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*“The Health Insurance Debate”*

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Australian politics as reported in the media is increasingly like reading the form guide. ‘How many wins from previous starts?’ ‘Who’s the favourite?’ ‘Who’s the roughy?’ ‘Who’s for the glue factory?’ And like the commentary in the form guide it’s all guesswork. Can anyone remember the form of that unbackable favourite Kennett’s Folly?

An event like this one is an important opportunity to remind ourselves that, despite the imagery of the daily reporting, politics is about values and ideas. It’s not just tactics; it has a moral dimension as well.

Nowhere is this more clearly the case than in the health portfolio. The Minister, Tony Abbott has said:

*“If you wanted to, you could probably find some philosophic values in health, but 99 per cent of the time it would be a resource allocation exercise.”*

The Minister could not be more wrong. Our health system is an expression of our values. You can choose to design a health system based on the foundation stone of universality, a system on which we can each rely and for which we each pay. Or you can choose private provision as your foundation stone.

At the heart of Australian politics from the days of Chifley and Menzies has been this debate over values and health policy.

Labor has always been prepared to utilise Commonwealth leadership and funds to achieve universality and equity. Our conservative opponents have always washed their hands of any leadership role, preferring to do no more than subsidise private provision.

Almost thirty years ago Labor created Medibank, a system that provided universal national insurance for medical services and free public hospital services.

Despite promising not to, Malcolm Fraser's Government dismantled Medibank. Fraser, like Menzies before him, supported private provision instead of a universal system. He introduced a 30 per cent tax rebate for flat rate insurance contributions, at a cost of \$600 million per year. And he insisted that fees should be charged for all hospital in-patient and out-patient services, except for pensioners and those who the Commonwealth determined were disadvantaged.

It took the election of a Hawke Government to reinstate a universal system with access to bulkbilling general practitioners and free universal access to public hospitals.

The health policies of the Howard Government are *deja vu* Fraser Government. The value system is support for private provision with a grudging nod to the needs of the poor through the provision of 'safety nets'. Presumably the plan for means-tested fees for access to public hospitals is in the filing cabinet marked 'Do not open until after the next election'. It's the

same filing cabinet in which they hid the evidence that proved children had never been thrown overboard.

Today I have been asked to focus on the health insurance debate and I intend to do so. At the risk of disappointing, I would like to make it clear that I will not be announcing Labor's policy on the 30 per cent private health insurance rebate today. But I will be describing two very different visions of Australia's health system and the role for private health in each.

### **The Howard Government Vision – Australia as a little America**

First, let me paint for you what I would describe as the doomsday scenario. Let's assume that the Howard Government is re-elected. It is the year 2007. John Howard is still Prime Minister at 68, Peter Costello has just delivered his 12<sup>th</sup> Budget and Tony Abbott is still Minister for Health. Australians are flocking to cinemas to see "Pauline Hanson – The Movie" starring Nicole Kidman. Tony Abbott's part is being played by Andrew Bolt in his acting debut.

And Australia's health system has been refashioned in the image of America's, a system with private insurance at its centre.

In America there is really no national system of health. Instead, there is a mish-mash of insurance policies and plans offered by over 1500 insurers throughout the country. The US does not offer free public hospital care for all its people. Private insurance is the core of their health system. Access

depends on being insured or falling into one of the two safety nets, Medicare and Medicaid.

Medicare is the system that covers about 41 million elderly and disabled Americans and even this system requires contributions to doctors' fees, outpatient care and some other services.

Medicaid is the system for the poor and covers about 34 million people. Although the nominal definition of 'poor' is an income below the federally defined poverty line, in some States the income level to qualify for Medicaid is much lower. For example, in 2003 there are at least 13 States where the eligibility of an individual for Medicaid is set at less than 50 per cent of the poverty level and in Louisiana and Arkansas it is 14 and 15 per cent respectively.

For the rest of the population, a system of voluntary private health insurance exists, usually linked to employment.

More than 43 million Americans in 2002 fell through the huge gap between private insurance and the flimsy safety nets. These 43 million people are not insured and their numbers swelled by 2.5 million in 2001, the largest annual increase in more than a decade.

Two-thirds of the uninsured in the USA are from working families on low to moderate incomes – families for whom insurance is either not provided via the workplace or is not affordable.

Lack of insurance compromises the health of the uninsured because they receive less preventative care, are diagnosed at more advanced disease stages and, once diagnosed, tend to receive less therapeutic care and have higher mortality rates than the insured. For the uninsured, paying medical bills is a major difficulty and many report changing their way of life significantly as a result.

Despite its reliance on private insurance and private provision, the USA's health system is an inefficient one. While Australia has kept its total health costs to 9.3 per cent of GDP, in 2001 the United States spent 13.9 per cent of its GDP on health.

Couldn't happen here you say?

Imagine this. The re-elected Howard Government implements the vision it had at the time it re-structured Commonwealth/State financial arrangements under the GST New Tax System. The Howard Government points to the States having access to a 'growth tax' and declares its intention to further decrease the Commonwealth's share of funding for health in the next health care agreements round. It says any shortfall can be made up through the re-introduction of means tested fees at public hospitals. Of course, you will be able to privately insure against the fees.

In the new Parliament it succeeds with its so-called 'Fairer Medicare' package. The Medicare system is structured so that bulkbilling is confined to a narrowly defined class of poor. Private insurance becomes a feature of primary care.

The Government says people do not need to worry about having to pay to see the doctor because there will be a 'safety net' arrangement. The 'safety net' fails many in need, particularly low paid families and erodes in value over time.

