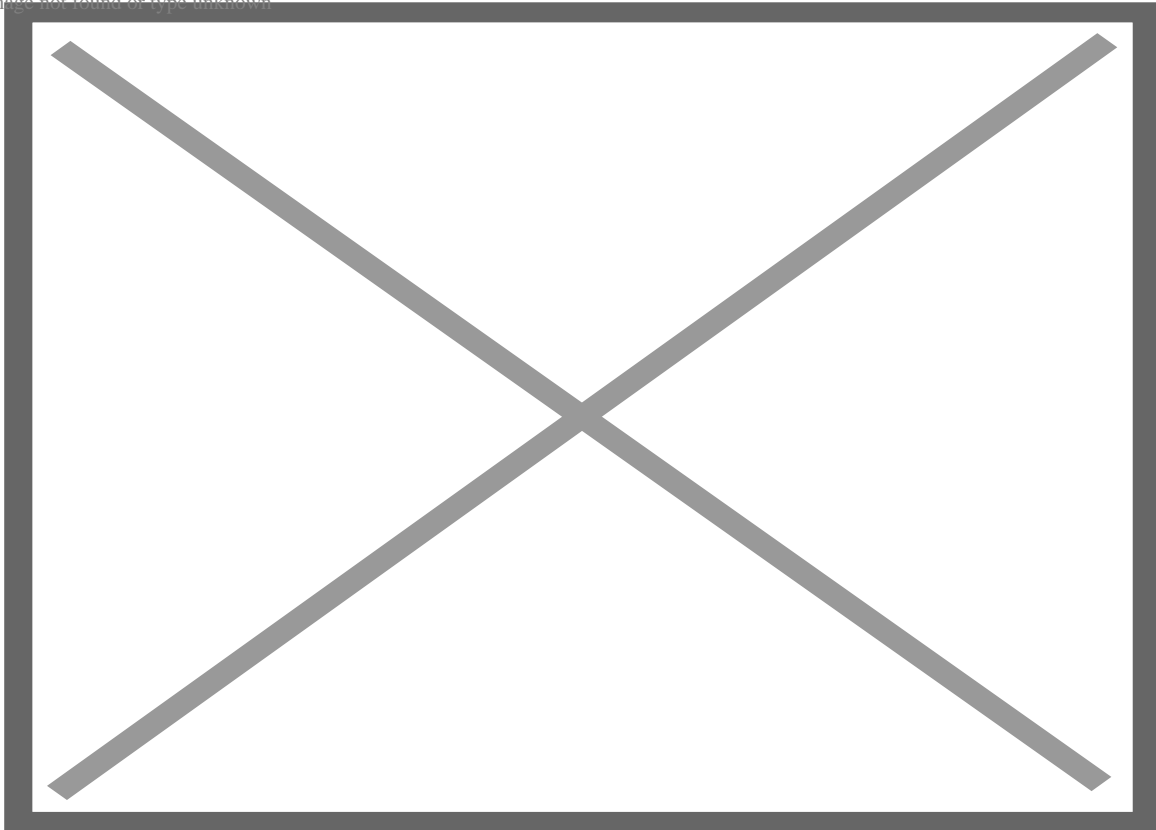


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Now Not The Time To Retreat From Health Reform

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The politically effective Medicare campaign is a powerful reminder of Australia's growing reluctance to pursue health sector reform.

With the 2016 federal election result favouring the Turnbull government, the policy wonks are now busily absorbing the ramifications of a long, exhausting campaign for political supremacy.

But one thing was made crystal clear even before election night: reforming healthcare is difficult, because a well-organised scare campaign can frighten off even the bravest of political souls from a desire to effect change.

And an effective health scare campaign can even nullify the most basic reform suggestion, such as investigating options to outsource Medicare payment administration.

Consider the fact that the modern public sector routinely engages the private sector to perform administration and other tasks, of varying degrees of complexity, associated with the provision of



government services.

Given the highly specific nature of tasks performed, the extent to which scale economies exist in service delivery, and other considerations, there is, in reality, a rich assortment of organisational and institutional “ecologies” characterising the ways in which governments involve the private sector.

The management of information technology systems within various government agencies has been outsourced to private entities, or there is allowance for some degree of private involvement, together with protocols concerning the privacy of personal information.

