

# Australia: State Labor governments sign on to Rudd's regressive health agenda

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A two-day Council of Australian Governments (COAG) meeting, involving Labor Prime Minister Kevin Rudd and the leaders of the country's six states and two territories, concluded on Tuesday with all the Labor premiers signing on to Rudd's regressive health agenda. Western Australian Liberal Premier Colin Barnett is the only participant who has so far refused to agree. The other state and territory governments pledged to help Rudd establish new tax and funding mechanisms that will play a central role in Canberra's goal of slashing long-term health care spending and further undermining the public system.

As throughout the official health care debate, media coverage of the COAG meeting avoided any discussion of these key issues. Rudd's grand declarations, echoed by health minister Nicola Roxon, that the deal was an "historic agreement for better health and better hospitals for the working families of Australia", went largely unchallenged. Only in sections of the financial press and the editorial pages of the *Australian* is Labor's real agenda addressed, which is to ensure that future Australian governments are not burdened with health care costs that are currently projected to rise from 9 percent to 19 percent of gross domestic product over the next generation. This will be achieved through the ever stricter rationing of medical treatment for those unable to afford private care.

The Murdoch national broadsheet yesterday declared the COAG outcome "significant" despite falling "far short of the comprehensive health reforms" it had been demanding. One of the tests of Rudd's measures, the editorial continued, was whether they would "rationalise expensive treatments for an ageing population".

The states' agreement with Rudd's National Health and Hospitals Network ensures that the central mechanism for "rationalising" treatment in hospitals—"casemix" or activity-based funding—will soon operate nationally. This system will replace the current block payment method, though the government has agreed, at this stage, to exempt an unknown number of rural and regional hospitals. Under casemix, hospital networks will receive set sums of money for procedures and treatments, with a so-called independent government-installed "umpire" that will determine a universal "efficient price" for every act of care. According to Rudd, this will involve striking "an appropriate balance between reasonable access, clinical safety, efficiency and fiscal considerations".

With hospitals forced to bear the cost of any treatment that goes beyond this "efficient price", the pressure on health care workers will

be to limit access to hospitals by patients with complex and long-term treatment needs. If hospitals manage to spend less on a patient's treatment than the national "efficient price", they will be allowed to keep the surplus. In this way, there will be constant downward pressure on the efficient price, with hospitals and health workers pitted against one another to demonstrate ever greater "competitiveness".

Casemix is already in place in Victoria, having been introduced in the 1990s by the Liberal government of Jeff Kennett, and maintained since then by successive Labor governments. Under this system, the state has recorded the lowest cost per hospital admission in the country. The Rudd government has estimated that its extension nationally could reduce hospital expenses by \$1.3 billion annually.

The funding mechanism will also promote the expansion of private health care. Under the Rudd government's plan, hospital networks will be able to sub-contract cases to private hospitals. These hospitals will also be provided with more public money via the government's new policy, which purportedly aims at ensuring that patients on lengthy elective surgery waiting lists receive treatment.

Participants at COAG universally agreed to casemix without any significant discussion, either in the conference itself or in subsequent press coverage. The major point of controversy centred on the Rudd government's insistence on retaining 30 percent of the states' goods and services tax (GST) revenue, in order to pay for the greater share of federal funding required for the new hospitals and primary health care arrangements.

The former Howard government introduced legislation for the GST in 1999 amid enormous opposition to the introduction of the regressive consumption tax. Part of Howard's manoeuvres involved giving the states control over the revenue as means both of getting the premiers on side and of publicly promoting increased funding for health, education, and other social services as a result of the GST's introduction.

The states are now loath to give up their GST money to the federal government. Victorian Premier John Brumby and New South Wales Premier Kristina Keneally initially said they would not agree to Rudd's demand, only to quickly capitulate when a compromise deal was stitched up. The states must now set aside 30 percent of their GST revenue for health spending, but they and not the federal government will retain control over the fund through a state-based management

system of local hospital networks.

