Australia: Gillard health plan to slash spending

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Under the cynical slogan of "health reform", Prime Minister Julia Gillard and the state and territory leaders have struck an in-principle agreement to establish a new market-based hospital funding system designed to relentlessly drive down public health spending.

Announcing the agreement on Sunday night, Gillard claimed that it would mean a "better deal for patients," because there would be "more money, more beds, more local control and more transparency". Each of these claims is patently false.

Instead, the core feature of the new system—the funding of hospitals according to a national "efficient price" for each activity they undertake—will mean less money and fewer beds. Far from transparency or control by local communities and medical staff, the allocation of funds according to prices set by a National Hospital Pricing Authority will dictate the provision of inferior, low-cost health care.

From July 1 next year, public hospitals will no longer receive block grants to service the needs of their communities. Rather, they will have to compete for funds, which will be allocated from a national pool on the basis of pre-determined "fair and efficient" prices for each procedure they provide.

If treatments costs exceed the set prices or hospitals have less patients, local hospital networks will face financial losses, forcing them to eliminate services, or close down or amalgamate facilities. Doctors, nurses and administrators will be under constant pressure to cut costs, regardless of the impact on patient care, in order to keep below the "efficient" price, which will itself be revised downward as part of the market process.

In order to preserve this fundamental feature of the Labor government's scheme, Gillard dropped aspects of the national hospital blueprint presented last year by her ousted predecessor, Kevin Rudd. The state and territory governments will no longer have to hand over 30 percent of their Goods and Services Tax revenue to the federal government. They must, however, divert their hospital spending into a national funding body that will make payments according to the pricing authority's formulae.

The national pricing and funding agencies will play a dominant role, whereas the original Rudd plan proposed joint federal-state bodies to administer the funds. Another body, the National Performance Authority, will report on the performance of health care providers, and the MyHospitals web site will report publicly on the performance of individual *hospitals*.

Gillard and the state and territory leaders wrangled for eight hours on Sunday over these proposals—because they mean largely by-passing the state and territory authorities—before deferring a decision on the details until later in the year. Gillard nevertheless declared the agreement to be an historic breakthrough. "Instead of eight bureaucracies under the previous deal, there will be just one national funding body," she stated.

The prime minister claimed that the deal guaranteed $19.8 billion in federal funds for public hospitals over the next decade. As always, no details were provided of how that figure was calculated. In reality, all funding will be conditional on meeting national benchmarks. "There will be no blank cheques," Gillard emphasised.

Federal funding will be less than under Rudd's scheme. Rudd had pledged to cover 60 percent of all hospital spending—both recurrent and capital investment—and 100 percent of non-hospital primary care. Gillard's version keeps the federal hospital funding share at an historic low of 38 percent, and provides no new funding until 2014-15. Then, the

federal share of just the *growth* in hospital costs will rise to 45 percent, and ultimately to 50 percent in 2017-18. There will not be an extra cent to cover capital costs (new buildings, equipment, etc.) or primary care.

Gillard declared that strict national standards would be set, including a 4-hour target for emergency waiting times, and a 95 percent elective surgery target, so that 95 percent of patients are treated within clinically recommended times. When she was asked on national radio, however, to say how long it would take to reach those goals, she refused to make any commitment. Instead, she said: "Yes, it is going to be difficult to reach those targets."

The truth is that Labor's plan has nothing to do with improving health outcomes in the notoriously under-resourced, over-stretched and dilapidated public hospital system. Gillard's Sunday night media release made clear that the driving force behind the plan is to tackle "rapidly rising health costs". She vowed to "clean up our inefficient health system in which there is too much waste, by introducing solid market-based reforms".

After more than three years of federal Labor government, hospitals, especially the emergency wards, remain scenes of daily chaos and frustration, as staff struggle to find beds for incoming patients. The latest statistics show that overall proportion of emergency patients seen on time has remained at just 70 percent, while the median waiting time for elective surgery has blown out from 32 to 35 days (see: http://www.aihw.gov.au/publications/index.cfm/title/12271).

Officially, more than 66,000 people languish on hospital waiting lists in New South Wales alone. In neighbouring Victoria, more than 200,000 outpatients are on surgery waiting lists, and between July 2009 and June 2010, more than 40,000 emergency patients waited over 16 hours for admission to a ward bed. In both states, hospital authorities have been exposed artificially removing people from waiting lists, a practice that will only worsen under the planned regime.

One of the unstated purposes of the shameful state of public hospitals is to push more people into buying private health insurance and seeking treatment in highly-profitable private hospitals and other medical facilities. To that end, the Labor government has retained the 30 percent private health insurance rebate, a subsidy now worth about $4 billion a year.

The prime minister claimed that her reforms would "help people get the services they need in their local communities" and "ensure that the voices of clinicians all over the country are heard in the process". This is another fraud. The cost-cutting and profit-driven dictates of the market are completely incompatible with decent patient care and any democratic control over health care by consumers and medical practitioners.

Media commentators hailed the package for reinforcing Gillard's message to the financial elite that her government is committed to implementing similar market-driven reforms to slash welfare benefits, education, housing and other social spending. Lenore Taylor noted in the *Sydney Morning Herald* that Gillard's plan was a first step in demonstrating her capacity to match her declaration that 2011 would be her year of "delivery".

Matthew Franklin, the chief political correspondent of the *Australian*, wrote that Gillard's "strong stand" had shown her "mettle", adding: "Julia Gillard appears to have succeeded in transplanting the transparency-first approach she brought to the nation's schools to its struggling public hospitals." In other words, Gillard's "education revolution"—which has subjected public schools and universities to the destructive profit-driven forces of the market, is to be extended to the public hospitals.

Writing for the Australian Broadcasting Corporation, financial commentator Alan Kohler declared: "The health deal agreed yesterday is almost entirely good and should be used as a template for everything else states do, including education and public transport." Kohler praised the fact that "the state health bureaucracies are being cut out of the picture" and suggested that they be shut down altogether, a proposition that would see the immediate destruction of tens of thousands of jobs.