

JOHN MENADUE AO

PO Box W45
Watsons Bay NSW 2030
Australia
Phone 61.2.9337.1513
johnmenadue@gmail.com

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Hon Sussan Ley M.P.,
Minister for Health,
Parliament House,
ACT 2600

Dear Minister

(I have signed this letter on my behalf and also on behalf of the people listed below. I will be posting this 'open letter' on my blog early next week.)

We are pleased to see that you are canvassing community and expert views on private health insurance.

In discussing the community survey, recently on the ABC Breakfast Program, you said "We support the public system for those who can't afford private health".

That is a long way from the idea of universal mutual support that has underpinned Medicare and public hospital arrangements. It assumes, incorrectly, that private health insurance, and the associated subsidised access to private hospitals, is something Australians see as desirable if only they could afford it.

As you know, about half of Australians do not hold private health insurance. Many are driven to hold it by the Medicare Levy Surcharge – a coercive instrument that has little to do with choice. You would also be aware that 200 000 taxpayers pay the surcharge, rather than holding private insurance, even though almost all of them would be financially better off taking the cheapest hospital cover.

For many, the main attraction of public hospitals is not that they are "free", but rather that they offer a high standard of care. Most importantly the funding system for public hospitals, unlike the funding for private hospitals, does not carry an incentive for over-servicing. There is growing community awareness of the risks of over-diagnosis and of over-servicing.

Some others, particularly older wealthy people whose income is below the MLS threshold, do the sums and work out that their best bet is to draw on their savings to finance any needed private hospitalisation, secure in the knowledge that if they need acute care they are served by public hospitals. In doing this they miss out on the subsidies, the benefits of which are go to pay for high administrative costs and the

cross-subsidies associated with adverse selection. Thanks in part to superannuation, households with people in the 65-74 age range, have on average \$500 000 in financial assets.

It is ironic that, in spite of your Party's commitment to self-reliance, those who pay for their own private hospitalisation, or who pay their own dental bills, receive no support, while those who hand over responsibility to insurance corporations receive a 30 per cent subsidy or a generous tax incentive in the form of exemption from the MLS.

Then there are those community-minded people who value the idea of sharing their health care expenses with other Australians. They are morally repulsed by the idea of being corralled into the "gated community" of private health insurance. Also some people, aware of the way "charity" systems inevitably degenerate, see it as important that people with means who hold political influence have a stake in using and maintaining a high standard public hospital system.

You, and your fellow health ministers in the states and territories, fund and operate an excellent public hospital system. We hope you take pride in a public service that serves all Australians so well, and do not let it degenerate into a charity system. A way to prevent such degeneration would be to remove private hospitals' *de facto* dependence on private insurance, and to bring them into the same funding arrangements as public hospitals, thus allowing them to provide the same high-standard of integrated care as public hospitals, allowing for remuneration models other than individual fee-for-service, and abolishing any suggestion that Australia has two health care systems – one for the affluent and one for those who are less fortunate.

Yours sincerely,

John Menadue

Kerry Goulston, Emeritus Professor, Medicine, USyd

Ian McAuley, Adjunct Lecturer, Canberra University

Jennifer Doggett, Health Consultant,

Stephen Leeder, Emeritus Professor of Public Health and Community Medicine, USyd.

Karen Willis, Associate Dean, Learning & Teaching, Faculty of Health Sciences, ACU

Arthur Chesterfield-Evans, Medical Practitioner and anti-tobacco activist

Sebastian Rosenberg, Senior Lecturer, Brain and Mind Centre, USYD

Jill White, Professor of Nursing and Midwifery, USYD

John Dwyer, Emeritus Professor of Medicine, UNSW

Fiona Armstrong, Executive Director, Climate and Health Alliance

Tony McBride, President, Australian Health Care Reform Alliance

Tim Woodruff, Vice President, Doctors' Reform Society