Public transit systems in some Australian cities are operated under time-limited “franchising” arrangements organised between government departments and private service deliverers, and firms are involved in financing, designing, constructing and operating other infrastructure facilities.

Even the national disability scheme, a policy legacy of Julia Gillard and Bill Shorten, involves extensive for-profit and not-for-profit sectoral involvement in most aspects of service delivery.

It would be a tall order to claim perfection in every instance of private sector engagement with traditionally public sector services provision, but there generally doesn’t appear to be widespread public fear and loathing about leveraging private finances and knowledge for better outcomes.

As mentioned over a decade ago by Australian public sector-reform expert Gary Sturgess, “as long as issues of quality, affordability and accountability are addressed, the public doesn’t much care who delivers public services”.

But, of course, the proviso added by Sturgess is that “the results seem to turn heavily on how the proposition is put”.

The Bill Shorten-led Labor Party framed a very modest proposal being investigated by the Coalition, to potentially outsource Medicare’s payments system, as a much greater proposition to transfer ownership of control over Medicare entirely to corporates.

Exit polls suggest this argument resonated with the many Australians who nominated healthcare as a major issue motivating their voting decision, but astonishingly the Liberal and National parties seemingly did barely anything to actually make the case for administrative change in Medicare.

Back-end Medicare and similar payment systems handle over \$42 billion in payments, and process more than 600 million transactions, but there does appear to be ample room for improvement.

Recently published government documents obtained under Freedom of Information provisions noted, “the IT systems that support ... claims and payments are old, overly complicated, expensive to operate and change, and are in need of redevelopment”.

Margaret Faux, in an impassioned defence of the Medicare payments status quo, conceded that



Department of Human Services staff “struggle with their computer systems because they are old” while legislative provisions and billing rules become ever more complex.

As implicitly conceded by government itself, given the onset of online and other electronic mechanisms for processing Medicare rebates, the payment architecture and administrative processes can’t stand still in light of technological and other changes.

Wanting to preserve the status quo on Medicare may have possibly motivated some voters to not choose the Coalition parties, but those same voters happen to be taxpayers and consumers who, in every ordinary circumstance, might want and expect better service delivery through the latest technologies.

Speaking more generally, the former head of the National Health and Hospitals Reform Commission, Christine Bennett, argued for modernisation of the health system because “health care is changing and we need our financing and policy systems to move with it”.

What wasn’t canvassed during the eight-week election marathon was the fact the current opposition, when in government, expressed an open attitude to the idea of reforming payment and information delivery systems.

A September 2009 discussion paper released by then human services minister, Chris Bowen, referred to “solutions sourced from the most efficient and effective means whether it be government and/or industry” as an enabling principle for reform.

The accompanying media release for the discussion paper indicated the discussion elicited by the former government aimed “to promote collaboration with industry on government payment and information delivery systems”.

But rather than explain the need for a more technologically agile payments system, the Prime Minister said midway through the campaign that “every aspect of Medicare that is delivered by government today will continue to be delivered by government in the future”.

There is arguably no more important area where a retreat from reform is so consequential, indeed so problematic, than in health care services delivery, given the demographic and fiscal pressures to maintain affordable, quality outcomes for all Australians over the years to come.

Affording the opposition a free kick on the question of how to manage the Medicare payment system, the government has unwittingly bowed to the health bureaucracy and provider interests intent on keeping Medicare encased in amber.

This follows the back-down from very modest reform proposals outlined during the previous term of government, such as introducing co-pays for general practitioner services.

The political consensus is that voters have given Medicare outsourcing the thumbs down for now, even if that judgment was based on political spin.



By the same token, voters also reserve the right to change their minds and, so, it is incumbent upon government to keep pressing the case for reform.

The government should point out the advantages of participation in public services provision by for-profit and not-for-profit entities, as already illustrated, for example, by the extensive role of private hospitals in the medical treatment of millions of Australians.

The Turnbull government should also impress upon voters that when it comes to public services provision “what matters is what works” in the end, even if that necessitates some form of private sector engagement.

If the Turnbull government can do this with conviction it should find the tables turned upon its political adversaries, who must bear the fatigues of defending the status quo of rising health costs, antiquated administration, and less-than-satisfactory outcomes.

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