THE ROLE OF IDEOLOGY IN RECENT CHANGES TO HEALTH FINANCING POLICY

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INTRODUCTION

In three short years, Australia has moved away from a system of health financing that ensured universal and equitable access to health care, to one where the responsibility is shifted back to the individual. The wealthy now have access to and cover for all their medical needs, while the less well-off are in effect denied access to an adequate level of care.

The Government has made health insurance voluntary and forced people to pay more out of their own pockets for health care. It believes that this is 'the most responsible approach to the objective of constraining rising costs of health care to the taxpayer and the community generally'...'While universal health insurance cover provides security and access to health services, it does tend to weaken the perception of both providers and users of the real costs of those services'.[1]

However, rather than the changes being, as the government would have us believe, a genuine attempt to contain rising health care costs, they do little to tackle the real causes of cost escalation. Instead, they reflect conservative ideology of free enterprise, reduced government intervention and individualism and, in doing so, benefit the wealthy and those sectors of the ruling class with a vested interest in the changes, at the expense of the health of the community at large.

WHY THE CHANGES?

Since taking office in December 1975, the Fraser Government has continually pointed to the rising cost of health care and the need to contain it. Our national health care bill nearly tripled in the five-year period 1971-72 to 1976-77, from $2232 million to $6254 million.[2] Health expenditure per head of population has grown at a faster rate than wages, prices or population.

In its background paper, 'Costs and Usage of Medical Services',[3] the Government provides impressive data to support its claim that Medibank was responsible for the escalation of costs. The argument pushed was that the availability of medical and hospital care at no *direct* cost to the patient through bulk billing Medibank, encouraged unnecessary use of these services.

However, statistics collected by the Health Insurance Commission, the body administering Medibank, clearly showed that bulk billing did not encourage over-use or unnecessary use of medical services by bulk billed levypayers. In fact, bulk billed people claimed, on average, fewer services and at a lower cost than those not bulk billed.[4] Furthermore, an extensive analysis of the 'Costs and Usage of Medical Services' document shows it to be 'based on erroneous source data, uses inconsistent figures for year-to-year comparisons and ignores the significant margins of error to which such comparisons — especially in recent years — are subject'.[5]

TABLE I
GROWTH OF HEALTH CARE EXPENDITURE PER HEAD/POPULATION*

Year	Health expenditure per head/pop'n	Average male wage	Consumer Price Index	Population
1966-67	100	100	100	100
1970-71	146	137	115	108
1971-72	164	151	122	110
1972-73	181	165	130	112
1973-74	214	192	147	113
1974-75	289	240	171	115
1975-76	363	275	193	118
1976-77†	430	309	220	NA

* indexed to 100
† preliminary figures
NA not available

Source: Health Care Costs Control Program — May 1978, Ministerial Statement, House of Representatives, 24th May 1978, and also Discussion Paper on Paying for Health Care, Hospitals and Health Services Commission, Canberra, February 1978.

Thus contrary to the Government's claims, the increased health care bill when Medibank operated was not due to a substantial increase in the *use* of medical services by people.

On the other hand, there was a significant increase in the number of *doctor-initiated* consultations and treatment, especially during this period. Between 1962-63 and 1975-76, there was an increase of 20% in the number of patient-initiated general practitioner services, but a 300% increase in doctor-initiated diagnostic services and a 52% increase in specialist referrals.[6] Yet the changes announced by the Government are aimed at deterring people from over-using services, but do nothing to affect the diagnostic practices of doctors.

In response to increasing criticism of the medical profession, Mr. Hunt, in May 1976, stated that he would 'ask the medical profession to institute systems of professional standards review, designed both to assess the quality of, and seek justification for, services rendered'.[7] Yet even such a conservative concept as peer review has so far been resisted by the profession. Doctors in general have not even begun to:

- reduce excessive prescribing of drugs (the average number of prescriptions per head of population has risen from 3.32 in 1960 to 7.43 in 1976[8]);
- use equally effective but cheaper procedures;
- critically examine their practice of ordering tests, referrals, visits and hospitalisation; or,
- utilise the resources of other health workers.

