

Shack

John Hyde

Unless Peter Shack is to be blamed for not knocking sense into Shadow Cabinet, he is not to blame for the health policy debacle. He is, in fact, the fall guy for the Liberal Party leadership.

Shack had his health policy drafted well before the Liberals announced their Economic Action Plan. The problem with his policy in the eyes of his vote-conscious peers is that it called for losers---that is people who would be made worse off by it.

As Mr Shack and Dr Blewett are both saying, it is impossible to write a new health policy that is revenue neutral and does not make anybody worse off. This is not something Mr Shack has just discovered, indeed he told a candidates' school in Perth, as recently as Friday 19 that it was impossible to have a revenue neutral policy that did not make some people worse off, and that they might have to go to the public with a statement of general principles. He affirmed the facts a day or after Mr Peacock was telling Paul Kelly, that there would be no losers, that the Medicare levy would not be increased and that the package would be revenue neutral.

Detailed data, such as was supplied by Dr Blewett, is not needed to demonstrate the impossibility of doing these things. I remember discussing the health losers with John Howard in the context of tax policy at least two years ago. All variants of Commonwealth health policy are in essence insurance arrangements by which, at any one time, people with high healthcare costs spread their costs over people with low healthcare costs. By varying the rules, it is possible to change people's incentives so that health resources are employed more or less efficiently, and so that they spend a smaller or bigger share of Gross National Expenditure on health. The way healthcare costs are met may be varied between fees, premiums and taxes but, efficiency gains apart, it is not possible to make some insured people better off without making others worse off.

Since those members of the middle class who are not privately insured do very well out of Medicare, a more

equitable scheme which, say, required them to buy insurance would inevitably leave them worse off. To which the appropriate response is, "So What". The justice of requiring the well-to-do to meet their own health insurance costs is easily argued. I would, however, have started explaining it sooner---namely, at the time Shack first produced his policy.

As well as the inescapable facts of insurance, the political parties must face the fact that healthcare costs are rising very rapidly. Costs are rising for three separate reasons about which the politicians can either do nothing quickly, or about which they would not wish to do anything. First, militancy among nurses has raised hospital costs very considerably. Second, new medical and surgical techniques are effective but are very expensive. Third, people seem to be wanting to spend more on health even if that means that they have less to spend on other things.

On top of the long-term changes that ought to be made to health insurance, there is at least one consequence of current health policy that should to be tackled immediately: it is the existence of queues at public hospitals when there are empty beds in private hospitals. This circumstance is very costly both in terms of the economy, which the Heavens know has problems enough, and in terms of human life and discomfort. Therefore, an incoming government needs a health policy now. It is, however, highly relevant that we have heard nothing serious about this problem from Labor.

If the unpublished Shack policy called for any of the following it was a document the Libs might have been proud of:

- * more choice for patients,
- * a more level playing field upon which to conduct the competition between public and private insurers,
- * the same for the competition between public and private hospitals, and
- * at least some move away from trying to contain costs via the medi-police of the Health Department by, say, encouraging competing Health funds to contract with efficient suppliers.

The policy probably covered all but the last point.

Shack was one of the Gang of Five who managed to have Howard dismissed, for among other claimed sins, having no policies. If Shack now can't get his own carefully prepared policy past Peacock and the current Shadow Cabinet, what was the point of the coup. Almost any policy about anything, worthy of a party that dare call itself Liberal, will take privileges away from somebody.

Finally one point deserves to be made. Unless there are additional circumstances of which I am not aware, for Shack to accept responsibility for the debacle goes beyond the call of

duty. In terms of his dealings with his own party, his action was honourable, even quixotic. He tried to prevent me from exonerating him. In the recrimination and counter-recrimination which will follow in the wake of these extraordinary politics, who was honourable, even though misguided, will be important.

John Hyde is Executive Director of the Australian Institute for Public Policy

ENDS