

Australian Healthcare Policy and Reform since 2007

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Health policy is amongst the most controversial topics in the Australian political sphere. It has been a significant issue at every federal election since the 1940s, when the Commonwealth first entered the scene. Health is Australia's largest industry, with a total expenditure in 2008-09 of \$112.8 billion,¹ or 9.0% of GDP², five times larger than defence spending³. Australia is ranked by measures including life expectancy⁴, infant mortality rates⁵, amenable mortality rates⁶ and total mortality rates⁷ as having one of the best healthcare systems in the world. Yet this is hardly comforting to the tens of thousands of people annually across the country who are failed by the system. Key areas particularly in crisis are mental health, indigenous health, rural health, and health financing. The areas that will be primarily examined in this essay are health financing, a major focus of the Rudd Labor Government and the fundamental issue inhibiting the improvement of our healthcare system, and mental healthcare, a reform area of the Gillard Government.

A key root of the problem faced can be identified from historical healthcare funding models. In 1946, the Chifley Labor government introduced a national hospital service, but this was removed by the Menzies Coalition government in 1949 and replaced with a private health insurance system subsidised by the taxpayer. Menzies' scheme was criticised due to complexity, expense and lack of coverage. Labor under Whitlam introduced Medibank in 1975, which was a national health insurance system. However, Whitlam's government proved untenable, and the Coalition under Fraser dismantled the scheme, replacing it with another private insurance system similar to Menzies'. In 1983, Labor, introduced Medicare, a system still existing today, which began operation in February 1984. Administered by the Health Insurance Commission, Medicare provides public hospital care for all citizens, and covers most of the cost of out-of-hospital medical services, such as GP visits. Medicare is funded by Commonwealth, state and territory governments. Under Medicare, private health insurance rates dropped, declining to a low of 30.6% in 1998.

When the Coalition was re-elected under John Howard in 1996, despite promises to the contrary, Medicare was rolled back, and the government returned to a greater emphasis on the private sector, using both punitive (such as taxes for those without private health insurance) and rewarding (such as rebates) measures to encourage people to take out private medical insurance. This, particularly the

¹ Australian Institute of Health and Welfare "[Health Expenditure Australia 2008-09](#)", 14 December 2010

² *ibid*

³ Gwen Gray "[Health Policy in Australia](#)" *Australian Policy Online*, 18 February 2008

⁴ Australia is ranked 9th out of 223 countries: "[Country Comparison: Life Expectancy at Birth](#)" *CIA World Factbook*, 2011

⁵ Australia is ranked 191st out of 223 countries: "[Country Comparison: Infant Mortality Rate](#)" *CIA World Factbook*, 2011

⁶ Amenable mortality rates are the number of deaths annually that could be prevented with better healthcare: Dr Ellen Nolte and C. Martin McKee "[Measuring The Health Of Nations: Updating An Earlier Analysis](#)" *Health Affairs*, February 2008

⁷ Australia is ranked 142nd out of 223 countries: "[Country Comparison: Death Rates](#)" *CIA World Factbook*, 2011

policy *A Fairer Medicare*, received criticism from a range of sources, including The Royal Australasian College of Physicians.⁸

This so-called “ideological cleavage”⁹ between the Liberal-National Coalition’s liberalist-individualist stance, characterised by minimal government intervention in health care provision and importance placed upon private medical insurance and private healthcare, and Labor’s social-liberal stance, placing more emphasis on government provision of healthcare and a system of public health insurance so as to achieve a greater social outcome and equity in healthcare distribution throughout society, has resulted in long-term oscillation between private and public insurance in Australia reflecting the changing political fortunes of the two major parties, and is singular amongst OECD nations. It is a major detrimental force for the long-term security of the system.

Health reform under Labor since its re-election in 2007 under Kevin Rudd has been characterised by reformation of the healthcare funding and hospital management models.

