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ON THE DRY SIDE 424

## Anti-competitive behaviour in the Health-care Industry

*John Hyde*

Self-serving bureaucracies, among others, have encouraged us to think of the unsatisfactory consequences of anti-competitive rules and cartels in the private sector. But in Australia, at least, restrictive trade practices are most commonly a feature of the public sector---telecommunications, grain marketing, electricity, posts, rail, etc. And even when we have our minds properly focussed on the public sector, we tend not to think of the restrictive practices in what are arguably Australia's biggest protected industries---health-care, education and welfare.

I have previously written about the Centre for Independent Studies' work in unmasking monopoly power in education and welfare. Under the direction of John Logan, CIS has, however, given its greatest attention to health-care. Inefficiencies here probably have a larger adverse effect on our economy than those of even the uncompetitive motorcar industry. Healthcare's impact on the Federal budget is immense. It trammels the civil liberties of doctors and patients to a degree that would not be tolerated in most other circumstances. And it is a political minefield.

With growing justification, the Coalition Parties claim to be driven by principle. Nevertheless, at the time of the last election, the prospect of applying their avowed market principles to health-care reduced them to a quivering rampart of jelly. They were not willing to disadvantage middle-class Medicare users who were perceived to command too many swinging votes. To this day, the Coalition does not have a health-care policy worthy of the name.

Unlike the Coalition, the Government has a policy: Medicare. However, Labor must by now appreciate that their policy and its attendant rules are arbitrary, inefficient and regressive. In truth, Labor is no more willing than is the

Coalition to offend the voters who would lose by changing to a more competitive system---even a system with a more generous safety net.

Politicians must steel themselves to the fact that no worthwhile changes can be made to the health-care industry without creating losers. Like most anti-competitive arrangements, the rules that govern the delivery of health-care confer advantages on some people. While politically-managed stuff-ups are very often started by misguided ideology, they are most often kept in place after they are known to have failed by vested interests.

The losers from health-care reform would include the bureaucrats and some publicly-employed 'professionals'. There is no reason, however, why the competent and skilled among these would not find work in a deregulated system. The large group of real losers would, therefore, be people who make larger than average demands for health services but who are too wealthy for the government 'safety net' to pay their bills.

How this safety net is designed, and how high or low it is set, can only be a political decision. We should not, however, pretend that it is an easy or obvious one. For instance, Logan produces evidence that 'household income' as measured---that is, exclusive of imputed rent and the advantages of the Pensioner Health Benefit and Health Care Cards---is not a good measure of need. In fact, no less than 59% of the 10% of people with the lowest incomes have sufficient capital to own a home outright. Nevertheless, by whatever means 'need' is determined, the savings derived from a more efficient health-care system could be employed to make the safety net more generous. Further, with thought, care, and more responsibility in the hands of private welfare agencies, it should also be possible to prevent the genuinely needy from slipping through it---to give the net a finer mesh.

The principal elements of Logan's pro-competitive proposal are for the government to:

- | provide means-tested, risk-rated vouchers by which poor and/or high-risk people could purchase health insurance from private insurers;
- | subject to prudential requirements, deregulate private health insurance;
- | end the subsidisation of private patients in public hospitals; and
- | deregulate medical markets subject only to the imposition of minimum standards of competence.

'Opting out', offered to us in low profile by the Coalition at the last election as a Magic Pudding Health Policy, is not an option. This is because, as the low-risk people opt out to avoid paying a share (or part-share) of the

cost of Medicare, the per capita cost goes up. This gives more people an incentive to opt out, until all are gone. It seems there is no such thing as a magic pudding!

Logan's proposal directs the taxpayers' contribution to the needy. It also thrusts the responsibility for achieving efficiency within the whole system upon competing insurers. If a health-care insurance fund were to offer its customers beds in inefficient, costly hospitals or care provided by doctors who regularly prescribe unnecessary treatment, then its premiums would go up and it would lose custom. Therefore, by using such techniques as 'diagnostic related groups' and by referring to its own experience, each fund will try to select a quality and range of services that appreciable numbers of people are willing to pay for, and the institutions to deliver the particular services best.

Their poorer client will pay his preferred fund, in full or in part, with a government voucher. Since competition is a better disciplinarian than a bureaucrat, the bureaucrats' current legal right to seize medical records will no longer be necessary.

Should the monopolistic tendencies of Medicare and the public hospitals be broken, the delivery of health-care will be much more efficient than it is now. Health-care may not, however, become a smaller part of national expenditure because, given the choice, some people will divert some of what they now spend on accommodation, travel, beer, cigarettes and other pleasures to better health-care. Who has the gall to say that they should not?

First, however, politicians must face the political problem posed by wealthy, high-risk Medicare users, who will, indeed, be made worse off by any system that is more competitive and more fair. Politicians cannot compensate all who will lose and must decide who cannot afford to lose.

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