We should take note of a comment made by an international health policy analyst that 'the insulation of the medical profession from concern about resource use seems to be the most important single problem on Australia's health care scene'.[9]

Yet at the same time, medical fee increases have contributed significantly to the national health care bill, especially during the Labor Government's term in

office. Fees increased by about 34% in 1974-75 and by 21% in 1975-76,[10] and increases in national health expenditure followed pretty much in parallel — by 36.6% and 21.1%.[11] 'It is not unreasonable to assume that the Federal (Labor) Government had been prepared to acquiesce in large fee increases for the medical profession in the hope of securing co-operation in the establishment of the health insurance programme.'[12] (Note, however, how the Australian Medical Association has *offered* to postpone fee increases until November 1979 to ensure the smooth implementation of the present Government's health benefits plan.)

In short, the medical profession was, and still is, largely responsible for the escalation of health care costs. If the present Government were genuinely concerned with cutting health care costs, it would have directed its programme at restraining medical prices and incomes, and monitoring doctors' use of diagnostic services, at the very least. Instead, it increased the financial deterrents to people's use of health services which it had introduced in 1976, and removed the last vestiges of Medibank.

To understand why the Medibank scheme was decimated, one needs to look back at the objectives of the original Medibank scheme, the ideology behind it and who stood to lose most by it.

The Labor Government's Medibank scheme was implemented in the latter half of 1974, following more than twenty years of unchallenged voluntary health insurance under previous conservative governments.

The limitations of voluntary health insurance have been well documented[13] and, as summarised by Palmer,[14] were that:

- between 10% and 15% of the population, mainly low income earners and migrants, were uninsured;
- fund contributions were tax deductible, benefiting higher income earners;
- administrative costs of the more than one hundred private funds operating were high;
- the gap between health costs and health insurance benefits was large and unpredictable, due to wide variations in medical fees; and,
- limits were placed on benefits to the chronically ill.

Some changes were made by the Gorton Government in 1970, following the Nimmo Report and ALP criticism of voluntary health insurance but they did not alter the basic inequities of the system.

The specific objectives of the Labor Government's Medibank scheme were as follows[15]:

- equitable funding of health services;
- extension of benefits to groups not previously covered;
- reduction of the financial burden on the States for operating costs of hospitals;
- greater Federal involvement in and control over hospitals and hospital costs;
- more efficient administration;
- abolition of the honorary system and increase in salaried medical practice; and,
- greater control over medical fees.

Labor's Medibank scheme was not a serious attempt at changing the way the health care system was structured, but was rather a reformist approach to correcting obvious deficiencies of the existing system, and instituting a new system for paying for it. Private fee-for-service medicine was still at the centre of the health care delivery system, with the medical profession retaining a large say in determining fees and incomes. The traditional hierarchy in hospitals and health centres remained virtually unchallenged. The ninety or so health funds operating were left intact, as were their massive reserves.

Despite this, the AMA and the private health funds, and their Liberal-NCP colleagues in Opposition, opposed it from the beginning.

THE CLASH OF IDEOLOGY

The original proposal was that the scheme be financed partly from general revenue and partly from a 1.35% levy on taxable income, with a levy ceiling per taxpayer of $150. The concept of the levy was defeated by the Opposition-dominated Senate and the scheme had to be financed entirely from general revenue.

The medical profession had always been suspicious of a central single fund as the source of all health benefits. They saw a Government-created and operated fund as 'generating persistent pressures for centralisation in management and control' and feared that 'it could in time exercist its monopoly to determine unacceptable ways of paying for and controlling services'.[16] (When, in 1947, the then Labor Government looked like introducing a national scheme for paying doctors by salary or capitation, one thousand doctors in New South Wales each donated £10 to establish the Medical Benefits Fund.[17])

This antagonism towards the Medibank scheme was reflected in a number of actions taken by the AMA. Its campaign against bulk billing was so successful that, in 1975-76, in only 32% of services paid for was this method of payment used,[18] even though it cut the administrative costs involved in billing the patient and chasing up bad debts. It also successfully rejected the move towards increased use of salaried doctors in hospitals and, in New South Wales, rejected even the substitution of honorary service with sessional payments by refusing to provide out-patient services in hospitals, with the result that most non-teaching hospitals' out-patient departments had to close.[19] In the private medical sphere, the AMA refused to participate in the Labor Government's Community Health Programme (involving salaries doctors in health centres), with the result that this part of the ALP's health programmes was the slowest to develop.

In short the Medibank scheme had threatened the authority, independence, status and income of the medical profession. And it had successfully resisted.

