

Bill Shorten is right: Malcolm Turnbull is a major threat to Medicare.

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Labor appears to have rediscovered old values, while the Liberals don't appear changed one bit. Ian McAuley explains the mire that is the fresh debate on the future of Medicare.

"Medicare is the community standard, it's the gold standard, it speaks to Australians about who we are. It's an echo of an older, uncomplicated sense of solidarity, the belief that the health of any one of us matters to all of us. It's also thoroughly modern economic policy."

That was how Opposition Leader Bill Shorten referred to Medicare in his campaign launch on Sunday night.

The political cynic might say he was simply playing to a perceived strength in Labor's platform, because on health policy, opinion polls consistently put Labor ahead of the Coalition.

The Abbott Government's idea for a GP co-payment went down poorly with the electorate, and the extended freeze on medical benefits payments is raising anger and anxiety among doctors and their patients. In the background, less obvious to the electorate but of concern to the 250,000 people who work in public hospitals, is the Coalition Government's cuts to hospital funding – funding that had been promised by the Rudd-Gillard Government.

Shorten's emphasis on Medicare is more than political opportunism, however, because he is re-affirming the principles that underpinned the Whitlam Government's hard-fought struggle to establish a universal tax-funded health insurance system.

So committed was Labor to Medibank (the forerunner of Medicare), and so captured was the Opposition by the private health insurance funds that the Whitlam Government made it a key issue in the double dissolution election it called in 1974.

Labor's passion for Medicare waned in the final years of the Hawke-Keating Government, particularly when Graham Richardson held the health portfolio. The idea of "solidarity" gave way to an idea more about Medicare as a program of distributive welfare, an idea that meshed with the Coalition's idea that those who could afford to do so should hold private insurance.

As one-time health minister Tony Abbott said "Private health insurance is in our DNA" – so much for rigour in policy development.

In his rhetoric, at least, Shorten is reviving Labor's original vision of Medicare.

The Coalition's reaction to Shorten's claim that they were contemplating selling off Medicare was a predictable denial – going so far as a backdown on the idea of privatising Medicare's payments system.

"Medicare will never, ever, ever be privatized," Turnbull said, adding that "it is a core government service".

Even if Turnbull isn't using the Abbott tactic of blatantly lying, his promise is hollow, however, because it still allows almost unlimited room to undermine Medicare.

As a precedent, we might recall the Fraser Government's 1975 promise to retain Medibank. It kept this promise by completely transforming Medibank from a universal health insurer to a commercialised government business enterprise selling private insurance alongside other mutual and commercial insurers. As an analogy we could consider a government transforming the ABC into a fully commercial advertising-funded broadcaster without any public interest charter, rendering it structurally similar to commercial broadcasters, while retaining public ownership.

Well before its privatisation in 2014, Medibank Private was behaving like any other health insurer: the culture that led to its being hauled before the ACCC for alleged misleading and unconscionable conduct was established well before its formal privatisation.

The present freeze on medical benefits payments, if maintained, would surely break the "bulk billing" aspect of Medicare, but it would do so more subtly than a compulsory co-payment as proposed in the 2014 budget.

As the consumer out-of-pocket payment widens, the pressure to allow private insurance to cover the gap would become greater and once private insurance is allowed to enter that space, the bulk of the people's medical bill would be covered either by private insurance (for those with "no gaps" policies), or by very high patient co-payments.

That's what has happened to in-hospital services, where private insurers are allowed to cover gaps. Even with such a radical change, the government could still say it was retaining "Medicare".

Furthermore, while most Australians think of "Medicare" as the whole spectrum of government-funded services, including public hospitals and prescription pharmaceuticals, the term strictly refers only to payments for medical services. It does not cover hospital services, which are subject to Commonwealth-State agreements.

An idea that has been hanging around ever since the Rudd Government's National Health and Hospital Reform Commission reported is Medicare Select, a system which would channel Medicare funding to private health insurers. It would retain the name "Medicare" and "Medicare" would remain in government hands, but the principles of Medicare would be radically changed (the Rudd Government, in setting up the Commission, specifically required that the Commission leave private health insurance untouched).

More generally, there is a large body of businesspeople who see health care as a potential growth industry, if only the government would get out of the way.

Many industries that have yielded easy returns in the past – mining, retailing, newspapers, property development – are subject to disruption, oversupply and intense competition, but health care is there for the picking.

A more privatised health care sector could well contribute to the Coalition's "jobs and growth" agenda. More jobs in health insurers, private hospitals and advertising agencies spruiking therapies and insurance products. Growth in administrators' and specialists' salaries, growth in unnecessary surgery and in interventions that could have been avoided by well-funded programs of health promotion and primary care.

I doubt, however, if that's what Australians seek in health care. While in many areas of our lives we welcome what comparatively unfettered markets have to offer, and are prepared to take our chances in a competitive world, health care isn't one of them.

We seek to pool our health care risks with one another. That's "who we are" to quote Shorten.

For that pooling, a single tax-funded national insurer is the most efficient and equitable way to fund health care. Those who want to follow the economics of health insurance can see John Menadue's comment on Shorten's proposals, or more comprehensive analysis that he and I have done for the Centre for Policy Development, drawing on other countries' experience and citing expert opinions.

Put briefly, the more a country relies on private insurance to fund health care, the more it spends on health care, without any discernible benefit. Shorten is quite right in emphasising the economic importance of Medicare.

The voices of self-interest will claim that we cannot afford Medicare, and that we should therefore rely on private insurers to fund health care, but it makes no sense by any economic criterion to save people \$100 in tax by cutting back on Medicare, only to have them pay \$110 or \$150 for the same, or inferior, service through private health insurance.

Private insurance, even when heavily regulated, cannot do what Medicare and the Australian Tax office can do so much better.

The Coalition's proposal to outsource the Medicare payments system is only a peripheral issue, but it has provided a springboard for Shorten's wider message that Medicare would not be safe under a Coalition government. And that's simply because the Coalition's track record on Medicare is poor.

At every opportunity it has used regulatory and budgetary support for private insurance (now costing public revenue \$11 billion a year) to undermine Medicare, which it has tried to redefine as a charity service for the poor or indigent.

It has stuck doggedly to the mantra that private insurance relieves pressure on public hospitals, even though evidence is to the contrary (because private insurance actually draws resources away from private hospitals). And it has consistently refused to subject private health insurance to economic scrutiny.

On the basis of the Coalition's record in office, Shorten is absolutely right in warning that Medicare as we know it is at risk if the Coalition is re-elected.