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Fewer taxpayers and an ageing population -- it doesn't add up.

One of the single largest health and medical grants announced last week was not for splicing genes or curing cancer but is just as important to our collective wellbeing. A new $10.7 million research investment directly tackles, for the first time, the elephant in the room of health spending: that is, Australia's healthcare system is unsustainable.

Healthcare spending is rising so steeply that a CSIRO strategist recently forecast health costs would equal our total national tax take within the next few decades if we persisted with business as usual.

You can forget about long-term budget repair without major healthcare reform. We already know what not to do. First, cost shifting: when a previous government tried to share costs with patients via modest GP and Pharmaceutical Benefits Scheme co-payments, the public pushed back and said no. Australians are well aware the personal cost burden of healthcare is rising.

Our out-of-pocket expenses are among the highest in the developed world; 20 per cent of Australia's total healthcare costs are met by direct consumer contributions, paid on top of the Medicare levy and private health insurance.

Second, cost cutting alone is not going to solve the problem. Our healthcare budgets, even at 9.3 per cent of gross domestic product, are already seriously stretched. "Mediscare" worked for Labor in this year's federal election campaign, despite its debatable foundations, because the public understands we cannot subject healthcare to endless rounds of further belt-tightening and death by a thousand cuts.

And, third, cutting corners puts patients at risk.

Our challenge, instead, is to remake our healthcare system to contain costs and maintain, even improve, services to make it a much better investment for us all.

This means finding new ways to deliver quality, compassionate and universally accessible care to many more people with many more chronic and complex diseases, frailties and conditions -- within our means.

If this sounds like a big ask, it is. Building effective, sustainable healthcare systems is one of this century's greatest challenges right across the world.

In 2012, one in seven Australians was over 65; by 2060 that will have risen to one in four. The approaching tsunami of elderly patients with multiple care needs is coinciding with an epidemic of lifestyle-related diseases such as obesity and diabetes, affecting even the relatively young -- this at a time of fantastic, unprecedented but costly advances in lifesaving treatments and technologies.

This adds up to greater demand for more expensive care, with fewer working-age Australians around to pay the taxes to fund it.

Our healthcare systems are largely based on outdated centralised administrative structures, with various efficiencies and delivery models borrowed from other industries tacked on.

Consider just one example of how different this might be. Traditional Chinese medicine was based on village doctors who were paid while their patients stayed well but lost their retainer when their charges fell ill. It was a transparent, value-for-money approach that could be revisited in the 21st century.

In Western healthcare systems the financial incentives lie with illness, not wellness; we have come to associate lots of medical attention and tests with getting well and staying healthy. Given Australia's complicated mix of public funding, its wide range of gap payments and user-pay services, Australian consumers rarely understand the real cost of various treatments and are unable to assess their value.

This financing system does not reward value-based healthcare and, arguably, fuels wasteful over-servicing.

Researchers estimate that about 30 per cent of care delivers little benefit to patients. If that's true, perhaps $54 billion is squandered each year.

There is evidence of significant wastage in pathology and medical imaging, and an alarming proportion of test results ordered in hospitals are never even read by a doctor. Others, such as MRI scans for patients with back pain, are known to be of limited clinical benefit. We have huge opportunities to do better.

But healthcare involves the most complex systems humanity has built. We need a robust evidence base to drive change, not just what seems like a good idea. We need to know much more about what healthcare is wasteful, precisely where is it occurring and why. We need to build and test alternative models for the delivery of care -- like shifting dialysis out of hospitals and into community centres or homes.

And in particular we must ensure older Australians are given more choices. Far too many elderly Australians end their lives in $4000 a day intensive-care beds, subject to futile, invasive and expensive treatments for conditions that are not reversible.

Ultimately, affordable healthcare systems need to be built on the same rigorous evidence base and real-world tests and trials that we demand for new drugs, treatment protocols and medical dev ices.

Recently, the National Health and Medical Research Council announced a funded Partnership Centre in Health System Sustainability. It's a first. And it matters for everyone's health. Jeffrey Braithwaite, a world expert on complex health systems, is professor and founding director of the Australian Institute of Health Innovation at Macquarie University.