Australian public hospitals face growing funding crisis

By Mike Head
8 February 2016

Years of under-funding and cost-cutting pressures applied by successive Australian governments have produced lengthening waiting times in the country's public hospitals, including for critical, potentially life-saving, emergency care.

According to the Australian Medical Association's annual hospital report card for 2015, the "growing funding crisis" is set to intensify in 2017, when the health system faces a funding "black hole" as a result of the latest cuts imposed by federal Liberal-National government.

The AMA report found emergency department waiting times worsened in 2014–15, with only 68 percent of emergency department patients classified as "urgent" being seen within half an hour. In other words, gravely-ill patients were not treated within medically safe times. The outcomes remained well outside the 80 percent target adopted by the state governments, which have the frontline responsibility for public hospitals.

Of all emergency department visits, just 73 percent were completed in four hours or less, further endangering patients' lives and health. This was no improvement over 2013–14 and far short of the 90 percent target for 2014–15 set by the state governments themselves.

So-called elective surgery waiting times improved marginally, with the average patient now waiting 35 days for surgery. But that figure has deteriorated since 2001, when patients waited 27 days on average. Many of these patients are suffering painful and debilitating conditions.

AMA vice president Dr Stephen Parnis provided some idea of what these waiting times mean in human terms: "[Y]ou see elective cases that present to emergency because they've become emergencies. The arthritic hip that leads to a fall that becomes a fractured hip, with the complications and risks going up exponentially. The gall bladder that should have come out a few months ago that has turned infective and led to inflammation of the pancreas. These are life-threatening conditions that could be avoided."

The statistics almost certainly understate the extent of the waiting list crisis because governments and health authorities have sought to avoid public outrage by fudging the figures. Many patients must wait to see specialists before being considered for operations or are placed on "waiting to wait" lists to produce artificially low results.

The AMA report provided a revealing indicator of the protracted running-down of the public hospital system. It showed an ongoing decline in the number of hospital beds per 1,000 people aged more than 65, who are those most in need of hospital care. Since 1993-94, this bed ratio has been cut by more than 42 percent.

Total public hospital bed numbers increased by just 256 in 2013–14, not enough to cope with a growing population, so that the bed ratio per 1,000 of the population as a whole fell to 2.51, from 2.57 in 2012–13. This ratio had not improved since 2009–10.

AMA president Professor Brian Owler condemned the federal government for cutting funding by fixing its allocations to Consumer Price Index (CPI) adjustment and population growth. The CPI is consistently much lower than rising cost of medical care, which necessarily reflects the expense of new medical technology, procedures and medicines.

The Coalition government has abandoned funding guarantees that were made under the National Health Reform Agreement struck with the states and territories by the previous Labor government in 2011. That reversal, to take effect from July next year, will reduce

promised federal funding by $1.8 billion over four years, and by an estimated $57 billion over the next decade.

Owler said: “In a struggling public hospital system that’s failing to meet its performance targets that sort of slowdown in funding growth will mean that they will be under further strain, and I think we’ll start to see further clinical services being cut.”

This “black hole” would be deepened by the impact of further announced health care cuts. These include an ongoing freeze on the Medicare rebates paid to general practitioners (GPs), designed to compel growing numbers to charge their patients upfront fees, rather than “bulk-billing” the government; and pathology and diagnostic imaging cuts of more than $650 million over the next four years.

These measures will force more patients, unable to pay for GPs and diagnostic tests, to seek treatment at public hospital emergency departments, putting even further strain on them.

While billions of dollars were allocated for military hardware, health spending fell to 15.97 percent of total government outlays in the 2015–16 federal budget, down from 18.09 percent in 2006–07.

In blaming the Liberal-National government for the hospital crisis, Owler made no mention of the financial constriction applied by the previous Labor governments from 2007 to 2013, even though the data he presented pointed to the damaging impact of their cuts.

Owler said federal funding for public hospitals grew by just 0.9 percent in 2013–14, “well below inflation and virtually stagnant.” This was on top of a 2.2 percent reduction in 2012–13, which was the last full year of Labor rule.

There has been a relentless drive, initiated by the “health care reform” agenda of the Labor governments, to reduce hospital funding. The central purpose of these “reforms” was to push down the cost of health care.

One of the primary mechanisms was the uniform introduction of “casemix” funding, whereby hospitals no longer receive block funding to meet the needs of the growing populations they serve. Instead, they are paid only for each procedure actually performed, and according to nationally-set “efficient” prices.

By forcing hospitals to compete with each other for this funding, the system is designed to continually lower the prices, placing pressure on medical staff to increase their workloads and throughput, inevitably compromising patient care.

By 2011, it was clear, from official data produced by the Council of Australian Governments (COAG) Reform Council, that waiting times were lengthening as part of this process. Between 2007–08 and 2009–10, median waiting times for elective surgery in public hospitals rose from 34 to 35 days, which is the current figure.

For patients needing coronary artery bypass surgery, one of the most serious “elective” procedures, the median waiting time lengthened from 14 to 15 days between 2007–08 and 2009–10. Patients waiting for knee replacement surgery—usually in pain and having difficulty walking—suffered the longest delays. Median waiting times increased from 156 to 180 days.

This shocking reality will only worsen as the latest cuts take effect. Confronted by rising fees and longer waiting times, working class, poor and vulnerable patients will inevitably delay or avoid treatment and testing, preventing timely diagnoses and giving rise to more serious diseases, complications and unnecessary deaths.

As well as meeting the demands of big business for austerity, the health cuts are designed to coerce more people into paying for their own care, via private health insurance, and to boost the profits of private hospital and health care companies.