Funding reform was initiated by Kevin Rudd, under the auspices of the National Health and Hospitals Reform Commission, which delivered its final report in June 2009¹⁰. The key recommendation that the Government adopted from this report was that the Commonwealth should increase its share of public hospital funding, in return for some GST revenue from each state¹¹. The crux of the plan was that the Commonwealth would pay 60% of the costs, plus 60% of any cost growth in the future, amounting to \$30.9 billion of the 2009-10 Budget forward estimates, in return for \$18.7 billion of GST revenue over the same period, as well as adding new regulatory and decision-making bodies into the fold. To this day, with some states still reluctant to agree, the result has amounted to little, with the GST redistribution largely gone, the states demanding continued management of their respective systems, and a watered-down oversight body¹². Also gone are the Government’s promises of a maximum 4 hour wait in emergency departments and operations in private hospitals when public hospital waiting lists are full¹³.

While the States and Territories have genuine concerns, it is unfortunate to see the difficulties of the federal system obstructing well-meaning, albeit complex, reform, which would deliver better patient outcomes, as fundamentally, increased funding should deliver better care to patients.

There are serious issues facing the future of our health funding. The political oscillation between different funding models is one of these, as partisanship has resulted over the last 65 years in indecision and a lack of a clear focus for the government of the day, regardless of its political persuasion. This, since 2007 particularly, is perhaps representative of accusations of a growing shift in Canberra from policy to political point scoring, and a lack of in-depth debate on issues¹⁴. While this has primarily been applied to recent debate on carbon pricing, it can equally be applied to this issue. The current minority government situation, which ostensibly makes it more difficult than usual for the Government to deliver any kind of organic and self-directed reform on a large scale, should in

⁸ Gray, op. cit

⁹ *ibid*

¹⁰ National Hospitals and Health Reform Commission “*A healthier future for all Australians*”, June 2009

¹¹ Tim Lester “*Rudd announces \$30.9b funding takeover of public hospitals*” *The Age*, 3rd March 2010

¹² Judith Sloan “*Rudd’s grand hospital reform barely has a pulse*” *The Australian*, 19th July 2011

¹³ *ibid*

¹⁴ Barry Jones “*In depth discussion all but extinct*” *The Age*, 21st July 2011

fact make it easier for the Government to deliver health reform, particularly in rural health, as 3 independents (namely, the Members for New England, Kennedy and Lyne) with whom the Government can negotiate to ensure passage of legislation through the House of Representatives represent predominantly rural electorates.

Other funding issues facing the health system include the impact of user charges, health inflation, and model for funding.

User charges, or fees imposed on people who consume healthcare services, are inefficient in reducing inequity in our healthcare system. Higher user charges, which have historically tended to occur under Coalition governments, lead to people on lower incomes using fewer healthcare services than they require¹⁵. This is in spite of safety nets, which provide families and individuals with financial assistance for high out-of-pocket costs, but only start once a certain amount has already been spent on healthcare. This often results in inadequate primary and preventative health care, which, while saving the taxpayer some money in the short term, costs far greater in the long term, as unaddressed health issues can inflate, often requiring hospitalisation, medication or operations, which are costly to the taxpayer. A possible course to rectify this situation would be to means test the safety net system, and introduce a safety net which starts at a lower level for those most in need. There is currently no means test for the system, and the benefits start for all individuals and households at the same level, although there is a secondary threshold which applies for Family Tax Benefit A recipients¹⁶, which does little to aid individuals and fundamentally fails to address the problem. While private health insurance can help as well, this is costly and lower income taxpayers often cut private health insurance due to financial concerns.

Health inflation, or the continued increase in costs associated with healthcare, is another issue that needs to be addressed in order to improve Australia's healthcare system. While ageing could potentially be an issue for health inflation, research has suggested that an ageing population does not significantly correlate with an increase in healthcare costs¹⁷. However, whatever the stimulus may be, cost inflation for healthcare does continue every year. For example, between 2007-08 and 2008-09, Australia's public spending on healthcare rose nominally 8.8% or 5.8% when adjusted for general inflation. International studies have found that single payer systems, where the state pools finances from a variety of sources, such as public funding and employer funding, and then pays for universal healthcare, are more effective, more efficient, and less complex to administer¹⁸. This is the system that the Obama administration in the USA has made efforts to introduce¹⁹. However, Australia has moved away from this in recent years to a multipayer system, with a mix between public and private funding of healthcare. While this system is complex and sub-optimal, it would be too difficult to change, for three reasons. First, it is infeasible to simply remove the entire private health insurance industry, which is valuable economically, and has a powerful lobbying group. Second, removing private health insurance would add deliver more patients to Australia's public

