

Victorian Medicare Action Group

Policy comparator Victorian election: health co-payments and public hospital funding

The Victorian Medicare Action Group (VMAG) wrote to all Victorian MPs on 1 October 2014 seeking their views on the federal government's decision to renege on an agreement to increase its share of public hospital funding and the proposed \$7 co-payment for GP visits.

Both policies are contrary to the stated position of the federal Coalition at the 2013 election. Back then the federal Coalition pledged bipartisan support for universal access to health care under Medicare and said it would honour the National Health Reform Agreement with the states to increase federal funding for hospitals to 45 per cent in 2014 and 50 per cent from 2017.

VMAG believes these are important issues for the Victorian election because a GP co-payment is likely to result in more visits to state funded public hospital emergency departments. With the federal government reneging on the commitment to increase funding, the state government will have to either reduce hospital services or find new funding from elsewhere.

The Victorian Coalition, the ALP and the Victorian Greens provided responses to VMAG on behalf of their parties. They all say that they do not support a co-payment for GP services and all of them are critical of the federal government's decision on funding for public hospitals.

Health Minister David Davis, who responded on behalf of the Victorian Coalition, says he has communicated his disappointment to Canberra and will continue to advocate strongly for the federal government to contribute proportionately and fairly to the delivery of health services.

Labor says 'Tony Abbot's cuts to Victorian hospital funding are going to have a devastating effect on Victoria's health system'. It says 'Labor is committed to making sure that our hospitals and health services meet the needs of our community' but stops short of committing extra funding to address the impact of future federal government cuts.

Labor needs to tread carefully because it's not blameless on the issue of federal government funding for public hospitals. In 2012 the federal Labor government attempted to cut \$107m in public hospital funding to Victoria. They did this despite having committed to increase the federal government's share of hospital funding to the states under the National Health Reform Agreement in 2011.

Minister Davis says in contrast, his government has increased funding for public hospitals in real terms to its highest level in a decade – a claim contested by Labor.

The letter from Health Minister David Davis focuses on his outrage at what happened in 2012 and he takes a swipe at VMAG along the way for bringing federal issues into a state campaign.

VMAG received responses from 13 other MPs. More detail about the responses and some analysis and commentary are set out below. We have attached a copy of the complete responses from Health Minister Davis, ALP Health spokesperson Gavin Jennings and Colleen Hartland for the Greens.

VMAG is an apolitical, informal alliance of interested parties with a large membership of consumers, health practitioners, health organisations, non government organisations, religious groups, unions, and policy advocates.

VMAG was originally formed in the late 1990s in response to proposed changes to Medicare and it has run numerous successful campaigns since then.

VMAG's questions

VMAG asked Victorian MPs for their response to the following questions:

1. Do you support the federal government reducing public hospital funding by \$1.8b?
2. Do you support a co-payment for patients presenting in hospital emergency departments?
3. Do you support the \$7 Medicare co-payment for GP services proposed in the federal Budget?
4. If you support a GP co-payment how do you propose to manage the increased load on emergency departments and community health services in your electorate as a result of patients deferring seeing a doctor early, before they become acutely ill?

The Responses

VMAG received responses from each of the major parties - Hon David Davis, Minister for Health responded on behalf of Victorian Coalition MPs and candidates, the Hon Gavin Jennings MP, Shadow Minister for Health responded for the ALP and Colleen Hartland responded on behalf of the Victorian Greens. Their responses are set out below.

A further 13 Individual MPs also responded – Bruce Atkinson, Liberal, who said ‘with respect, I don't do surveys from organisations that spring up just before elections’, and Jeanette Powell, National who is not standing at the election and suggested we redirect our letter to the candidates, and 11 ALP members¹ who simply answered ‘no’ to the first three questions.

	Victorian Coalition	Victorian ALP	Victorian Greens
Qu 1	The Commonwealth Government honoured its commitment to fund 45% of nationally efficiently priced growth in in-scope public hospital activity under the National Health Reform Agreement in 2014-15 and has indicated it will continue to do so until 2017. The Victorian Government has communicated its disappointment with the Clth proposed public hospital arrangements from 2017 and the Victorian Government will continue to advocate strongly for the Clth to contribute proportionately and fairly to the delivery of health services.	No. Tony Abbot's cuts to Victorian hospital funding are going to have a devastating effect on Victoria's health system. Despite promising not to cut funding to health before last year's federal election, the Federal Government is cutting \$1.4 billion from the Victorian health budget over the next four years. These cuts will reduce bed numbers, reduce activity and blow out patient waiting times. Beyond the forward estimates, there will be a further \$12.5 billion cut from Victoria over the next decade.	Absolutely not. The Greens believe we need to increase funding to hospitals and healthcare. We have a rapidly growing and aging population, and rising levels of many preventable chronic diseases. We must increase investment to meet the need and we condemn the Abbott Government for these brutal cuts.
Qu 2	The Victorian Government has announced it will not introduce a co-payment for	No. Victorian Labor does not support a co-payment for patients in hospital emergency	Absolutely not. This would be a deeply concerning idea and the Greens will fight a hospital co-

