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Health Care (Appropriation) Amendment Bill 2002

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Health Care (Appropriation) Amendment Bill 2002

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Health Care (Appropriation) Amendment Bill 2002

Date Introduced: 29 August 2002

House: House of Representatives

Portfolio: Health and Ageing

Commencement: On Royal Assent

Purpose

This Bill seeks to introduce two changes to the *Health Care (Appropriation) Act 1998* ('the Act'). The first proposed change will increase the maximum amount of financial assistance that the Minister for Health and Ageing may grant to the States and Territories under the Australian Health Care Agreements. The second proposed change will require the Minister for Health and Ageing to table a statement of the amount of financial assistance granted under the new maximum payment level.

Background

The Australian Health Care Agreements (AHCAs) are the main funding agreements between the Commonwealth and the States and Territories for health care. It is primarily through these Agreements that the Commonwealth provides funding for public hospitals. In the financial year ending 2001-2002, the Federal Government paid approximately \$6 678 million to the States and Territories under the AHCAs. The Act provides the legislative basis for grants of financial assistance under the 1998-2003 AHCAs, and includes a provision that the total grants must not exceed \$29 633 056 000.

The 1998-2003 AHCAs explicitly provide for the adjustment of funding levels, if private health insurance membership increases or decreases beyond a certain threshold.¹ This provision allows the Commonwealth to 'claw back' health care funding from the States and Territories if private health insurance membership increases above a certain threshold. This provision should be seen in the context of the Federal Government's financial investment in increasing private health insurance membership. One of the key selling points utilised by the Federal Government's advertising campaign for private health insurance and justification of the cost of the 30 per cent private health insurance rebate is that any increase in private health insurance membership would lead to a corresponding

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decrease in the pressures on public hospitals. In particular, it was argued that increasing private health insurance membership would shorten public hospital waiting lists.²

In his Second Reading Speech on this Bill the Minister for Ageing, Kevin Andrews MP, stated that the original funding ceiling specified in the Act will be reached in early 2003.³ This is the result of the Federal Government's decision not to 'claw back' any funding in recognition of increases in private health insurance coverage, combined with a range of other health care funding decisions (including indexation to the Wage Cost Index No. 1 and additional funding offered to the States and Territories in 1998).⁴ Consequently, the Bill seeks to increase this ceiling in order to allow the Commonwealth to discharge its financial responsibilities to the States and Territories under the 1998-2003 AHCA's.

In July 2001 the then Federal Minister for Health and Ageing, Dr Michael Wooldridge MP, stated that with an increase of almost 15 per cent in private health insurance the Federal Government was entitled to reduce funding to the States and Territories under the AHCA's by approximately \$3 billion.⁵ The decision not to do so was presented as a mechanism for improving public hospital funding.⁶ However, the failure of the Federal Government to exercise its entitlement under the AHCA's to 'claw back' these funds has protected from scrutiny its claim that an increase in private health insurance membership would ease pressure on public hospitals.

Little information has been provided by the Federal Government on the proposed savings that would potentially accrue to public hospitals from the increase in private health insurance membership.⁷ However, in August 2000 Dr Wooldridge stated that:

... up to 400,000 extra procedures will be done as the result of nearly two million people coming into private health insurance. These procedures will either be done in private hospitals, which means that that frees up a bed in a public hospital, or be done as a private patient in a public hospital, which will provide a new source of revenue to the public hospitals themselves.⁸

There is, however, little concrete evidence to support the claim that increased private health insurance membership will or has eased pressure on public hospitals waiting lists. The most recent Australian Institute of Health and Welfare (AIHW) report on public hospital waiting lists indicates that overall there has not been a significant change in waiting times for elective surgery over the past 2 years.⁹ Although there has been 12 per cent increase in private hospital admissions, there has been only a 0.1 per cent decrease in public hospital admissions.¹⁰ Russell Schneider from the Private Health Insurance Association has claimed this decrease as a 'win' for the Government's private health insurance measures.¹¹ The Minister for Health and Ageing, Senator Kay Patterson, has argued that it will not be until late in 2003 that any significant change will be apparent.¹²

