



SPEECH

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“From Medicare to Welfare: The Crisis in National Leadership on Health”

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Introduction

I want to start by asking you a question – a question all Australians should be asking themselves.

The question is:

“What is the principal domestic policy achievement of the Howard Government in its third term?”

And the answer?

I have asked this question of many people over the last few months and the answer is almost always an intake of breath and then silence.

The few who answer say tax reform. But whatever view one took of tax reform, that was the Howard Government’s principal policy achievement in its last term.

Earlier in the term, the Prime Minister pledged to make balancing work and family life the focal point of policy in this term of government. But despite high-level inter-departmental committees and Cabinet in Confidence documents so old the paper is starting to look yellow, nothing has happened.

Health has been sucked into this general vacuum of national leadership. At least the Howard Government never pretended health was a priority the way it pretended work and family life was a priority.

In the last election campaign the Howard Government was so devoid of health policy it had the cheek to suggest being prepared to re-negotiate the Australian Health Care Agreements equalled an election promise. Clearly, John Howard was struggling if he thought a basic and inescapable task of government should be listed as a health election promise!

The Health Leadership Vacuum

The Howard Government’s plan was not a plan of action, but a plan of inaction. The Howard Government entered this term of office hoping to achieve by stealth what John Howard had never been able to achieve directly. The Howard Government hoped that no one would notice while it presided over the decline of Medicare.

The plan of inaction included the appointment of Senator Patterson as Health Minister and the turning of a blind eye as Medicare rebates fell increasingly behind real costs and bulk billing rates plummeted.

The Labor Party yelled long and loud about this plan to dismantle Medicare by stealth and it did so by making bulk billing a focal point.

By May last year the Howard Government was forced to respond to Labor’s bulk billing campaign and did so with the ironically named ‘Fairer Medicare’ package.

That this package was rooted in the politics of spin is neatly demonstrated by the fact that prior to its introduction, some \$21,000 was spent on consultants who came up with the name – nice work if you can get it - and the package itself came with \$27 million in advertising funding.

But behind the spin, a Howard Government stung into action was still determined to infect the package with its values. Under the guise of supporting bulk billing the Howard Government was determined to undermine the universality of Medicare by means testing access to bulk billing and increasing the role of private health insurance.

And of course, the package was paid for by ripping money off the States by taking money out of the public hospital system rather than redirecting funds from other areas of the Budget.

The failure of the so-called *Fairer Medicare* package is now a part of history. A failure so spectacular it led to the end of a Health Minister.

My purpose today is today is to analyse the new political bandaid that has replaced *Fairer Medicare*. I had consistently suggested to the new Health Minister, Tony Abbott that the obvious title for the new package was *Even Fairer Medicare* but self-deprecating humour is no more the Howard Government's style than leadership in health.

But this Medicare political fix, like last May's attempt at a political fix, is a symptom of the crisis in national leadership on health.

Is there any one in this room without a Liberal Party membership ticket who believes that the Howard Government would have introduced *Fairer Medicare* or its replacement if Labor's bulk billing campaign hadn't made health a political liability for the Coalition?

When the only substantial health packages a national government introduces are in response to perceived political problems not health problems, there is a crisis in national leadership on health.

When a national government is prepared to cut back funds to public hospitals and watch them groan under the strain caused by reduced bulk billing and insufficient aged care beds, there is a crisis in national leadership on health.

When health professionals mass in Canberra demanding reform of the health system and the national government does nothing, there is a crisis in national leadership on health.

When more than half a million Australians languish on waiting dental lists and the response of the national government is 'this is not my problem', there is a crisis in national leadership on health.

And the list could go on and on. What about the crisis in workforce for general practitioners, nurses, dentists and radiographers?

What about the only answer to the challenges of SARS and bird flu and rising HIV infection rates being a glossy booklet, heavy on the photographs and devoid of new policies and recommendations to improve existing policies?

