

Australia: Rudd government unveils plan to cut health spending

Mike Head
6 March 2010

On Wednesday, the Labor government released a National Health and Hospital Network plan that Prime Minister Kevin Rudd claims will “deliver better health and better hospitals for all Australians”. Rudd and his ministers have spent the past three days conducting a media blitz in a bid to convince a sceptical public that the scheme will tackle the worsening crisis in the chronically under-funded health system.

During the 2007 election campaign, Labor tapped into the deep discontent over long waiting times, preventable hospital deaths and lack of access to decent care by pledging to take over hospital funding if the states and territories, which currently run public hospitals, did not fix the problems. Rudd’s plan is an attempt to claim that his government is meeting that pledge.

In reality, the scheme will curtail public health spending. It would strip the states of one-third of their Goods and Services Tax allocations—or \$90 billion over the five years—in return for a 60 percent federal government takeover of hospital funding, and a 100 percent takeover of non-hospital medical services.

While presented as the “most significant reform” of the health system for 25 years, the plan would establish mechanisms to ration patients’ access to care, close or amalgamate hospitals and expand the profit-making activities of private hospitals and insurance funds.

Far from addressing the deterioration of the nation’s public hospitals—where one in three emergency patients wait longer than the recommended time for treatment—the plan allocates no more money, provides no extra beds and sets no targets for reducing waiting times. Instead, Rudd suggested that the states had been over-funded for hospitals, declaring that there would be no more “blank cheques”.

The real thrust of the blueprint can be seen in Rudd’s statements that it would set an “efficient national price” for hospital services to “help ensure the long-term sustainability of Australia’s finances”. The announcement is part of the government’s wider efforts to satisfy corporate and media

demands for sweeping cost-cutting measures. Rudd emphasised that the plan was “wholly consistent with the government’s strict fiscal strategy” to return the budget to surplus by 2015-16.

The current block funding to the states to cover about 40 percent of their hospital budgets, would be scrapped in favour of direct “activity-based” grants to local hospital networks. The networks would receive pre-determined amounts for each procedure and service, set by “efficiency” formulae, regardless of the patient’s recovery or prognosis. Networks that “over-spent” on caring for a patient would bear the loss, placing doctors and nurses under pressure to cut corners and push patients through more quickly.

The scheme is based on the “casemix” system imposed in Victoria by the Kennett Liberal government during the 1990s, which has driven down that state’s cost per hospital admission to the lowest in the country. This has been at the direct expense of patient care. Dr Stephen Parnis, an emergency physician at a Victorian hospital, told SBS television news: “We are treating far greater numbers and far sicker patients far more efficiently than we ever did but without the staff, beds and resources to do the job adequately.”

According to the government’s estimates, a national casemix-style regime would save \$1.3 billion per year. It also cites Productivity Commission findings that some hospitals are 20 percent less efficient than others. These calculations ignore the fact that smaller hospitals cannot match the efficiencies of scale in major hospitals, and that hospitals in working class and regional centres, and those with higher indigenous populations, often have patients with more chronic, complex and costly health needs.

No details have been provided about how the “efficient prices” would be set. A so-called independent umpire would fix them nationally, striking “an appropriate balance between reasonable access, clinical safety, efficiency and fiscal considerations”. The term “reasonable access” points to decisions being made to deny patients access to services if the

costs conflict with “fiscal considerations”.

Within each local network of up to four hospitals, each one would be under pressure to cut costs, or be branded “poorly performing,” setting the scene for amalgamations and closures. Health professionals have warned that a casemix formula could shut down up to 117 district, community and psychiatric hospitals in NSW alone, with smaller and regional hospitals being most at risk, because their volume of medical procedures is too low.

The “financially unviable hospitals” are mostly in country towns, but they also cover working-class centres such as Port Kembla, Bulli, Auburn, Woy Woy, Cessnock and Queanbeyan. Professor Bob Farnsworth, chair of the Sydney Illawarra Area Health Service’s health advisory council, said Rudd’s reforms were “appalling”, “potentially a disaster” and would “take health care in NSW back 20 years”.

Rudd’s response to these concerns, and the others voiced by doctors and nurses, was to accuse “health bureaucrats” of running “scare campaigns”. He arrogantly told dissenters to “stop moaning” and “get with the program”, answering none of the criticisms.

During his National Press Club speech to release the plan, Rudd revealed that networks could sub-contract cases to private hospitals. These remarks point to an underlying agenda that has been buried by both the government and the media: a further boost to the private hospital and health industry.

By encouraging under-resourced local networks to divert patients to private operators, the government’s plan would pave the way for the model recommended last August by its National Health and Hospitals Reform Commission. That report proposed a national health market, in which public hospitals, health care companies and not-for-profit organisations would compete for federal government tenders to provide “efficient price” services. Private providers would inevitably cream off the most profitable work, leaving a rundown public hospital system to deal with the most complex and costly cases.

Decades of under-funding by Labor and Liberal governments alike, state and federal, have already produced a creeping privatisation of health care, with ordinary people under increasing pressure to buy expensive private insurance in the hope of securing better care in private facilities. The federal government directly subsidises the private sector, particularly through the 30 percent health insurance rebate, which grew from \$1.4 billion in 1999–2000 to \$3.8 billion in 2008–09.

The Rudd government is blaming the ageing population, as well as patients’ demands for access to sophisticated

technology, for rising health costs. This is false for many reasons, not least because most hospital costs occur in the last two years of life, irrespective of how long someone has lived. And the vast improvements in medical science should make possible decent care for all, regardless of age. Above all, the government’s argument is a diversion from one of the main sources of rising health budgets—the extraction of profits by hospital, insurance and pharmaceutical companies.

In another revealing comment, Treasurer Wayne Swan refused to rule out job losses under the plan. Thousands of jobs are potentially at risk if the existing state health departments are downsized—NSW Health alone employs 100,000 people in clinical and administrative roles.

Opposition by several states, notably Western Australia and Victoria, as well as the Liberal-National coalition, make it unlikely that the government will be able to push the plan through before the next election, due before the end of the year. Rudd has threatened to call a constitutional referendum if the states do not agree to the scheme at a Council of Australian Governments meeting next month, but the government lacks a majority in the Senate to pass any health legislation or a referendum bill.

All those involved are engaged in political grandstanding, including the Liberals and the state governments that have presided over the health care disaster for years. But the Liberals led by Tony Abbott are calculating that they can play to mounting public distrust of the government, particularly since the collapse of its pro-market emissions trading and home insulation schemes. Abbott declared that Rudd’s plan would “add another layer of bureaucracy to the administration of hospital services”. Here there are parallels to the US, where right-wing Republicans have exploited growing unease and opposition over the Obama administration’s drive to slash health care costs in the guise of “reform”.

Like Obama, the Rudd government is mounting an assault designed to make ordinary people pay for the debt burden left by the global financial crisis, while protecting the interests of the health care companies. To answer this offensive, working people need to reject Labor’s plan and fight for an alternative socialist perspective—one that takes private profit out of health services, and places the entire industry under social ownership and democratic control, to provide first class health care for all.



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact