Australia: Labor's "reform" to further privatise health care

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The final report of the Australian government's 16-month-old National Health and Hospitals Reform Commission, released last week, has made clearer the pro-market and pro-business agenda driving what Prime Minister Kevin Rudd says is the most major "reform" of health care since the introduction of the Medicare universal insurance scheme in the 1970s.

In the guise of revamping the Medicare framework, the Labor government is actually preparing a major assault on public health care. Rudd is setting out to exploit the already severe under-funding and running-down of public hospital and health services over the past three decades to increasingly transform the entire system into a market-driven one.

To meet the demands of big business for higher productivity and "competitiveness", the blueprint is designed to slash costs by rationing or "capping" treatment for those who are not privately insured, while boosting the profits of corporate insurers, private service providers and pharmaceutical giants.

In order to overcome popular distrust as well as unease among medical professionals, Rudd announced a six-month period of consultation over the implementation of the commission's 123 recommendations. At their core is a scheme in which the federal government would no longer provide block funding for state government-run public hospitals but tender health services out to competition between public hospitals, not-for-profit organisations and health care conglomerates.

Instead of being funded to meet general needs, the contracted organisations would be paid only for specific patient outputs via casemix funding. This is a system in which hospitals receive pre-determined payments for each category of procedure, regardless of the patient's recovery or prognosis.

The *Australian Financial Review* commended the government for laying the groundwork for the "Holy Grail of health-care reform"—a "big bang solution" of free market competition for federal funds. For business this "Holy Grail" means reduced social spending and lower corporate taxes, and bigger opportunities for profit making in health services.

The commission was chaired by Dr Christine Bennett, the chief medical officer of BUPA Australia, which is part of a global health insurance, aged care and medical services company that reported a pre-tax surplus of $815 million for 2008. Another member was Dr Stephen Duckett, a former head of the federal health department and architect of the casemix system imposed in the state of Victoria in the 1980s. The bipartisan character of the body was embodied in the inclusion of former Victorian Liberal Party health minister Rob Knowles and the former Labor premier of Western Australia, Geoff Gallop.

The report highlighted some aspects of the appalling conditions in public health. It said that an estimated 4,550 patients die each year as a result of "avoidable adverse events" in hospitals—the equivalent of 13 jumbo jets crashing and killing all 350 passengers on board. It noted "frustration over long waiting times", "unacceptable inequities in health status" and "difficulties with access".

These crises were attributed, however, to "systemic waste and inefficiency", duplication of federal and state services, lack of coordination and mismanagement. There was no mention of the chronic under-funding, which has cut the number of public hospital beds from 74,000 to 54,000 since 1983. Taking population growth into account, this represents a 60 percent reduction, from 4.8 acute beds for every 1,000 people to 2.5 beds. As a result of the nationwide bed shortage, one-third of emergency patients wait longer then eight hours for a bed to become available.

Far from alleviating this health care disaster, the report's blueprint will intensify the pressure on public

hospitals, and drive more patients and doctors into the private sector. Adopting a claim made in 2006 by the previous Howard government's Productivity Commission, the report asserted that there was a "productivity gap" of 20-25 percent in the hospitals. It said that a switch to "effective cost" funding using casemix formulae would save $1.3 billion a year.

During the first phase of the blueprint, dubbed the "Healthy Australia Accord", the federal government would pay 100 percent of the "efficient cost of public hospital outpatient services" and 40 percent of the "efficient cost" of every public patient admission to a hospital or mental health care facility".

No detail is provided about how "efficient costs" would be calculated. But one thing is clear—they would not be determined by doctors in the interests of their patients. Rather, hospitals would be financially penalised if their doctors and nurses exceeded the cost limits set by the new health funding market.

The second phase of the scheme, called "Medicare Select", would be prepared over the following two years. All people would automatically belong to a government-operated health and hospital plan, but could transfer to a private plan, which would receive government funds on a "risk-adjusted basis for each person".

Exactly what that "risk adjustment" means is not explained either, but it points to a regime in which people would be only partially insured. If they suffered an ailment outside their "risk profile", they might not be covered.

One section of the report openly canvasses measures to ration access to modern medical technology, arguing: "As the population ages and consumer expectations rise, more people will demand access to expensive emerging technologies while, at the same time, the number of people working to pay the bills shrinks."

The report declares that patients cannot be left to judge "whether the benefits of an intervention or an episode of health care outweigh the costs". Instead, "health technology assessment techniques which evaluate value for money will be pivotal to weighing up the relative costs and benefits on behalf of the consumers and taxpayers and ensuring equitable access".

What this means is that cost considerations, not patients' wishes or doctors' advice, must prevail. In the perverse logic of the market, this is presented as "equitable access". Of course, the wealthy who can afford to pay for private treatment would be exempt from the cost-benefit analysis.

According to Alan Mitchell, the *Australian*'s health commentator, the report would make private insurance "more attractive". In effect, people would be increasingly forced to pay for private health cover to obtain essential health care. Significantly, the Rudd government excluded from the commission's review, the current 30 percent rebate for private insurance, which currently costs $3.7 billion annually, so as not to antagonise the insurance companies.

Public opinion polls have repeatedly reported deep concern over the state of health care. The report itself refers to a 2007 survey that found people "overwhelmingly favoured a more socially responsive public health system, funded by the public purse, to provide quality care for all". Rudd Labor exploited that sentiment in the 2007 election, accusing the Howard government of undermining public health, and pledging to address the crisis by mid-2009.

Hence the report pays lip service to tackling the most glaring health care catastrophes—the overcrowded hospital emergency departments, the widening life expectancy gap between indigenous and non-indigenous people, the 650,000 people on public dental waiting lists, the serious shortage of mental health services and the lack of preventative care programs. At the same time, it declares that the annual cost of its proposals, between $2.8 billion and $5.7 billion, would be offset by cost savings of $4 billion a year by 2032-33. The dental care crisis would be addressed, but only if the costs were funded through a "Denticare" levy of 0.75 of taxable income.

Together with its "education revolution," which also accelerates the imposition of market-driven measures, the Labor government's health care plan is a central component of a sweeping restructuring of the economy at the expense of the working class.

The report demonstrates that the provision of first-class health care for all—an essential requirement for modern life and more achievable than ever, precisely because of the advances in medical science and technology—is incompatible with the private profit system.