Private health insurers desperate to contain costs adopt some of the managed care techniques known in the United States. Indeed, the signs are there already. The Howard Government is in the process of abolishing the second tier default benefit arrangement, which mean that privately insured patients will be limited to being cared for in those hospitals with which their private insurer has a contract. The 'default' arrangement which gave them the choice of going anywhere, albeit with some additional costs, is being abolished.

In this world of the re-elected Howard Government, private provision and private insurance is at the core of the system. Universality has been swept aside, equity is left to take its chances with 'safety nets' and ideology has led to the embrace of a more costly, less efficient health system.

And in this world, what is to stop the muscular ideology of the free market taking over, what is to stop Treasurer Costello asking himself when he frames his 12<sup>th</sup> Budget: "Why does the Commonwealth subsidise the private health insurance industry, why should I pay this rebate?" Perhaps that's the plan right at the back of the filing cabinet marked 'Do not open until after the election'.

## **Labor's Vision**

Let's now paint the alternative vision, a Labor vision, a vision of a revitalised and reformed health system with universality at its heart and with the private sector playing a complementary role.

Unlike John Howard and Tony Abbott, Labor is committed to rebuilding and strengthening Medicare. That's why we have announced a \$1.9 billion plan to get bulkbilling rates back up to 80 per cent nationally.

The benefits of Medicare, and especially bulkbilling, should be for all Australians. Tony Abbott and John Howard talk about building 'safety nets' to help people when the system fails. What they should be concentrating on, instead of putting in a political fix in time for the next election, is building a system that works and is universal.

Labor's vision for health is far broader than saving and rebuilding Medicare. In the first twelve months of a Crean Labor Government, Labor will focus on reforming the health system to end forever the days of cost and blame shifting, of sharp and stupid edges between primary care, acute care and aged care. The reform process will be led by a National Health Reform Commission which will bring together all the major players to develop an action agenda for health reform. The States have shown they want the system fixed. The medical profession and the health sector wants it fixed. Labor will fix it – a real fix, not a political fix.

If you ensure that a strong universal public health system will be there for all Australians, then you can remove the spectre that the private system needs to develop into a comprehensive alternative. It does not.

Overwhelmingly, the public system will continue to deal with accident and emergency cases. Major tertiary teaching hospitals will continue to develop into centres of excellence, whether it is in trauma or cardiology or paediatrics or neurosurgery.

A key aim of the reform process will be to ensure the health system undergoes the change necessary to move from a model built to deal with acute traumas and illnesses to chronic illnesses. The private sector will be part of dealing with cancer care, cardiovascular diseases, diabetes, renal failure and the like.

To manage costs and patient care, better linkages will be built between public and private hospitals enabling smarter purchasing of equipment, sharing of staff and assistance with peak patient loads.

It is with this system in mind, a system where public and private hospitals work in a complementary way in partnership, that Labor will work through what is the appropriate conclusion to our review of the private health insurance rebate.

As I have previously said, the policy to flow from Labor's review process will improve the effectiveness and efficiency of the rebate and will not

undermine the capacity of Australian families to take out private health insurance.

Labor could have decided to do nothing on the private health insurance rebate. But that would have been irresponsible.

The Howard Government's support for the rebate is based on three premises:

1. That it has increased the numbers of Australians holding private health insurance;
2. That it has made private health insurance more affordable; and
3. That it has taken the pressure off public hospitals.

None of these propositions stands up to scrutiny. The jump in private health insurance holding to 45.7 per cent was far more strongly associated with the introduction of lifetime rating than with the introduction of the 30 per cent rebate. And despite lifetime rating, the number holding private health insurance is now falling – 58 000 people exited their funds in the June 2003 quarter.

Despite an immediate impact on affordability, there continues to be an erosion over time in the affordability and the value for money of private health insurance. Premiums increased by 7.4 per cent on average in 2001-02. One fund spent 20.6 per cent of member premiums on its administrative expenses. Patients using their private health insurance continue to receive multiple bills for gap and out-of-pocket expenses.

The data does not support the contention that pressure on our public hospitals has lessened. In fact, it has increased. Clearly, the number of admissions to private hospitals has increased, but this is consistent with a long-term trend which pre-dated the introduction of the rebate and it hasn't assisted public hospitals.

Any responsible government would be reviewing the private health insurance rebate in light of these facts. Unfortunately, the Howard Government is more interested in the perceived campaign advantage of supporting the rebate rather than responsible health policy.

### **Conclusion**

Labor built Medicare, believes in Medicare, and will save and rebuild Medicare again. Australians want a universal health system because Australians fundamentally believe in looking after each other. Australians want a health system based on the 'fair go', not one based on 'ability to pay'. They don't want to find themselves and their families forced to take out expensive private health insurance so they can guarantee the health of their children. They want to know that, through the taxes they pay, and the Medicare levy they pay, that their access to high quality health services is the same as the next Australian – whether that next person is a millionaire or a single parent struggling to make ends meet. After all, Kerry Packer would not be alive today without a publicly funded ambulance and a publicly funded hospital.

Better than any other issue, the shape of our health system reflects the sort of society we want to be. A properly funded universal health system will allow

us to remain the country of the fair go. And it will allow us to invest more of our GDP in priorities like improving public education – instead of bloating the share of GDP being eaten by an inefficient health system.

Private hospitals and private health insurance will always be part of our health system. But to meet the goals of equity and efficiency, Australians must not walk down the Howard road towards an American-style two-tiered system with private provision at its core and flimsy safety nets. Only a Labor Government will deliver Australians the health system they want and they need.