



Introduction

Health is one of the largest areas of expenditure growth in the Commonwealth budget. Expenditure growth is largely due to the costs associated with preventable chronic diseases, population ageing, as well as health technology and its consequential increased spending on health and other services, including aged care.¹

Although Australia's health system is based on a model of universal healthcare, people on low incomes or who live in disadvantaged or isolated communities experience particular problems accessing services that are readily available to other Australians. These include the capacity to access and pay for general medical and oral health care, as well as specialist care. In addition, people on low incomes often find it difficult to balance the costs of prescriptions, medical appointments and health maintenance, with other household expenses.

No wealthy OECD country has found the 'magic bullet' to stop the public health share of GDP from rising. The Parliamentary Budget Office estimates that, *on present policy settings*, the cost of health, disability services and aged care will rise by \$21 billion a year by 2024.² This is before accounting for unmet needs in areas such as dental health, mental health, and aged care.

Therefore, budget policies in health should focus not on cutting expenditure, but on a shift in priorities towards primary and preventive care, and a far better distribution of health expenditure so that it achieves value for money in an effective, accessible and affordable health care system.

The first step in health reform should be to reduce the worst gaps in health services. We propose an expansion of the reach of public dental services for people on low incomes, and in the revenue section of this statement we advocate policies to strengthen the revenue base for health, aged care and disability services – including a more robust Medicare Levy and reductions in tax concessions for relatively well-off retired people.

To ensure our health care system is sustainable, poorly targeted and ineffective subsidies that inflate the cost of care, including the Private Health Insurance Rebate and Extended Medicare Safety Net, should be abolished and the savings redirected to more effective health care programs.

¹ PC (2013) *Ageing Population Preparing for the Future*; AIHW (2014) *Australia's Health 2014*; *Reform of the Federation Issues Paper Number 3 Roles and Responsibilities in Health*

² Parliamentary Budget Office (2018), 'Medium term budget projections 2018-19', Report 3/2018, Canberra.



Policy proposals

Invest in health promotion and prevention programs

Too much of our public health spend is directed towards tertiary or hospital services, with inadequate investment in preventive health initiatives. We fail to prevent a whole range of conditions (namely chronic disease, but also preventable communicable diseases) that significantly inhibit people's health and wellbeing while also placing an unsustainable burden on our health system. Stronger investment in preventive health care and supporting people to adopt healthier lifestyles would save significant future health care costs.³ For example, the Victorian government estimates that savings of over \$1 billion a year could be made by better managing chronic illness to avoid hospital visits.

Recommendation 1 Invest \$3 billion in health promotion, prevention and community based health services (including nutrition, obesity, tobacco and alcohol use, mental health, diabetes and cancer prevention and early intervention, offset by \$2.8 billion in revenue raised from the introduction of a volumetric alcohol tax and tax on sugary drinks to reduce harms from overconsumption of alcohol and sugary drinks

Cost: \$200 million

Make dental care affordable for all

The Australian Institute of Health and Welfare found that individuals already pay 60% of the total spend on dental care through out-of-pocket costs.⁴ For people on low incomes, this is unaffordable and many go without much needed dental treatment. Former Minister Ley has acknowledged that 63,000 people are hospitalised each year for preventable and treatable oral health conditions.⁵ The lack of public dental care not only incurs a cost in our broader health system; it impacts on people's ability to live their lives, including to eat well, work and be engaged in their communities.

Recommendation 2 Make dental care affordable for all, by, as a first step, doubling the number of adults able to access public dental services

Cost: \$300 million

³ For a strong rationale for preventive services, see for example Australian Government (2010): [Taking preventative action: a response to 'Australia: the healthiest country by 2020'](#), Commonwealth of Australia, Canberra.

⁴ AIHW: Chrisopoulos S, Harford J & Ellershaw A (2016): [Oral health and dental care in Australia: key facts and figures 2015](#) Cat. no. DEN 229. Canberra: AIHW. Available: p.vii

⁵ Ley, S (2016): [Turnbull Government to double public dental investment](#) Media Release, 23 April.



Abolish the Private Health Insurance Rebate

Despite being a significant component of health expenditure, the Private Health Insurance Rebate (PHIR) has failed in its promise to take pressure off public hospitals by increasing use of private health insurance. Total savings of \$6 billion from abolishing the rebate would be offset by a modest increase in demand for public hospital services,⁶ with savings redirected into the public health system with full transparency as to how these savings are spent.

Recommendation 3 Abolish the Private Health Insurance rebate which costs \$6 billion per annum, and is not relieving pressure on public hospitals and reinvest in the public health system (Revenue neutral)

Abolish the Extended Medicare Safety Net

ACOSS is concerned about rising out-of-pocket costs for healthcare consumers and the impact this has on access to services for people on low incomes- who are more likely to experience poor health. This is best resolved by greater investment in preventive health services, removing the freeze of Medicare rebates and improving the Pharmaceutical Benefits Scheme.

On the other hand, poorly designed consumer subsidies such as the Extended Medicare Safety Net (EMSN) exacerbate inflation in health costs. An independent review of that program found that less than 4 per cent of EMSN benefits go to the most socioeconomically disadvantaged 20 per cent of the population.⁷ This is because they struggle to afford the gap fees that enable them to reach the EMSN thresholds. While EMSN benefit caps were set on all consultations as part of the 2012-13 budget, ACOSS is concerned by the lack of public data to assess whether this has reduced the costs (or reduced growth in costs) of specialist and allied health services and led to a more equitable distribution of EMSN benefits across the income distribution. More fundamental reform is needed,

⁶ Commonwealth of Australia (2016): [Budget Paper 1](#) pp: 5-12; Grattan Institute (2013): [Balancing Budgets: tough choices we need](#)

⁷ The EMSN provides an additional rebate for people who incur out-of-pocket costs for Medicare eligible out-of-hospital services. Once the relevant annual threshold of out-of-pocket costs has been met, Medicare will pay for 80% of any future out-of-pocket costs for out-of-hospital Medicare services for the remainder of the calendar year. From 1 January 2017 the annual EMSN thresholds are: \$656.30 for Commonwealth concession cardholders, and \$2,056.30 for all other singles and families [Department of Health (2016), Medicare Safety Net Arrangements, 1 January 2017, Australian Government).
CHERE (2011): 'Extended Medicare Safety Net Review of Capping Arrangements', Centre for Health Economics Research and Evaluation, University of Technology Sydney.



including greater transparency for consumers on the outpatient fees charged by specialists and out-of-pocket costs to patients.

Recommendation 4 Abolish the Extended Medicare Safety Net, which costs \$500 million a year and is driving up medical costs, and reinvest savings in the public health system (Revenue neutral)

See also 'Public revenue for essential services', which advocates a health, disability and aged care service guarantees funded through a tax reform package.