Australian “health reform” plan to slash spending

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Prime Minister Julia Gillard this month announced “the biggest change to Australia’s health care system” since the Medicare insurance scheme was introduced in 1984. She asserted that the National Health Reform Agreement she had signed with the state and territory governments “means more money for public hospitals, more beds, more services for patients, and shorter waiting times.”

Nothing could be further from the truth. The new hospital funding scheme is part of the Labor government’s intensifying drive to deliver the pro-market and cost-cutting agenda demanded by the financial markets and big business. Under conditions of deepening global economic crisis, Labor is intent on restructuring all aspects of society, including health care, welfare, industrial relations, education, aged care and disability services, in order to slash social spending, cut corporate taxes, force down labour costs and open up whole new areas to corporate profit.

The centrepiece of the health agreement is the imposition of “national efficient prices” for all public hospital services. In effect, a market mechanism has been put in place to constantly drive down funding levels. Far from receiving “more money”, hospitals will receive only a nationally-set price for each medical procedure or service they perform. If hospitals exceed those margins, they will bear the costs. In order to survive, hospitals will have to deliver services at ever-lower costs, or out-source them to private operators that pay lower wages.

Moreover, the federal government will fund the states and territories—which run the public hospital systems—only for “efficient price growth”. They too will be financially penalised if they permit their hospital spending to rise at faster rates than deemed “efficient”. Gillard claimed: “[W]e will become an equal partner in the growth costs of hospitals, funding firstly 45 percent of growth and ultimately moving to 50 percent of growth.” But the agreement specifies that these percentages apply only to “efficient growth” in services, including teaching, training and research.

A so-called Independent Hospital Pricing Authority (IHPA) will determine the “efficient” prices, on the basis of the “financial sustainability of the public hospital system” as well as “clinical safety and quality”. These two criteria are fundamentally incompatible. “Financial sustainability” means rationing access to medical care, and pushing more patients into buying health insurance and seeking treatment in private facilities.

Gillard came closest to the truth when she told a media conference: “So the money will follow efficient prices … enabling us to see where the best and most efficient hospital practice is being pursued and then to spread that best practice.”

Private hospital owners will help drive down “efficient prices” by under-cutting public hospitals in the most lucrative, high-volume procedures. The agreement stipulates that governments and public hospitals can contract out procedures to private clinics, either via state-wide arrangements or local contracts.

Gillard repeated the message of her predecessor, Kevin Rudd, saying there would be no more “blank cheques” for the states and territories. Under the previous Howard Liberal government, the federal share of public hospital funding fell to less than 40 percent. This chronic under-funding will actually worsen, with the federal government covering only 45 percent of “efficient growth”—that is, less than the actual growth in costs—from July 2014, and 50 percent from July 2017.

As for Gillard’s “shorter waiting times,” the

agreement drops a “guarantee” that was contained in the initial version of the hospital plan that Rudd unveiled last year. Rudd had promised that 95 percent of patients going to emergency departments would be admitted, referred or discharged within four hours. That pledge has now been reduced to a “target” of 90 percent, to be phased in by 2016. Rudd’s National Access Guarantee that 95 percent of “elective” surgery patients would be treated within clinically recommended times has been replaced by a “target” of 100 percent—by 2015.

States and territories that achieve these targets will receive “reward funding”. These incentive payments will intensify the pressure on hospital managements to manipulate surgery waiting lists to produce the desired results. Further evidence emerged last week that hospitals tell patients that waiting lists are closed and they must go somewhere else. The *Sydney Morning Herald* also reported that half of all patients at some Sydney hospitals were recorded as having their elective surgery on the day they joined the list—dramatically reducing average waiting times.

According to other figures obtained by the *Herald*, over-stretched emergency departments across New South Wales are also delaying the admission of ambulance patients. During the last week of July, only 56 percent of ambulance patients had been handed over to hospital staff within the official Health Department benchmark of 30 minutes, down from 63 percent in July 2010.

Since Labor took office in 2007, public hospital waiting lists have lengthened (“Australian hospital waiting times worsen under ‘health reform’”). In a media release, Gillard and Health Minister Nicola Roxon conceded that in 2009-10, 35 percent of emergency patients waited more than four hours, and 16 percent of elective surgeries were not performed within clinically recommended times.

Because of this deteriorating record, private operators anticipate booming demand for their services. Australian Private Hospitals Association chief executive Michael Roff commented that the agreement had given elective surgery patients nothing to hope for unless they joined a private health fund. Catholic Health Australia chief executive Martin Laverty said the states could achieve the new targets only if they contracted private hospitals to do the work.

One of the government’s on-line “fact sheets” exposes the real considerations behind the Labor government’s agenda. “Without this reform, state and territory budgets will be overwhelmed by their rising health expenditure obligations,” the document states. Far from guaranteeing access to decent health care—which is a fundamental social right that should be available to all free of charge—the Gillard government is winding back spending in the name of fiscal “sustainability”.

An editorial in the *Australian* was not completely satisfied. It expressed concern that the agreement had not delivered the “deep structural change” needed to deal with the factors “forcing up our health costs”: “Expensive technologies; cost-shifting between state- and federal-funded services; high wages; increased client demands; and an ageing population.”

Such is the brutal logic of “health reform”—less access for public patients to advanced medical technologies, nationally-driven cost-cutting, lower wages for healthcare staff, and measures to contain “client demands” especially among the older people who cannot afford private care.