The power of the private health funds had been seriously eroded under Medibank. Their role had been reduced to one of providing cover for 'luxury' services such as higher cost hospital accommodation, ancillary services, and the gap between the Schedule fee and the benefit. The level of their reserves had come under considerable attack and had been reduced through lack of contributions, squeezing the amount of capital available for investment — sources of finance for the corporate sector.

The losers, or potential losers, under Medibank — the medical profession, the private funds and the corporate class generally — thus stood to gain enormously by the removal of the Labor Government from office in December 1975 (just five months after the initiation of Medibank, and six weeks after the last State entered into public hospital financing arrangements) and the return to power of the Liberal party.

In the December 1975 election campaign, Fraser promised that Medibank would be maintained.[20] Yet one month later, and in spite of popular acceptance of the Medibank scheme,[21] the Medibank Review Committee was set up to examine the health insurance system and to recommend changes.

The report of this Committee was never published. Yet the changes announced by the Government were far-reaching. The Government has since then progressively demolished the Medibank scheme. The latest changes announced in the 1978-79 Budget are not the last. It can be expected that the 40% benefit will be removed or reduced considerably next year (Mr. Hunt could not give a guarantee that it would continue beyond this financial year[22]) and, together with AMA fee increases promised for November 1979, would ensure a complete return to voluntary health insurance.

How different is the present system from that of the original Medibank scheme and what effect will it have on the majority of Australians?

- Bulk billing has been abolished for all but pensioners and the 'socially disadvantaged' (even for these groups, the medical profession has retained the right not to bulk bill if they so choose).
- Health insurance is no longer compulsory.
- Medibank Standard and the levy have been abolished.
- People have to pay more for health care.

The net effect of these changes for most people is a further cut in their social wage. Their taxes are being used to subsidise the funds, through the payment of the Commonwealth benefit of 40%, and through the payment of $1.52 per claim for the Commonwealth benefit, to the funds. Yet since coming to power, the Fraser Government has reduced its real value of spending on health by $2.7 billion.[23] And people are now having to pay a greater proportion of their incomes to doctors and chemists, an effective deterrent to use of health services at all.

How will the conservative forces fare?

The Government has been able to reduce its share of the national health bill in keeping with conservative ideology of reduced government intervention. The abolition of the levy has greatly reduced its impact on the CPI and the inflation rate, favourable to the Government's anti-inflation policies. Reductions in fund contributions and the introduction of 'deductibles' will further reduce the CPI, even though people are paying more out of their own pockets for health care. The new Commonwealth benefit has had a slight offsetting effect on the reduction in the CPI, making it even more likely that the benefit will be reduced or removed completely in the next Budget. It is significant that the changes were made by the Treasury Department, not the Health Department.[24]

Medibank Standard was administratively cheaper than the private funds[25] and provided cheaper rates than the private funds for the majority of people.[26] The abolition of Medibank Standard has meant that the private funds have been restored to their role of sole providers of health insurance without competition from Medibank (Medibank Private, while administered by the Health Insurance Commission, relies entirely on member contributions for its finance and, as such, could be regarded as a private fund).

The introduction of the Commonwealth benefit has meant that private funds can offer insurance for a higher level of cover at the same price.

The private funds also now have the opportunity of attracting some 43% of the population, previously insured with Medibank Standard, thereby increasing their memberships — and money available for inbestment. The Government has facilitated this process by empowering the funds to pay the Commonwealth benefit on its behalf. The uninsured have to register with a fund to claim the benefit, even though the Australian Postal and Telecommunications Union said that it could act as agent.[27] The larger funds who have 'agreed' to do this will have a marketing advantage over the smaller ones if the Government does remove the Commonwealth benefit next year.

