



Policy on Health

Returning Control To The Consumer

In an ideal health system individuals would be at the centre of knowledge, decision-making and responsibility in relation to their own health.

Individuals would have access to the best information about how to maintain their health (and systems that encourage sound health management), knowledge of who to see and where to go if they have health needs, and an assurance that their health providers will be using best practices.

The information they require would be available in the most accurate and convenient manner possible, and consumers of health care would be able to insulate themselves from the high costs sometimes associated with their provision.

What Australia has is a system in which health costs are escalating faster than anything else and absorbing an inordinate amount of resources, while failing to meet the expectations of health care consumers.

It is a mixed public private system of health care delivery in which the public system is dominant. In theory, the private system is designed to permit access to those who are prepared to pay and to services that the public system is unable to provide. However, like the public system, the private system is so heavily regulated and controlled by government that it is unable to meet that need.

Governments have succumbed to the false conception of health care as a "public good" that cannot be provided cheaply, and at high quality, by private operators.

There is much evidence to show that a free market approach would provide consumers the power of choice and lead to an efficient allocation of scarce resources. Even if there are shortcomings in a market-based system, there is little justification for the present situation where an expanding range of rules and regulations has made life unnecessarily complex for consumers and medical professionals alike.

The Problem With Government Control

Since government contributes a large proportion of doctor incomes, it controls a large proportion of their activities. Government is also bringing under its umbrella a wide range of non-medical providers of health services by licensing their activities and adding them to its payroll. Similarly, both the public and private hospital systems are largely under the control of government.

As a result the treatment decisions that doctors, administrators and consumers make are heavily influenced by the financial constraints and political agenda imposed by government. Further, since health care is only one of the services for which government has responsibility, funding is dependent on government commitments in other areas of the budget.

In determining its health care priorities, government is advised by a large group of professionals who have vested personal interests in gaining access to whatever funds are available. At the same time government is influenced by large numbers of community special interest groups whose votes are purchased in exchange for funding.

This process is extremely wasteful as resources are allocated according to political imperatives or bureaucratic whim, with lobby groups attempting to convince government to give a larger share of taxpayers' money to fund their particular interests. Once distributed, more money is wasted in administration - enforcing the rules, checking compliance and punishing offenders.

Similarly, money is wasted as large numbers of people seek treatment for minor and inconsequential ailments for which other taxpayers must pay. Those with serious illnesses often cannot obtain access to a doctor or treatment facility. Public hospitals are either not available or short of beds, equipment, nursing and medical staff. The quality of care is threatened as access to high cost investigations, treatments and drugs is limited. Services that are available to some consumers are not available to others and the ailments of some consumers are funded while the ailments of others are not.

Since government pays for most of the costs of poor health, people have a reduced incentive to take greater personal responsibility for their lifestyle choices and may risk more in the knowledge that the public system will cover their costs. Government then feels obliged to forbid these choices and legislate to prevent risky behaviour, infringing on personal liberty.

The Medicare system serves the interests of the vast government machinery that runs it rather than the interests of individuals and their families. It is inefficient and not responsive to consumers. In fact, the only pressure that can be applied by consumers is political, which is not nearly as effective as when consumers are able to 'vote with their feet'.

Access to pharmaceuticals is perverse. Pharmaceuticals are an important contributor to better health outcomes and help reduce health care costs by reducing

the need for more expensive treatment. However, while the government acts as the customer in forcing down pharmaceutical prices, the discipline of the market has no impact on consumption. Because they pay fixed prices for prescription products, consumers have little incentive to prioritise their needs according to price, need or efficacy. Doctors are similarly under little pressure from patients to consider price or need.

When government chooses what health care services it can afford to provide, some people get a lot of what they want, some get a little and some may not get much at all. This is because we all rank the provision of some things as more important than others and we all rank them differently – for some people it is vital to have access to cardiac surgery while for others it is vital to have screening for various cancers.

What consumers sometimes forget is that the money governments spend is money obtained from taxpayers themselves. That money, including what is wasted, could have been used by individual taxpayers to make, at lower cost, their own expenditure choices. It could have been used, for example, to purchase private health insurance to cover those events that individuals believe are relevant for them - with what is left over being available for non-health related purposes.

Australia needs to change the way health care decisions are made.

The LDP's Policy

The LDP proposes to wrest back from government and return to consumers control of individual health care choices. It proposes to rescue people from a situation in which they are dependent on decisions by government to one in which they are able to make decisions for themselves and to provide for themselves.