¹⁵ Robert J Blendon et al. "Inequities In Health Care: A Five-Country Survey" *Health Affairs*, 2002

¹⁶ Medicare "Medicare Safety Net" *Department of Human Services*, 2011

¹⁷ Jeff Richardson "Ageing and Health Care: Inexorable Costs versus Modest Adaptation" *Monash University Faculty of Business and Economics*, November 2004

¹⁸ Dr William C Hsiao "State-Based, Single-Payer Health Care — A Solution for the United States?" *New England Journal of Medicine*, 16th March 2011

¹⁹ Amy Chozick "Obama Touts Single-Payer System for Health Care" *Wall Street Journal*, 19th August 2008

hospital system, which is already stressed and facing issues like understaffing, underfunding and access issues²⁰. Third, an independent report by Deloitte on the impact of means-testing the 30% Private Health Insurance Rebate, as proposed by the Australia Government, recently found that up to 1.6 million Australians would drop their cover, premiums would increase 10% above what they otherwise would have and an extra 845,000 Australians would be admitted to public hospitals²¹.

The Gillard Government's key health platform has been a focus on mental health reform. Mental health has been poorly addressed in this country in the past, indicative of the social stereotype of people with mental illness being "weak"²², and the "she'll be right mate" attitude. The work of advocacy groups and high-profile figures such as Jeff Kennett in drawing attention to depression and mental illness has helped lead to greater understanding and less stigma around these issues, and to action beginning to be taken.

Mental illness is the third largest cause of disability burden in Australia, accounting for an estimated 27% of total years lost to disability²³. Depression accounts for more work days lost than any other physical or mental illness²⁴. Mental illness is also not just an issue for some members of society, with an estimate one in five Australians experiencing one or more mental disorders at one time in their lives²⁵.

It is only now that the Government has initiated significant reform of mental healthcare in Australia. In the 2011-12 Federal Budget, Labor promised to deliver \$2.2 billion of extra funding for mental healthcare over five years, including \$571 million for added support services for people with mental illnesses, \$492 million for preventive mental health services among youth, and \$220 million for helping mental illness sufferers access the basic healthcare system. \$12 million has also been put towards establishing a National Mental Health Commission, which will report to the Prime Minister on the best ways to help sufferers of mental illness. This funding boost received widespread support from experts, including the Australian Council of Social Services, the Mental Health Council of Australia and director of the Brain and Mind Research Institute at the University of Sydney Professor Ian Hickie²⁶.

This reform package is, as Professor Patrick McGorry put it, a "first step on a sustained 10-year program of mental health reform". The Government's commitment to early detection and treatment, preventative healthcare and youth mental health are valuable, although more must be done to encourage four in five mental disorder sufferers who do not seek help²⁷ to access these services.

The systems of reform initiated by the Gillard and Rudd Government have the potential to revolutionise our healthcare system. Healthcare funding should not be the key issue determining our health future, but it is not until the essentials are resolved that we can tackle the bigger issues, an

²⁰ NSW Nurses' Association "[Public Hospitals](#)"

²¹ Jen Eddy "[No, Minister](#)" *Australian Health Insurance Association*, 27th May 2011

²² Mental Health Foundation of Australia (Victoria) "[Fight Stigma](#)"

²³ Australian Institute of Health and Welfare "[The Burden of Disease and Injury in Australia](#)", 1999

²⁴ Andrews et al. "[The Mental Health of Australians](#)", 1999

²⁵ Australian Bureau of Statistics "[National Survey of Mental Health and Wellbeing](#)", 1997

²⁶ Nine "[Mental health funding welcomed](#)" *Ninemsn*, 10th May 2011

²⁷ Mental Health Foundation of Australia (Victoria) op cit.

issue Kevin Rudd identified. Debates in Australia around health still tend to be focused on funding, an issue resolved in most other OECD countries decades ago. However, Rudd's reform continues to make progress in this area. It is up to post-Rudd Governments to build on this reform and improve delivery of the entire healthcare system, particularly mental health, indigenous health, and healthcare in rural area. The Gillard Government has begun this with its mental health reform, but there is still a long way to go for healthcare in this country.

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Word-count

1987 words (plus bibliography of 220 words and footnotes)