

## Book review

### MAKING MEDICARE: THE POLITICS OF UNIVERSAL HEALTH CARE IN AUSTRALIA

Anne-marie Boxall and James A. Gillespie  
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This is an excellent book. It should be required reading for anyone involved in health and health financing policy, most particularly Commonwealth public servants advising the new Abbott Government.

The book is a fair and balanced account of the long history of development and consolidation of Australia's universal health insurance system. It includes careful analysis of both the policy issues involved and the practical considerations of conflicting interests, implementation challenges, political factors and broader contextual environments. Although there may well be a broad consensus now about the basic framework for Medicare, much of this book's analysis is as pertinent today as it was in the 1950s, 1960s, 1970s, 1980s or 1990s when that framework was being debated so heatedly. There are many issues yet to be resolved and new challenges to be faced that require both expert policy analysis and pragmatic understanding of politics and administration.

The book's carefully researched history is presented so as to test several theories of political discourse when it comes to health and health financing. The main one, highlighted in the book's substantial introduction, is the balance between the roles of ideas, interests and institutions. Correctly, in my view, but disappointingly, the authors conclude that although all three matter, interests and institutions have dominated the Australian debates. In the last chapter they state that the highly politicised context in which Medicare became a fixture in Australian life was more marked than in any comparable country, and that the structural problems that have emerged have not benefited from rational debate.

The book includes chapters on each stage of Medicare's history, beginning with a summary of developments before the 1950s that led to the Menzies–Page scheme, followed by chapters on the background to Whitlam's Medibank proposals (1960–74), making Medibank a reality (1974–75), the Fraser health system reform (1976–81), the introduction of Medicare by Hawke, the politics of Medicare (1984–96) and the Howard years. These chapters are more than descriptions of events, although the descriptions are detailed and well researched: they include considerable analysis of the various factors at work during each period. This analysis is supplemented by several chapters focusing on some key debates: 'Organised medicine versus Medibank', 'Medibank weighed in the balance' and 'Why Fraser abolished Medibank'. A final chapter discusses current issues and future challenges.

There are many fascinating aspects of the history. Despite the partisan nature of the heated debates at each stage of health reform, any ongoing philosophical divide between the major parties is overshadowed by the debates within each party that continued over decades. Menzies resigned in 1939 when his

proposed national contributory scheme, which would have provided universal cover, was shelved. His later support for a voluntary private health insurance system was for him a second-best approach. Key Labour Party figures were still firmly opposed to Medibank and its fee-for-service approach, even after the dismissal of the Whitlam Government in 1975, whereas key Coalition ministers, including even Fraser, genuinely intended to maintain Medibank even if they were never passionate supporters.

More important than the 'ideas' were the interests and institutions. The medical profession won the battle in the 1940s for fee-for-service against not only the advocates of a salaried national health system along the lines of the British National Health Service, but also against advocates of private approaches, who saw advantage in the friendly societies' use of 'lodge payments', which were like capitation grants. The subsequent challenge, debated for decades (and still relevant today), was to find an affordable and equitable system consistent with fee-for-service. Whatever the balance of public and private health insurance, fee-for-service exacerbated the problem of 'moral hazard' where doctors, professing interest in their patients, are able to add to costs beyond what their patients or customers may be willing to pay because the costs are met by third party insurers. Other interests that needed to be managed over the decades included the private health insurance industry, the union movement and the States. There were also factions within each interest group, most significantly between specialists and general practitioners (GPs) within the medical profession, and among a range of GP organisations. It remains the case that governments will wisely avoid taking on both the specialists and GPs at the same time, and will ensure any proposal provides at least one group with benefits they value, whether in terms of narrow self-interest or genuine improvements for their patients.

Among the institutional factors explored through the book are Australia's federal arrangements, the Constitution and the Australian Public Service. The last is not often included in reviews of policy development, but it is at times a major factor and the authors rightly draw attention to several ways in which bureaucratic arrangements have affected the history of Medicare. The most well known is the dominant role of the central agencies, namely Treasury and the Department of Prime Minister and Cabinet, in the Fraser years and the limited involvement of the Health Department and the Health Insurance Commission as Medibank was whittled away in a series of ill-advised steps. Michael Wooldridge wrote a thesis on this sorry period and explained to me shortly after becoming minister in 1996 his mission not to allow the central agencies to take the initiative on health policy. He accepted that their involvement was critical, but as a second view to test the proposals coming forward, not as the

initiator of policy ideas on health or health financing. Moreover, for Wooldridge, health financing was not only about affordability, but also about improving health outcomes and the quality of health services. As the book emphasises, ministerial longevity helps too, as shown by Neal Blewett's (and Wooldridge's) considerable success; this also applies to departmental secretaries.

