

Australian Labor's u-turn on pharmaceutical benefits

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Australian Prime Minister John Howard is looking to call a federal election within weeks, following another major policy backflip by the Labor opposition. Last Friday, the government succeeded in pushing through parliament drastic hikes in the price of essential medicines. After blocking the increases for two years, Labor declared it wanted the extra \$1.1 billion each year to fulfill its own election promises and passed the legislation.

From next January, the cost of subsidised medicines under the Pharmaceutical Benefits Scheme (PBS) will rise by 21 percent, adding up to \$50 a month to the medical bills of patients suffering serious ailments such as cancer, heart disease, diabetes, asthma, epilepsy, cystic fibrosis, hepatitis and HIV. Workers and their families will pay \$28.60 per script, up from \$23.70, while health-care concession cardholders will pay \$4.60, up from \$3.80. By the government's own estimates, some 5.5 million prescriptions will not be filled next year, because patients will be unable to afford them.

Two years ago, when they were first announced in the 2002 Budget, Labor denounced the price rises as "unfair and unjustified" impositions on "pensioners and families under financial pressure". Howard's government was accused of inflicting suffering on the poorest and most vulnerable members of society, in order to shore up the budget bottom line. This has now proven to be nothing but empty rhetoric.

Various media commentators have expressed a degree of shock that Labor would support such a socially regressive and deeply unpopular policy on the very eve of an election. But the PBS u-turn is simply another indication of the party's readiness to accommodate itself to the requirements of big business.

As the election draws closer, the Labor leadership has become preoccupied with proving its reliability to the corporate and media establishment on both domestic and foreign policy. The PBS decision follows the party's steady retreat from its leader Mark Latham's half-hearted commitment to withdraw Australian troops from Iraq by Christmas. Just as it has bowed to pressure from Washington

on Iraq, Labor's PBS decision is a signal to the financial markets that it will not flinch from implementing their economic and social policies.

Despite his previous position that Labor would not vote for the PBS price increase, "not now, not ever", finance spokesman Bob McMullan refused to apologise to voters over the broken pledge. "Nobody ever got elected who did not make a tough decision," he arrogantly declared.

Using nearly identical language, an editorial in Rupert Murdoch's *Australian* welcomed the reversal for showing that "Mark Latham's Labor" is "prepared to make hard decisions". The country's premier corporate mouthpiece, the *Australian Financial Review*, greeted "Mark Latham's breathtaking policy gymnastics" with a blunt demand for more. "If Labor wants us to believe it is ready to govern and not just having a lucid interval or hedging bets, it has other policies begging for fiscal rigour."

At least one Labor MP, Roger Price, has indicated his readiness to oblige. "I think we should look at everything we've held back in the past," he told reporters outside Parliament House. His comments led to immediate media speculation about Labor support for further government initiatives, including the slashing of access to disability support pensions, the raising of university student fees and the full privatisation of telecommunications carrier, Telstra.

Labor's decision underscores the significance of Latham's installation as party leader last December. For electoral reasons, his predecessors, Kim Beazley and Simon Crean, had sought to distance Labor from the 13-year record of the Hawke and Keating governments, whose attacks on working people opened the door for Howard's landslide election victory in 1996. In 2002, under Crean, Labor opposed the PBS prices rise.

Between 1998 and 2003, Latham, however, became a regular columnist for in Murdoch press and the *Australian Financial Review* advocating a new wave of Keating-style economic restructuring. His policies included slashing social spending, cutting taxes for high-income earners and dismantling welfare and education entitlements. He was

elected party leader by his fellow Labor MPs precisely because they regarded his policies as offering the best hope of winning endorsement from key sections of the ruling elite.

Since his elevation, Latham has resorted to cheap populism in an effort to win back disaffected working class voters. But in key policy areas, he has been careful not to ruffle any feathers within financial circles.

Not surprisingly, and despite their repeated public pledges to the contrary, Latham's Labor colleagues fell quickly into line. Until last Wednesday, Labor's deputy leader, Jenny Macklin—the titular head of the party's "left" faction—had a media release on Labor's web site pointing to the impact of the PBS price hikes on her constituents and urging people to sign a petition against the move.

Labor has offered a meaningless pledge to review the price increase if it wins government. Nevertheless, health spokeswoman Julia Gillard refused to put a timeframe on the review and would not commit to any relief for patients. If a Latham Labor government could not find alternative ways of making the full \$1.1 billion in savings, she said, it might not refund the entire 30 percent increase.

Labor's decision flows directly from its support for the 2004 budget, which, for the first time in history, offered tax cuts exclusively to the wealthiest layers of society. Some 70 percent of the population—those earning less than \$52,000 a year—received nothing. Latham extended Labor's support to the tax bonanza, worth \$14.7 billion over four years, declaring he would attempt to extend it to the lower-paid. This would require savings worth \$10 billion. It is now clear that these "savings" will come, in the first place, from the chronically ill, the elderly and the poor.

Noticeably, Latham has not proposed cutting into the soaring military allocations. The budget boosted defence spending by \$1.8 billion over the next four years, with military outlays in 2004-05 to top \$16 billion for the first time. If Labor genuinely intended to pull troops out of Iraq, it would have factored in cuts in the cost of Australia's military involvement there—estimated to exceed \$1 billion by next June.

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Doctors' groups, consumer organisations and charities have warned that the medical price hikes will take a terrible toll. Already, the sharp decline over the past eight years in bulk-billing—which allows people to see a doctor without charge—has led many people to avoid or delay visits to the doctor, or to turn to overcrowded public hospital emergency departments.

A recent study found that one in five adult Australians already fail to purchase doctors' prescriptions because of the

cost. A further nine percent deliberately skip doses to make their medicines last longer. Another survey showed that about a quarter of chronically-ill patients do not get the drugs they need because of the cost.

The close link between poverty and ill-health renders the price rises doubly regressive. Francis Sullivan from Catholic Health Care Australia estimated that for the lowest paid in Australia, up to nine percent of their take-home pay would be spent on medicines. For the better-off, it would be two percent. Those most affected will include sufferers of mental illness, who often require constant medication, and indigenous people, whose health standards are already far below those of the rest of the population.

The Chronic Illness Alliance, a peak body of groups representing sufferers from illnesses such as cancer, asthma and diabetes, recently conducted a survey of 381 households containing people with chronic conditions. Those on less than \$13,000 a year paid 27.5 percent of their incomes in health-related costs and one-quarter of this went to medications. Households with incomes between \$26,000 and \$37,000, mostly not eligible for health concession cards, paid 14 percent on health-related costs and 40 percent of this for medications.

A slight increase in the "safety net" for high users will offer little relief. From January 1, concession-card holders will receive free prescriptions after spending \$239.20 a year, the equivalent of 52 scripts. For general patients the safety net will be \$874.90 or 31 scripts. Even then, however, costs will have to be paid upfront and complete records kept of all purchases.

Significantly, Labor's decision was welcomed by the pharmaceutical industry's lobby organisation, Medicines Australia. The drug companies make huge windfall profits from the \$5 billion-a-year PBS scheme, which subsidises the highly-inflated prices of new patented medicines. According to the Doctors Reform Society, drug companies spend \$1 billion a year on marketing in Australia, most of it on enticing doctors to prescribe their products.

While broad layers of people will be disgusted and outraged by Labor's u-turn, it follows from the record of the last Labor government, which, in 1990, abolished the previous access of pensioners and welfare recipients to free scripts. Under Hawke and Keating, between 1983 and 1996, PBS prices rose by 420 percent, from \$4 to \$16.80.



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