¹ Donato Nardella, Melton MLA, John Lenders, Southern Metro Region, Hong Lim, Clayton, Maree Edwards, Bendigo West, Robin Scott, Member for Preston, Colin Brooks, Member for Bundoora, Jill Hennessy, Member for Altona District, Fiona Richardson, Member for Northcote, Lisa Neveille, Member for Bellarine, Marlene Kairouz, Member for Kororoit, Jaala Pulford, Member for Western Victoria

	<p>services provided in emergency departments. In addition, we will continue to advocate for independent assessment of the impact of the GP co-payment on Victorian health services and if there is significant cost shifting from Clth funded primary care to state funded emergency care that the Clth compensates Victoria for this impact. However, it is not clear the proposed Clth changes will ever become law.</p>	<p>departments or for GP service. Tony Abbott's GP co-payment will force struggling Victorians to go to already struggling hospital emergency departments, adding chaos to the crisis in our hospitals. This added congestion in emergency departments will flow to all parts of health care in Victoria – ambulance services, mental health care and elective surgery waiting times. Labor is committed to making sure that our hospitals and health services meet the needs of our community. An elected Andrews Labor Government will work with our hardworking doctors and nurses to rebuild our health system, and give Victorians the health care they deserve.</p>	<p>payment tooth and nail. We cannot afford to take even one small step down the path of a two tier health system, where there are those who can afford health care, and those who cannot. Universal healthcare is the bedrock of Australia's fair society and the Greens will keep fighting against all health co-payments and for free healthcare.</p>
Qu 3	<p>The Victorian Coalition does not support the introduction of new co-payments on primary care.</p>		<p>Absolutely not. The Greens are deeply concerned that the GP co-payment will lead to the most vulnerable in our community not getting the health care they need, when they need it. This will cause greater hardship and could ultimately cause greater costs on the health system from people ending up in expensive hospital care, as they have not got the early intervention care they need.</p>

Commentary

Impact of health care co-payments

All developed countries recognise that spending on prevention i.e. GPs and related services, is the best way to address hospital overcrowding and reduce health care costs. A co-payment is a backward approach to the provision of universal access to health care.

Universal access to health care recognises not only the importance of prevention in terms of health of individuals but the health of the broader community. We are all at risk if people do not gain the healthcare they need, the obvious example being contagious diseases

VMAG believes the federal government's proposed \$7 GP co-payment is an attack on the principle of universal access to health care in Australia. Even though it looks unlikely to proceed due to lack of support in the Senate VMAG believes this is an important issue for the Victorian election.

The proposed \$7 GP co-payment is short sighted and extremely unfair. It will likely see many people defer seeking healthcare, resulting in more expensive treatments being needed later and further overcrowding of emergency departments.

The major parties therefore should have a policy response – will they cut hospital services or will they find extra funds from elsewhere in order to maintain services?

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Federal government funding of public hospitals

Changes in federal funding of public hospitals announced in the 2014-15 federal budget will put extra financial pressure on the states.

The public hospital funding model agreed with the states by the Rudd Government in 2011 provided for the federal government to meet 45 per cent of the growth in costs initially and 50 per cent after 2017. That arrangement will now cease from July 2017.

Instead the federal government's contribution will be linked to movements in the consumer price index (CPI) and population growth. That leaves the states and territories facing a shortfall in funding if the CPI movements track below the growth in the cost of medical services.

From 2014-15, the federal government will also cease the funding guarantees which promised that no state would be financially worse off as a result of transitioning to the activity based funding arrangements which apply from 2014-15. The combined savings for the federal government from implementing these two measures are forecast to be \$1.8 billion over four years (source: *Budget Review 2014-15*, Commonwealth Parliamentary Library).

But federal Labor is not blameless on this issue. In late 2012 they attempted to make major cuts to Victoria's hospital funding despite the commitment to increase their share of funding over time.

The Victorian [Department of Health](#) tells the story as follows:

In 2012-13, the Federal Government first cut \$107 million in hospital funding and then returned it. The delay in returning funding created significant disruption to Victorian patients and hospitals. From 1 July 2013, the Federal contribution to Victorian hospitals and health services will be \$99.5 million less next year than promised and over the next three years that figure will blow out to over \$368 m.

...The funding reduction by the Federal Government was based on its incorrect use of population "growth" statistics....

Dr Stephen Duckett, Director Health Program at the Grattan Institute writing in The Conversation explains that the ABS had previously recorded NSW, Victoria and Queensland as having a larger population than new estimates. So they made an adjustment which reduced the population of those states the following year.

The question then becomes, should this be reflected immediately in reduced funds to the states?

Treasurer Swan, hunting desperately for money to contribute to achieving a slither of a surplus goal, announced the \$400 million hit to the budgets of the over-counted states...

The affected states cried foul. The changes have taken place mid-year, with no discussion or forewarning. It was a plot hatched in Treasury, with health experts kept in the dark...

Tanya Plibersek, the then federal Health Minister tried to say that they had not intended to cut state hospital funding. But as Stephen Duckett said, they had 'well and truly lost the propaganda war.'

Health Minister David Davis's letter claims that public health funding nationally under the federal Labor government fell in adjusted terms by 2.4% in 2012-13 (see Australian Institute of Health and Welfare *Health Expenditure Australia 2012-13* report). But the AIHW report notes that there were a number of methodological reasons for this figure, such as capital funding no longer being included.

By contrast he says the Victorian Coalition government has increased funding for public hospitals in real terms to its highest level in a decade.

VMAG, 5 November 2014

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