

Response from the Australian Medical Association

Graham Wright (A response to the Australian Health Care Agreement Series) makes a welcome contribution to the debate about the 30% private health insurance rebate. For too long the total debate has been dominated by ideologically motivated commentators who can see no benefit in what the rebate has provided. It is time that the other side of the story is told and there is indeed another side to the story.

The most serious “fault” of the rebate was that it worked. Against all the prognostications of its opponents, private health insurance participation increased by 50%. This should have prompted some favourable comment. But several articles came forward saying the real reason for the increase in participation was the introduction of Lifetime Community Rating (LCR). The articles did not say the two variables (LCR and 30% rebate) worked together to produce the result. They maintained it was produced by virtue of LCR alone and the money spent on the rebate was wasted and should have been put into the public sector. When such nonsense passes for academic analysis, we need people like Graham Wright to enter the debate.

Had the rebate not been introduced, private health insurance participation in Australia would be at rock bottom levels. It could have been as low as 10-15% of the population if UK levels are a guide. Our health system has always featured a balance between public and private provision of hospital services. But at those levels of participation, the private hospital sector would have been decimated, along with choice, competition and quality all of which carry an economic cost.

The rebate has been successful in increasing private health insurance participation and private hospital utilisation. Between 1995-96 and 2000-01, private hospital admissions increased by more than 40% while public hospital admissions increased by less than 10%. It seems pretty clear that the rebate has been effective in reducing the load on the public hospital system.

In any event the choice was never between spending money on the rebate or putting it into the public system. If the money was not spent on the rebate, the Federal Government could have provided (never guaranteed) additional financial assistance to the States through the Health Care Agreements. But there is no certainty the States would spend it on hospitals or health for that matter. And it is far from clear that the State public hospital system would have the capacity within their systems in the short or medium term to accommodate the demand if the same level of access was to be maintained. The private hospital sector performs 50% of all surgery and this would swamp the public system if it was suddenly shifted.

The 30% private health insurance rebate has been successful in encouraging Australians to take out private health insurance cover and to use the private hospital system. It has therefore helped those without private health cover to access the public hospital system. On the basis of broad philosophical considerations, the AMA supports the diversity and choice which it provides. Whether it has greater or lesser allocative efficiency than other options is a matter which will emerge from an open and unbiased dialectic from both sides of the spectrum.

It is pleasing to see the Australian Health Review has commenced this more open debate.

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Federal President

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