Australian Premiers call for inquiry into how to cut health spending

By Mike Head
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Unable to agree on specific measures to further slash spending on public health care, the eight leaders of the Australian states and territories last Friday urged the federal government to conduct a Productivity Commission inquiry into the health system, describing it as “unsustainable”. Labor Party state Premiers joined their conservative colleagues at a summit meeting where they collectively called for a complete review of the 25-year-old Medicare system, under which the federal government pays the fees for most medical procedures.

For the first time, senior Labor Party figures—New South Wales Premier Bob Carr, his Queensland counterpart Peter Beattie and Tasmanian Premier Jim Bacon—stood in unison with the Liberal and National Party leaders in publicly canvassing the dismantling of the universal public health insurance system. They demanded that every means of reducing health costs be investigated, including the imposition of means tests and upfront fees for doctors' services. Other proposals included the outright abolition of Medicare and the sale of the government-owned health fund, Medibank Private. “Everything is on the table,” Carr said.

In the leadup to the meeting, right-wing Victorian Premier Jeff Kennett had advocated the scrapping of Medicare, labelling it a “farce”. His West Australian co-thinker Richard Court had released an options paper suggesting that public hospitals charge fees, at least on a means-tested basis. Carr had refused to rule out imposing charges for public hospital treatment.

Opinion polls show high levels of public opposition to the elimination of universal health coverage, so the parliamentary leaders are anxious to have the proposal come from a so-called neutral body. Following the meeting, Kennett said the Productivity Commission had been chosen to review the system because it was an “independent umpire”.

The Productivity Commission is, in reality, a central agency in the program of cost-cutting, privatisation and de-regulation pursued by both Labor and Liberal-National Party coalition governments. Among other things, its recent reports have urged the elimination of nursing home subsidies and the further privatisation of telecommunications, and called for cuts to workers' wages and conditions in the meat processing and waterfront industries. Just two years ago, in 1997, the Commission handed down a report on boosting the private health insurance funds, in which it placed a question mark over Medicare's future.

At their summit, the state and territory leaders also adopted “national performance measures” for public hospitals. These will require hospitals to continually reduce costs and achieve higher rates of patient output, worsening the already disastrous state of the public hospital system.

Since 1984-85, the first full year of the Hawke Labor government, federal spending on public hospitals has decreased in real terms, falling from 1.07 percent of Gross Domestic Product to 0.90 percent in 1998-99. Over the same period, rising premiums have led to a sharp decline in private health insurance coverage, from more than 65 percent to 30 percent of the population. This has made more people dependent on public hospitals.

The States have also cut spending, closed hospital beds, reduced staff levels, imposed more severe rationing of services and shifted costs to the federally-funded Medicare scheme by largely pushing all but emergency and surgery patients out of public hospitals and into private medical centres.

According to federal government figures, the governments of Victoria, South Australia and Western Australia have reduced public hospital spending significantly since 1991. By the same statistics, state government public hospital funding has increased by nearly one-third in real terms in the most populous state, New South Wales. Yet the public hospitals even in that state are in a shocking condition, particularly in working class and rural areas. Increased reliance on public hospitals and escalating costs have stretched their resources to breaking point.

By recent estimates, over 15 percent of emergency patients now have to wait for more than eight hours before they are given a bed in Sydney's hospital system. Ambulance officers say that 20 percent of hospital emergency departments are closed every day because they cannot cope with the demand. The three main city hospitals—St Vincents, Royal Prince Alfred and Prince of Wales—are closed at least once a day to all but life-threatening cases. Because of the resulting delays and bottlenecks, ambulances are being dispatched up to 30 minutes after incoming emergency calls—15 times later than service standards. “Patients are facing the double whammy of waiting for an ambulance to get them and waiting for up to five hours once they reach a hospital,” a senior officer told reporters.

Since 1993, Westmead Hospital, the largest in Sydney's western suburbs, has lost 1,000 staff, including about 150 doctors out of 500, and more than 150 beds. Yet 1,000 more patients were treated last year than five years earlier, with the average length of stay reduced from almost five days to four. This month Westmead doctors have spoken out publicly against a further cut of $9.5

million to the hospital's $250 million budget. The hospital was on a “knife edge,” the head of the division of medicine, Professor Rick Kefford said. “The degree of sickness you have to have to be admitted to this hospital has increased enormously and then you are kicked out as soon as you can walk.” Because of shortages, some staff had had to forgo their holidays. This was under conditions where 12 medical registrars took it in turns to do the “M” shift—36 hours without a break, in sole charge of 250 patients.