The reasons why increased private health insurance membership is not leading to substantial decreases in public hospital waiting lists are varied. However, they include the following observations:

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- Younger, healthier people joining private health insurance has fuelled the increase in membership. These people are not high users of the public hospital system, and consequently their membership of private health insurance will have had a minimum effect on public hospital waiting lists for elective surgery
- The sorts of procedures that are undertaken in public and private hospitals are different, with public hospitals generally doing more complex procedures, and
- A large majority of new memberships took out private health insurance packages with ‘front-end deductibles.’ ‘Front-end deductibles’ usually require the contributor to pay a large up-front payment towards the cost of being treated as a private patient (in either a private or public hospital). This large payment discourages people from utilising their private health insurance, and consequently they are likely to choose to be treated in a public hospital as a public patient.¹³

Main Provisions

Item 1 of Schedule 1 amends **subsection 4(3)** of the Act, to increase the total amount of financial assistance the Minister may grant from \$29 655 056 000 to \$31 800 000,000.

Item 2 of Schedule 1 inserts **proposed subsection 4(5)**, to expand the reporting responsibilities of the Minister under the Act. Under proposed subsection 4(5) the Minister for Health and Ageing will be required to present to each House of Parliament as soon as practicable after 30 June 2003 a statement of the total amount of financial assistance paid under section 4 of the Act.

Endnotes

- 1 The 1993-1998 Medicare Agreements (the Medicare Agreements were renamed the Australian Health Care Agreements in 1998) also contained a clause regarding private health insurance that required the Commonwealth to review funding under that Agreement if private health insurance declined by more than 2 per cent. Membership of private health insurance did fall enough to invoke this provision and two reviews of funding took place. Although the States argued that the decline placed added pressure on the public hospital system, the Commonwealth provided no extra funding. The important distinction between the 1993-1998 and 1998-2003 Agreements is that rather than a commitment to ‘review’ funding in relation to a change in private health insurance, clause 50 of the 1998-2003 Agreements makes an explicit provision to vary funding if private health insurance rates change.
- 2 For an analysis of the messages in the Commonwealth Government’s advertising of the 30 per cent private health insurance rebate see Stacy Carter & Simon Chapman, ‘John’s \$12 tonic:

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- Press coverage of the government's selling of a private health insurance rebate, *Australian and New Zealand Journal of Public Health*, 25(3),2001, pp. 265–271
- 3 Health Care (Appropriation) Amendment Bill 2002, Second Reading Speech, Kevin Andrews MP, House of Representatives, *Debates*, [29 August 2002](#), p. 6111.
 - 4 Explanatory Memorandum, p. 2.
 - 5 Dr. Michael Wooldridge, 'Coalition delivers record public hospital funding,' Media Release, 1 July 2001. This figure was also quoted in the Commonwealth Department of Health and Aged Care, *Government response to the Senate Community Affairs References Committee Report on Public Hospital Funding: Healing our Hospitals*, September 2001.
 - 6 See also Senator the Hon Kay Patterson, 'Private Health Insurance relieves pressure on Victoria's Public Hospitals,' Media Release, 27 February 2002.
 - 7 The Hon. Dr Michael Wooldridge, MP, House of Representatives, *Hansard*, 20 August 2001: 29795.
 - 8 The Hon. Dr Michael Wooldridge, MP *Hansard*, 29 August 2000: 19515.
 - 9 Australian Institute of Health and Welfare, *Australian Hospital Statistics 2000-01*, AIHW, Canberra. 2002.
 - 10 *ibid.*
 - 11 Mark Metherell, '\$2bn Private health push barely dents waiting lists,' *Sydney Morning Herald*, 29 June 2002.
 - 12 *ibid*
 - 13 Healthcover, 'A duel with statistics that looked more like apples and oranges, Debate: "that the government private health insurance strategy is an inefficient way of helping public hospitals"', *Healthcover*, December 2001-Jan 2002: 53–59.

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