What about professing to be interested in preventive health while ignoring the advice of experts that all Australia's babies should be immunised against pneumococcal disease and chicken pox?

The crisis in national leadership is infecting all parts of the health system.

Only Labor is prepared to deliver the cure.

Labor's National Leadership

Labor has a two-pronged approach to the reform of our health system. We will systematically address the crisis points in the system, and we will set the foundation for real reform.

Labor has a \$1.9 billion plan to rebuild bulk billing for all Australians. We will also invest in Medicare Teams, in primary and community health teams in areas of health need. And through our Australian Dental Care plan we will provide \$120 million per year to enable Australians to get off waiting lists and into a dentist's chair.

As well as taking immediate action to revitalise our health system, Labor will lay the foundation for long-term reform. Our aim will be to end forever the days of cost and blame shifting, of sharp and stupid edges and gaps between primary care, acute care, and aged care. And this will be achieved in the first term of a Latham Labor Government.

Within the first month of the election of a Labor Government, Labor will establish a National Health Reform Commission to drive the reform process. The head of the commission will not be a medical professional, but an expert in change management -- a person agreed by the Commonwealth and state ministers for health.

In the first three months of a Labor Government, the National Health Reform Commission will bring together all the major players, including the Commonwealth, all state and territory governments, representatives of local government, the heads of major statutory authorities, a representative group of managers from major public hospitals and health services, consumers, doctors, nurses, and other health professionals, health unions, and the private health sector.

The summit will be less about what to do, and more about how to do it. That is, the development of a systematic and strategic agenda - an action agenda - for the reform of the health system. Significant reforms will be in place within twelve months, overseen by the Reform Commission.

The Commission will make recommendations in areas such as Australia's long-term primary health care strategy, specific mechanisms to close the gaps between acute care, rehabilitative care, and aged care, improvements in quality and quality assurance, the best way for the private sector and the public system to complement each other, preventative health care and the promotion of healthier lifestyles, and of course strategies for addressing critical medical workforce shortages. And the focus of these reforms will be to put the patient first.

The Commission will develop the blueprint for the reform of Commonwealth and state funding arrangements. It will also develop mechanisms for evaluation and feedback of the reform process. The outcomes of this approach will be better health outcomes, and a stronger focus on patients, an increase in the quality of care, the elimination of cost-shifting, duplication, and gaps. More effective use of health dollars. More sustainable health - a more sustainable health care system, and long-term investment for long-term planning.

That is, real reform, and an end to short-term fixes.

Saving Medicare

Labor built Medicare, believes in Medicare, and in government will save and rebuild our universal health system again.

But in the coming few weeks our challenge is to save Medicare from Opposition. If we are to save Medicare it is vital that the Senate rejects Minister Abbott's political fix, the so-called safety net.

The failure of the Howard Government to attend to bulk billing rates and the need to ensure that specialist fees are fair and reasonable has meant that out-of-pocket costs are rising. For the Howard Government, the sham safety net is the solution of choice.

Why?

Because despite the pleasant ring of the words 'safety net' this is yet another policy from the Howard Government infected with its values, another policy stepping stone on its path to the dismantling of Medicare.

The Sham Safety Net

(a) 97% of Australians lose

First, let's debunk the Howard Government's spin about the benefits of the sham safety net.

The truth is that on the Howard Government's own figures only 220,000 families or individuals will benefit from the sham safety net in a year. Professor John Deeble has said a generous estimate of the percentage of Australians who will benefit is 3% per cent and it could well be closer to 2%.

Professor Deeble then goes on to say that of those who could benefit half would be better off under current arrangements than the sham safety net. Specifically, Professor Deeble has calculated that the safety net benefits under the Howard Government's proposal would exceed those under the current system only for services billed at more than 25% over the scheduled fee.

On the basis of current GP, specialist and diagnostic fees, this means that well over half of the 220,000 people who reach the threshold would be better off under the current arrangements rather than under the proposed new sham safety net.

