and to the World Bank.

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