

# A multi billion dollar transfusion to private health insurers in Australia

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An eighteen-month long campaign by the Australian government has succeeded in pushing millions of people into private health insurance. The Howard government's "Lifetime Health Cover" rebate scheme, which is part of a wider agenda aimed at bolstering corporate control over health services, will hand billions of dollars a year to the private health industry.

Since taking office in March 1996 the Liberal government has worked to reverse what has been, at least nominally, a system of universal access to public healthcare. The first Australian public health insurance scheme—Medibank—was introduced in 1975 by the Whitlam Labor government. In 1981, following a campaign by the private health insurance companies and other vested interests, the Fraser Liberal government effectively abolished the government-run insurer. Medicare, introduced by the incoming Hawke Labor government in 1984 (in a somewhat emasculated version of its predecessor), has provided free access to public hospital care and General Practice treatment for layers of the population that were previously excluded. Medicare won broad public support, producing a steady decline in private health insurance membership.

In 1983 private coverage stood at 65.8 percent. By March last year, it had plunged to an all-time low of 30.1 percent. According to figures released last month by the Private Health Insurance Administration Council (PHIAC), in the aftermath of the Howard government's campaign, nearly eight million Australians, or 41.2 percent of the population, are now privately covered.

"Lifetime Health Cover" was introduced in January 1999 with the federal government offering a 30 percent rebate on the cost of premiums for those taking out private insurance. Yet the offer of cheaper premiums did little to induce people to take out private coverage. In the March quarter of 1999 private coverage inched up only a fraction to 30.3 percent.

The Howard government responded with an overhaul of the 1953 Health Insurance Act, legislating a system of penalties aimed at driving the general population out of Medicare. Those failing to take out private insurance by June 30 2000 would be forced to pay significantly higher premiums in the future. The public effectively had a gun held to its head: those who missed the June 30 deadline would face a 2% premium rise on taking out private insurance for each year after the age of 30. Thus, premiums for a 40-year-old are now 20 percent higher than prior to the cutoff point and 40 percent higher for a 50-year-old.

The federal government spent \$17 million on a public scare

campaign. Playing on concerns over the rundown state of public hospitals, one TV commercial featured vanishing public hospital beds alongside smiling and healthy patients in state-of-the-art private facilities. The commercials urged viewers to "run for cover". The result was a field day for the big insurers. Long queues extended outside the offices of Medibank Private, and other private insurance companies, while call-centres took on extra staff to deal with a flood of phone calls and credit-card payments. More than 2.5 million people insured as a result of the government's scare tactics. One million of these signed-up in the three months before the June 30 deadline, many taking the cheapest possible coverage to ensure family members would not be locked out.

Last year, Howard's rebate scheme saw \$1.5 billion of government finances handed over to the private insurers. This amount will now climb to more than \$2.4 billion a year. According to the Doctors Reform Society, \$1.5 billion would fund more than 15 public hospitals with 500 beds each, while a recent editorial in the Medical Journal of Australia estimated that the subsidy to the private insurance companies is enough to treat 1.5 million more patients in public hospitals. Stephen Duckett, Professor of Health Policy in the Faculty of Health Sciences at La Trobe University, declared that the rebate "is effectively a subsidy to the private health industry and is larger than budgetary assistance for the mining, manufacturing and primary agricultural production industries combined."

The federal government's drive to lift the numbers of people who are privately insured is bound up with far-reaching changes to the health system that have received virtually no public discussion. The most recent Australian Health Care Agreement, signed between the federal and state governments in 1998, introduced a new funding mechanism that effectively penalises public hospitals as private health insurance grows. Under a so-called "clawback" provision of the AHCA, the federal government has established that once more than 33 percent of the population is privately insured, tens of millions of dollars will be withdrawn from public hospitals and handed over to privately run facilities.

For every one percent rise in private health insurance above 33 percent, the federal government has the legal power to deduct \$82 million from the public hospital system. This means that on the current level of 42 percent private coverage, a massive \$738 million can be diverted out of public hospitals.