Professor Deeble goes on to say that the proposal to cover 80% of actual fees without limit is effectively uncapped gap insurance, and he's right. This is an admission that the Howard Government is both unwilling to increase benefits and unwilling to do anything to ensure specialist fees are fair and reasonable.

Increasingly, the Medicare fee schedule bears little relation to doctors' costs, but it has been something of a constraint on out-of-pocket charges. The Howard Government has walked away from the Relative Value Study and any possible fee revisions under that, and Tony Abbott is saying that the seven-tier GP consultation item proposals from the Attendance Item Restructure Working Group can only go ahead in a cost neutral way. So doctors have come to realise that the only way they can improve their financial situation in the foreseeable future is by charging patients more.

If both doctors and patients believe John Howard's and Tony Abbott's message that safety nets will see that no one will be really hurt by doctors' fees, why would fees not rise? They certainly have under private gap insurance for in-hospital charges.

So who wins and who loses? With the high likelihood of price escalation in doctor and specialist fees, 97% of Australians lose. They never get on the sham safety net, they will bear the increased fees, and they will bear the brunt of continuing collapse of bulk billing.

And it is clear that the \$5 increase in the Medicare rebate for concession card holders and children will do nothing to stem the collapse of bulk billing with the bulk billing rate likely to settle nationally at around 50%. Clearly, the Howard Government is expecting further falls in bulk billing and that is why it has announced it will cover up the bulk billing figures by electorate until after the next election.

So 97% of Australians lose, and of the 3% who notionally gain, half are actually better off under current arrangements. And it costs \$266 million. A \$266 million plan to make 97% of Australians worse off and to at best benefit 1.5% of Australians.

(b) *Unfair outcomes*

Talking about 1.5% of Australians benefiting is even misleading.

You have to be \$500 or \$1,000 out of pocket before you can begin to benefit and who benefits is subject to all sorts of perverse and unfair outcomes.

Use of medical services is skewed. While most people have five or fewer consultations a year, a small number of people account for the vast majority of services. Out of 220 million Medicare services in 2001-02, 81% were for people who had 10 or more services in that year. A quarter was for people with 40 or more services. And these people are much more likely to be poor than those who only saw the doctor 5 times a year.

The two categories chosen to receive the lower threshold (concession card status or receipt of FTB-A) are a poor measure of healthcare need. After all, the Family Tax Benefit system was set up to address another set of problems and issues entirely and there is considerable evidence that even health care cards are not an accurate measure of need.

The selection of these two categories particularly discriminates against those without dependent children and low-income individuals, while providing significant benefits to many higher income families.

For example:

A self-funded retiree couple of pension age, earning up to \$80,000 pa, is eligible for a health care card and hence for the \$500 safety net, but a working couple without children earning the same amount will only be eligible for the \$1000 threshold.

An individual working full-time earning \$35,000 pa who has a chronic medical condition will enter the safety net only after spending \$1,000 out-of-pocket, but a self-funded retiree of pension age earning up to \$50,000 will qualify for the lower threshold.

So John Howard and Tony Abbott have a \$266 million plan to at best benefit 1.5% of Australians, and the tests they have set up will not even pick the most disadvantaged 1.5%.

(c) *A bureaucratic nightmare*

As if this isn't bad enough of the \$266 million allocated to the sham safety net, \$72 million will go to administration costs.

As any health economist will tell you 'safety nets' come with high transaction costs and this sham safety net proposal is a breathtaking demonstration of that proposition.

For this system to work, the Health Insurance Commission will need to know:

- Who is eligible for a concession card or Family Tax Benefit A and every time that changes;
- For those outside the Family Tax Benefit A and concession card system, who is in a family or is part of a couple or is single, and every time that changes; and
- Keep a running total of how much everyone has spent on medical costs that year.