Doctors have given similar accounts at many hospitals. The Prince of Wales Hospital has lost 250 beds and 270 staff over the last four years due to cost cutting flowing from budget overruns. Professor John Dwyer, the hospital's director of medicine, said the situation was the worst he had seen in 15 years. “Every year you think, ‘This is the worst,' but no, next year it is worse. This is it. We just can't meet patient demand any more.”

The federal government headed by Prime Minister John Howard has been non-committal in its response to the Premiers' call for a Productivity Commission inquiry. Since taking office in 1996, it has preferred to kill off Medicare by stealth, while publicly claiming to uphold it.

It has exacerbated the hospital crisis by diverting hundreds of million of dollars into propping up the private health insurance funds. This reached new heights this year, with no less than $1.7 billion allocated annually to underwrite a 30 percent rebate for those citizens who have the money to take out private coverage—which costs up to $25 per person per week. According to Mark Cormack of the Australian Healthcare Association, the $1.7 billion would have paid for 600,000 public hospital admissions, eliminating all waiting times.

Similarly, the Doctors Reform Society has pointed out that the sum is equal to 15 percent of the total spent by federal and state governments on the public hospitals and health care systems, and it is bigger than the health budgets of South Australia, Western Australia or Tasmania. When the private funds increased their premiums earlier this year, Doctors Reform estimated that it cost the federal government an additional $85 million a year in rebates, enough to run a medium-sized public hospital, such as the New Children's Hospital in Sydney.

The Howard government has also continued the previous Labor government's practice of refusing to lift doctors' payments under Medicare in line with costs. This has effectively forced more doctors to abandon what is known as bulk-billing, whereby bills are paid directly by Medicare. The latest Health Insurance Commission data show that doctors are increasingly asking patients to pay fees upfront and then seek partial reimbursement from the government.

The Australian Medical Association, the private medical industry's professional lobby group, this month called for the introduction of means-tested patient contributions for public hospital treatment. AMA federal president David Brand claimed this was the only way that hospitals could obtain the funding to cope with the increasing demands of an ageing population and advancing technology. Yet the AMA's journal, *Australian Medicine*, this month revealed the Association's not-so-hidden agenda. It indicated a campaign to declare a “crisis” in the public hospitals in order to panic people into taking out private insurance. “The only successful strategy to rescue the private health funds is by getting the public to lose confidence in the public hospitals,” it stated.

Critics of the AMA, such as Doctors Reform, argue that a largely-privatised medical system, as in the United States, would lead to massive cost blowouts, as medical corporations charge ever higher fees and indulge in what economists refer to as “over-servicing” of their clients. The result would be an expensive service for the wealthy, alongside an inferior system for the rest of society. “Medicare would be replaced with a ‘choice' between a public Medi-poor or a private Medi-profit,” wrote Dr Tracy Schrader of Doctors Reform last year. “Medi-poor would be run-down and over-strained.” Schrader pointed out that there would be grave implications for public health. “Preventative health measures including immunisation, Pap screening, mammograms, well baby checks and infectious disease prevention strategies would be adversely affected. Early consultation and on-going care would be hampered resulting in later diagnosis, less effective treatment and more costs in the long run.”

Doctors Reform points out that shareholders in for-profit health funds in the US expect returns of 30 percent on funds invested, while many of the sick are refused insurance coverage and patients must often seek approvals from their fund before attending a hospital emergency department. But the arguments of Doctors Reform are heavily weighted in terms of the cost savings offered by maintaining the present, severely run-down, semi-private system in Australia. They point out that in the US, health costs now approach 15 percent of GDP, almost double that in Australia—8.6 percent—and administration costs average 20 percent, compared to 3 percent in Australia

The answer to the growing crisis of the health system is not to deny that a crisis exists, nor to defend the current structure, which is largely based on the fee-for-service system. It effectively subsidises the mushrooming private medical business as a whole, from corporate-owned doctors' clinics to the giant pharmaceutical companies. The breakdown in the public health and hospitals system under the resulting strain presents a compelling case for the removal of all corporate profit-making from health care, and the establishment of a genuinely free and first class service for all, based on public ownership under democratic control. Rather than focussing on how to ration services, restrict access to health care and cut costs for purely financial and non-medical reasons, such a service would insist on making the latest technology and medical advances equally available to everyone.