A spokesperson for Health Minister Wooldridge has denied that

the clawback provision will take this exact form, insisting that the flow of government funds out of the public hospitals will only come into effect once public hospital revenue from privately insured patients exceeds \$330 million. In reality, the federal government, in collaboration with state Labor governments in Victoria, New South Wales, Tasmania and Queensland, has erected a new funding mechanism that will expand the private health industry at the direct expense of the public system.

Since taking office in March 1996 the Howard government has presided over a significant growth of the private health system while slashing funds to the public system. In their first two federal budgets, the Liberals cut \$800 million from public health funding. At the same time, they actively fostered the growth of the private system, with the first Private Health Insurance Incentives Scheme taking effect from July 1 1997. Under the scheme, \$600 million was handed over to the private insurance companies.

Not unexpectedly, the number of private hospitals and clinics has rapidly increased. According to figures released by the Australian Bureau of Statistics, the number of freestanding day hospitals—those providing day surgery and run by private operators—increased by 63 percent between 1992-93 and 1996-97, from 94 to 153. In the next year, 1997-98, the number more than doubled to 317.

Between 1997-98 and 1998-99 the number of treatments in private hospitals rose twice as fast as those in public hospitals. The number of patient days in the public system dropped by one percent, rising by the same amount in the private system. Over the same period the number of private hospital beds increased by more than one thousand, while dropping in the public hospitals by nearly two thousand. The outcome of this process has not been better treatment. A recent survey of General Practitioners found 56 percent felt it was more difficult than five years ago to get a seriously ill patient into hospital, while 69 percent said their patients were being discharged too soon.

Speaking in federal parliament recently, Howard described the growth of private health insurance as “the re-enfranchising of middle Australia.” Yet half the rebate subsidy—about \$1 billion—goes into the pockets of the richest 30 percent of the population, with only 18 percent going to the poorest 30 percent.

Nearly two thirds of the population have remained with Medicare, unable to afford private coverage. And large numbers of those described by Howard as “middle Australia” rushed into the private health funds out of fear. They are now obliged to pay substantial premiums to access health facilities that used to be freely available.

Moreover, in the wake of the private insurance stampede, thousands of people have discovered the meaning of fine print agreements stipulating that they cannot claim on their policies for the first twelve months. Gap payments—the difference between the full cost of treatment and the portion covered by private health funds—will also leave policyholders severely out-of-pocket. Then there are the impending increases in premium costs. Standard and Poors has predicted that premiums will rise next year by 10 percent.

Not only have the private insurers been guaranteed billions in government funding via rebates, they are also being given new

powers over health care provision. Under the Health Care Amendment Act legislated in June, the big funds will be allowed to draw up lists of preferred doctors to which their members will be directed. This is a major step toward the US-style managed care system, under which a handful of corporate giants dictate treatment based on the defence of their bottom line, limiting the type and quantity of treatment for each illness. While the major insurers have predictably denied plans for managed care in Australia, one private insurer, MBF, faced controversy only last month after revelations that it was planning to limit the number of treatments available to sufferers of lymphoedema.

The Howard government's support for the private health industry has evoked widespread public concern. Recent news polls show 88 percent of the population support Medicare. More than 75 percent rate the state of the public health system as an issue of major concern, slightly below education but well above employment and taxation. Conscious of this sentiment the Liberals have been at pains to stress they are not about to axe Medicare, while Labor has hypocritically attacked Howard for killing Medicare by stealth.

In fact, the Australian Labor Party has openly backed the Liberals' assault on public health. In February, Opposition leader Kim Beazley declared that a future Labor government would retain the 30 percent private health insurance rebate, earning the condemnation of doctors and other public health professionals. Dr Con Costa, National Vice-President of the Doctors Reform Society, said Beazley's statement was “a clear signal that Labor is abandoning its policy of support for Medicare.”

In August, during the Australian Labor Party's National Conference in Hobart, Shadow Health Minister Jenny Macklin again forcefully defended Labor's support for private health rebates. “What we've said is it will stay. That's it as far as we're concerned,” she told the media. The Democrats have also signaled their willingness to work with privatisation, calling for rebates “at the very least” to be “means tested.”

Two weeks ago the ALP's federal cabinet met in Victoria, with Beazley reasserting Labor's support for the government rebates. “We will not be interfering with the rebate via means testing, capping, or any other process,” he announced.



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