The abolition of Medibank Standard has also meant that the comprehensive Medibank statistics have been eliminated. Their potential for use in picking up doctor abuse and over-use of diagnostic services by doctors, and for health planning is no longer available. The Government has asked the funds since 1976 to provide comparable data to that of Medibank. However, major funds such as MBF and HCF have failed to do so. These same funds have failed to provide the Government, as is required under the National Health Act, information about their investments.[28]

Investments by the funds include Commonwealth Bonds, investments in Local Government and Public Utilities, which provide the infrastructure necessary for capitalist enterprise, as well as direct investment in finance and production

companies. These investments totalled $238 million in 1975-76, the year that the funds played a minor role in health insurance.[29] It is interesting to note that the largest fund in Victoria, the Hospital Benefits Association (HBA), only holds unsecured notes in two companies — Ford Credits Aust. Ltd. and General Motors Acceptance Corporation Ltd., the finance companies of the two major transnational motor vehicle companies.[30]

With the abolition of the Medibank statistics, the capacity of the Government to bring the medical profession within the realm of public accountability has been lost. Furthermore, if the Government's misleading 'Guide to the New Health Benefits Plan', distributed to all households, has been successful, many people will take out hospital insurance for higher cost hospital accommodation and 'doctor of choice', rather than accepting free accommodation and treatment by salaried doctors in public wards, thus strengthening the demand for fee-for-service medicine in hospitals.

By abolishing bulk billing, the Government has removed the moderating influence on doctors' fee increases of the competition between bulk billing doctors and their non-bulk billing colleagues.

CONCLUSION

Medibank had increased the proportion of health expenditure paid through the Federal Budget from 30.8% in 1974-75 to 51.9% in 1975-76.[31] It had threatened the level of reserves of the private health funds, sources of investment for the corporate sector. It had increased the capacity of the Government to monitor the activities of the medical profession, and to control fee increases and methods of payment to doctors.

The changes introduced by the Government in 1976 and again in 1978 should not be seen as a way of reducing the spiralling cost of health care. As we have seen, the Government did not address itself to the real causes of cost escalation. The changes can only be understood as part of the Government's strategy to benefit the ruling class.

[1] Health Care Costs Control Program — May 1978, Ministerial Statement, House of Representatives, 24th May 1978.

[2] Ibid.

[3] Ibid., background paper.

[4] Health Insurance Commission, 3rd Annual Report, 1976-77.

[5] R.B. Scotton, 'Costs and Use of Medical Services', Australian Economic Review, Second Quarter 1978.

[6] J. Deeble, National Health Expenditure, paper delivered to Institute of Hospital Administrators and School of Health Administration Summer School on 'Cost Containment and Quality Control', University of New South Wales, Sydney, February 1978.

[7] R. Hunt, Health Insurance Amendment Bill, 1976, Second Reading Speech.

[8] Discussion Paper on Paying for Health Care, Hospitals and Health Services Commission, Canberra, February 1978, p. 39.

[9] R. Maxwell, Health Care: The Growing Dilemma, 2nd Edition, McKinsey and Co., New York, 1975.

[10] Australian Medical Association; and R.B. Scotton, op. cit.

[11] Health Care Costs Control Program, op. cit.

[12] G.R. Palmer in Reformism Versus Conservatism: Recent Federal Government Policies, ed. A. Patience and B. Head, Oxford University Press, due for publication 1978.

[13] R.B. Scotton, 'Voluntary Health Insurance in Australia', Australian Economic Papers, vol. 6, 1967, pp. 171-179; and J.S. Deeble and R.B. Scotton, Health Care under Voluntary Health Insurance: Report of a Survey, Melbourne, 1968.

[14] Palmer, op. cit.

[15] Ibid.

[16] Discussion Paper on Paying for Health Care, op. cit., p. 13.

[17] J.C.H. Dewdney, Australian Health Services, Wiley, Sidney, 1972.

[18] Palmer, op. cit.

[19] Ibid.

[20] 8th December 1975.

[21] Morgan Gallop Poll, No. 194, 17-24 January 1976, p. 8.

[22] National Times, week ending 26th August 1978.

[23] Australia Ripped Off, Amalgamated Metal Workers and Shipwrights Union, in publication.

[24] The Age, 18/8/78.

[25] Operations of the Registered Medical and Hospital Benefits Organisations, 1975-76, Department of Health, Canberra.

[26] Choice Magazine, Australian Consumers' Association, vol. 17, no. 10, October 1976.

[27] Sydney Morning Herald, 15/9/78.

[28] Operations of the Registered Medical and Hospital Benefits Organizations, op. cit.

[29] Ibid.

[30] Stephen Duckett, The 1976 Revisions to the Australian National Health Insurance Scheme, Working Paper no. 78/2, June 1978, School of Health Administration, University of New South Wales.

[31] Discussion Paper on Paying for Health Care, op. cit., p. 5.