The Howard Government's sham safety net will be a huge costly administrative monster that will get it wrong time after time. Australians don't want a health bureaucracy eating precious health dollars.

The linking of Medicare to the failing Family Tax Benefit system is also worrying.

Families receive fortnightly payments of Family Tax Benefit if they register with Centrelink and provide an estimate of future income. Due to the difficulty of predicting income, six out of ten families are paid incorrectly – either too little or too much. In 2001-2002 1.2 million families received incorrect payments.

If Medicare payments are now going to be made on the basis of this failed system it leaves the door open for the Howard Government to claw back Medicare payments if families are subsequently found ineligible for Family Tax Benefit. Howard Government assurances that they won't simply don't stack up with their zero-tolerance policy for Family Tax Benefit.

Instead of fixing the family payment debt trap, the Howard Government is exporting the idea to Medicare.

Many families who have already been burnt by the family payment debt trap now choose not to register with Centrelink for Family Tax Benefit. Instead, they wait until the end of the financial year to get the Family Tax Benefit paid with their tax return. These families are eligible for Family Tax Benefit A but are not registered for it. How will these families get extra Medicare payments if their expenses are more than \$500 a year?

(d) *Wrong in principle*

All of these practical objections should be enough to stop this latest political patch up job.

But beyond all the practical objections there is a bedrock principled objection to this safety net sham.

The failure of safety nets to protect Australians from high healthcare costs was one of the main drivers for the Whitlam Government's Medibank.

The Howard Government is recycling a system, which failed so disastrously over 30 years ago for a reason.

And the reason is the sham safety net strategy is a stepping stone down the path of dismantling Medicare.

The best way of fixing Medicare is to invest in the Medicare system itself. If we have a strong vibrant Medicare system then we do not need sham safety nets.

If the sham safety net is put in place and the Howard Government re-elected then the sham safety net will be used as a way of covering up the Howard Government's plan for a slow death of Medicare.

John Howard and Tony Abbott will say to Australians, don't worry about the crisis in bulk billing because we've given you a sham safety net.

John Howard and Tony Abbott will say to Australians, we won't ever need to put more money into Medicare because we've given you a sham safety net.

In the end, John Howard and Tony Abbott will have achieved what they have always wanted – the end of Medicare and a health system just like America's, a system built around private provision with a sham safety net for every one else.

Make no mistake, this sham safety net is part of a plan to move from universal health care to a welfare based model of health care.

It is clear that Australians would pay an enormous price for the minute benefits conferred by the safety net provisions in Howard Government's latest Medicare package: the price would be the effective loss of Medicare as we know it.

That is why Labor is opposing the legislation to implement the safety net, and that is why we are urging the minor parties and the independents in the Senate to reject this legislation.

It's clear that Tony Abbott will be trying to bring sweeteners to tempt the independents and the minor parties. Media reports have him with a \$200 million slush fund.

But whatever he offers, any one who truly believes in Medicare has to stand firm. No Senator who has professed a belief in Medicare should endorse a sham safety net that will assist the Howard Government in destroying Medicare and in and of itself benefits very few, has unfair outcomes and is a bureaucratic monster.

Conclusion

People see health care as a central issue for the next election, and they see Labor's chances for victory at that election as increasing. If Labor does win at the next election, it will be because Labor has shown it has the best policies and the best credentials for government, but also because Labor has a values system in which people believe.

At the next election, Australian voters will have a clear choice about the health system they want. It will be a choice between a health system with the Medicare for the twenty-first century at its centre. A Medicare revitalised and reformed by a Latham Labor Government. A universal health system based on the Australian values of fairness and access, of looking after each other.

Or, a continuation of the current vacuum of national leadership with a government that wants to see Medicare die and is unwilling to act unless political pressure forces it into another patch up.

It's a clear choice and so is the choice to be made in the next few weeks about the sham safety net.

Australians believe in Medicare, it's our job to save it.

Ends