Another aspect of bureaucratic arrangements is the administrative capacity of different organisations. Whitlam took responsibility for health insurance away from the old Health Department and placed it in Social Security, an organisation with more experience at that time with payment systems and not led by a doctor (an Australian Medical Association-negotiated requirement for the Health Department not removed until the 1980s). Bill Hayden employed Dick Scotton and John Deeble as ministerial advisers and placed them inside the department to work directly with departmental officials. If only advisers today had the level of expertise of Scotton or Deeble and could engage productively with them on issues of substance!

On Dick Scotton's advice, Bill Hayden later established the Health Insurance Commission outside the provisions of the Public Service Act to implement the new Medibank system. Scotton advised that a public service department would not quickly develop the core of expertise in claims processing that was needed, because there is an ethos in the public service of mobility rather than developing expertise. The Health Insurance Commission proved a great success not only in speedily implementing Medibank, but also in building a highly efficient, customer-oriented organisation. Although the Public Service Act is no longer as constraining as it was in the 1970s, it would be nice if someone took Scotton's advice today and reversed the decision to absorb the Health Insurance Commission (or Medicare Australia) into the Department of Human Services, recognising that service delivery requires dedicated effort, considerable expertise and a degree of independence from ministers.

The book highlights how, despite so many decades of debate and the eventual consolidation of universal health insurance through Medicare, Australia still lacks a coherent framework for public and private health insurance. I would go further: the most recent measures to means test the private health insurance rebate and to increase the Medicare levy surcharge for those not insured has not only added to the complexity of the system, but has made genuine reform more difficult. Scotton's 'managed

competition' approach, reflected in Christine Bennett's 1999 'Medicare Select' option, certainly offers a coherent policy approach as the authors suggest, and one that may well appear attractive to the Abbott Government, but it needs more careful study, including through some trialling. Few seem to appreciate that it also requires a single government funder to appropriate monies for the Medicare premiums that would be directed to people's chosen health insurer or health maintenance organisation.

The final chapter also draws attention to the increasing challenge of an ageing population with increased demand for integrated services. Some further incremental measures building on Wooldridge's initiatives may help, but, in the end, a properly integrated, patient-oriented system will require a single government funder. The chapter also rightly identifies bulk billing and the limits to universality as a continuing challenge. We have some way to go to develop a coherent system-wide approach that applies the discipline of some user pays but does not involve a serious obstacle to access or an excessive burden on those who require multiple and costly services.

The main ongoing debate for the last 60 years highlighted constantly in the book is surprisingly not addressed directly in the last chapter: the future of fee-for-service. It has taken a long time for many on the Labour side to accept that fee-for-service is here to stay (some still seem not to accept the successful role of private GPs under the reforms of the last 20 years); there also remain some on the Coalition side who do not recognise the problems of total reliance on fee-for-service. The small steps towards 'blended payments' by Brian Howe and Wooldridge need to be carefully extended, focusing on rewards for genuine healthcare improvements. The idea of insurance as reimbursement to patients for the fees charged by doctors also needs to be more firmly replaced by the idea of insurers (including Medicare) purchasing services on behalf of patients. This has already started, of course, particularly with the Pharmaceutical Benefits Scheme and public hospital arrangements, but there is room also for clearer agreements or even contracts with GPs and others to support value for money and also to ensure out-of-pocket costs are reasonable while retaining a dominant role for fee-for-service medicine.

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\*Andrew Podger was Secretary of the Department of Health and Family Services (with later name changes) from 1996 to 2002; for most of this time, Michael Wooldridge was the minister. Andrew Podger also chaired a review of the delivery of health and aged care services for Prime Minister Howard in 2005. Although not directly involved in health policy, in his earlier career he worked quite closely with many of the people referred to in the book, including during the Whitlam, Fraser, Hawke and Keating Governments.