By cutting back the proportion of health care funded directly by government and re-aligning incentives, enormous savings

can be made by reducing the waste and excessive costs of a public system.

At the same time, relaxation of regulatory controls will allow new organisations providing health services to emerge that will help to limit costs while improving quality.

The interests of insurers, health providers, doctors and other professionals as well as pharmaceutical companies will remain subordinate to the interests of individuals.

Fixing The Insurance System

The LDP will deregulate the health insurance market to facilitate a wider range of innovative policy options. This will enable the introduction of policies based on recognition that good insurance should not attempt to cover for low-cost events that are a threat to nobody's security, but must cover the high-cost events that can cause financial ruin.

Insurers will be at liberty to offer incentives for preventive healthcare such as weight control, solar protection, diagnostic screening and ceasing smoking. Consumers will be able choose for themselves whether to take advantage of these.

These changes will make insurance policies cheaper and enable consumers to insulate themselves from the costs of expensive medical interventions. The financial strains on government (and taxpayers) will be alleviated.

Instead of limiting the availability of screening tests, diagnostic and treatment facilities to what can be made available to everyone – whether people want them or not - an increased range of options would then become available to those who want them. The result would be a more diverse and responsive health care system catering to a wider variety of needs, at lower overall cost.

Increased Provider Competition

The LDP would take steps to create a more competitive market in the supply of medical professionals.

A significant contributor to the high cost of medical treatment in Australia has been the success of lobby groups in restricting the number of practitioners licensed to operate.

Market forces must determine the numbers of health professionals. The power to limit the numbers of new health professionals through monopoly control of standards must be removed. In a market system there would be a range of standards to suit different consumers, with accreditation a private matter.

Increased pharmaceutical competition

The LDP would reform access to pharmaceuticals so that pharmaceutical prices were deregulated but consumers were able to maintain access to high priced products through insurance.

Pharmaceutical companies would set their prices according to market forces – encouraging innovation by producers and the appearance of a wider range of products on the Australian market. Products subject to patent would inevitably be relatively expensive as companies recouped the high cost of drug development. However, there would also be downward pressure on prices due to consumer resistance (reflected by higher insurance premiums) and cheaper alternatives.

Measures to promote informed choice by consumers would also increase, stimulating competition among pharmaceutical suppliers.

Informed consumer choice

The LDP will promote informed and free choices by health consumers. Independent third-party associations will be encouraged to publish independent information for the benefit of consumers.

The role of government would be to ensure consumers are aware of the minimum standards espoused by the respective bodies and also the dispute resolution mechanisms (such as courts or independent arbitration bodies) that can be utilised to hold medical professionals to account should they be negligent or renege on a contract.

Reputational effects will mean professional associations tend to place greater emphasis on accepting only the highest quality members.

The Disadvantaged

Injecting competition into health care will assist the disadvantaged. In general, free market provision of goods and services leads to lower prices and higher quality. A free market is also a more humane system. Instead of the government forcing Australians to comply with a variety of rules and regulations - after which many are still placed on long waiting lists for surgery - consumers would have the power to choose. While consumers would bear much of the costs of health care, this burden would be far outweighed by the benefits. The freedom to choose would force private providers to reduce waiting times, improve service and become more responsive to the needs of their patients in order to avoid losing out to their competitors. Feedback and accountability would be almost immediate.

The two groups of consumers who are likely to feel most threatened by these changes are those who have long-term illnesses and the very poor.

Those in the first group will be able to take advantage of new insurance products that either insure against the prospect of

developing such an illness or against the costs of developing complications of that illness (rewarding, for example, those who follow preventive instructions).

Furthermore, while we would all like to assist the poor, we do not wish to encourage over-consumption of scarce health resources by providing blanket subsidies. The poor should be asked to first appeal to the generosity of their local communities. The activities of charitable individuals and organisations have historically been greater where the government's overbearing presence has been reduced. The LDP believes government should intervene only on a case-by-case basis, where other avenues have been exhausted.

Implementation

Implementing the LDP's policies will involve considerable adjustment from the current system. For example, the insurance industry will need to adjust to a substantially different environment. Some government bureaucrats will be obliged to seek employment in the private sector. There will inevitably be teething problems and unforeseen consequences requiring fine tuning.

The LDP will phase in its policies with appropriate interim measures to ensure there are no unintended adverse consequences. A 5-10 year phase in period is anticipated.