This concession did not satisfy the sole Liberal leader at the meeting, Western Australia's Colin Barnett, who refused to sign the negotiated health agreement. There is no doubt a great deal of posturing in the premier's stance, with widespread media speculation that he will later get on board once Rudd makes a few more spending concessions. The federal government has in any case indicated that it regards the COAG agreement as effective and operational even if Western Australia refuses to join.

Rudd claimed that the attempted 30 percent GST clawback was required to fund the shifting proportion of hospital funding, from the current 60 percent state and 40 percent federal to 40 percent state, 60 percent federal, thereby preventing the states' budgets from being consumed by rapidly growing health expenditures. In reality, however, the GST question is not simply about health expenditure. On the contrary, the shift in tax revenue distribution forms part of the Rudd government's response to the second stage of the global economic crisis, slashing public spending in order to reduce national indebtedness and avoid a Greek-style sovereign debt crisis.

Big business has long accused the states of squandering the GST. In a comment published on the *Business Spectator* web site on Tuesday, Alan Kohler described the initial decision to hand the GST revenue to the states as "reckless" and Rudd's health plan as "a Trojan Horse to reverse it." Kohler castigated the states for "blow[ing] the GST on employing public servants" and cited a study which claimed to have found that "expenditure on employment and remuneration of state government employees has gone from \$43 billion in 2000, when the GST was introduced to \$78 billion in 2009, an increase of 78 per cent or 8 per cent a year".

Media reaction to the COAG compromise on the GST question was mixed. The *Australian* declared the states the "real winners" out of the negotiations given their control of the new health fund. The *Sydney Morning Herald's* political editor Peter Hartcher, on the other hand, declared that "the most startling aspect of the agreement is that the states have allowed the Commonwealth to take a third of their most precious stream of gold—the GST—to pay for it". He cited constitutional expert Associate Professor Andrew Lynch: "They have set a precedent now—the GST is touchable."

The Rudd government made great play of various spending initiatives announced in the course of the final negotiations. Rudd pledged a total of \$5.3 billion over the next four years, including \$890 million for new hospital beds and \$178 million for mental health services. The prime minister also said an extra \$15.6 billion would be spent between 2014 and 2019 in order to meet the federal government's 60 percent hospital funding target.

The federal and state Labor governments' attempt to present these measures as a major investment in the country's health system is a complete fraud. In every area, the money pledged is grossly inadequate to meet the demands of a national health system in deep crisis. On hospital beds, for example, in Victoria, Premier Brumby boasted that an additional 332 beds would be created through the COAG agreement. The Australian Medical Association's Victorian president, Harry Hemley, told the *Age*: "We need an immediate 578

serviced beds to fill the recent backlog, then 187 extra beds each year to keep up with population growth. A 332-bed package over four years meets less than a third of this demand."

Moreover, the Rudd government has promised that the additional health spending will be matched by equivalent cuts to other public expenditures, with the details to be provided in the upcoming budget. Health minister Nicola Roxon has confirmed that her department is among those required to find new areas for cost cutting. What has been given with one hand will be taken away with the other.

The spending announcements were driven by the political calculations of each of the state and federal governments. Keneally and Brumby soon face challenging re-election campaigns amid growing popular disaffection. They recognised that Rudd's initial proposal of a federal hospital takeover without any additional spending for four to five years was politically untenable. Public scrutiny of such a plan would have generated enormous hostility from ordinary people who have long demanded proper resourcing and staffing for the public health sector.

All the premiers are now seeking to take credit for securing additional money for their states' hospitals through their squalid manoeuvres and horse trading with Rudd. This is likely to fall flat, however, given the miniscule sums involved. The *Age's* state political editor Paul Austin yesterday declared that Brumby "has got some explaining to do", given that he previously demanded an additional \$1.2 billion a year in hospital funding from the federal government only to subsequently line up behind Rudd after being offered \$890 million over four years.

Rudd is also facing re-election this year, and has seized on the health issue in the wake of the debacle over the failed attempt to legislate a national Emissions Trading Scheme. Promoting his hospital plan as a major progressive reform, he has indicated he is ready to call a "health care" election. In the event that the Liberal-National opposition parties block the legislation, a double dissolution election, involving all members of both the upper and lower houses of parliament, could be triggered.



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