

Review of National Competition Policy Reforms Productivity Commission Discussion Draft.

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This is a summary of a written submission to the Commission in respect of this Inquiry.

Please note that Governing Ethics is not a recipient of government funding or contracts and that this submission is not funded by any agency. This is an independent analytical review of the Discussion Draft. The recommendations contained pertain to the quality of the economic analysis and consequential findings.

The overall assessment is that the quality of the analysis, particularly in relation to health and human services delivery and financing, is too poor to adequately inform on future directions. There are notable deficiencies in the age, sources, integrity and relevance of data and case studies.

There are a number of methodological and analytical deficiencies in the report, which if addressed, would likely provide the basis for alternative recommendations.

This submission recommends that the Commission

- a) applies appropriate expertise and analysis to inform its recommendations, in accordance with the scope of the inquiry, in the areas highlighted in this and other submissions¹ or.
- b) limit its recommendations to areas which have been identified as falling within the Scope of the Review.

The notable deficiency is that the quality of analysis does not substantiate its conclusions in relation to health and human services delivery accordance with the Terms of Reference

The draft recommendations fail to demonstrate their relevance, either from their analysis of the “impacts of NCP or related reforms” or through a demonstration of their “expected benefit to the Australian community”.

The review resolutely fails to demonstrate “there is clear evidence of significant potential gains to the Australian economy”, from its observed priorities for national reform or proposed process for review.

¹ A number of original submissions to the Inquiry provided legitimate references to case studies and empirical evidence to support their input which should have influenced the Review’s finding eg. ANF, VCOSS, Centre for Public Policy, Brotherhood of St Laurence. That the review did not incorporate these references into their analysis in the Draft Report, is a significant factor in the poor quality of the report.

The poor quality analysis in the report conceals the growing weight of evidence that the increasing cost and inflation in health expenditure, and declining quality and accessibility, are consequence of reforms introducing market based mechanisms.

In particular, it would be unethical and unconscionable, to produce the final report which does not consider:

Determinants of Health Expenditure

- That the population's health and income status are the major determinants of health expenditure. Health expenditure is therefore largely influenced by government's global budget and economic management and policies influencing levels of poverty. Poverty, and its relative growth since NCP reforms were introduced, not ageing, is a much more significant factor for future health expenditure.
- The majority of independent research finds that the higher the level of expenditure on health and the larger the contribution by the government sector, the more efficient and effective the health care system is in global health status (See OECD and World Health Organisation Reports). This report does not undertake any review of the health status or income status and household expenditure inflation for health services on individuals or households.
- There is no empirical evidence to support the ageing population health cost impact is not offset by longer quality of life years and higher income status of 'the elderly'. There is insufficient evidence to support that, in the current demographic spread, reducing recurrent expenditure in health delivery will improve, rather than worsen, the health status, and therefore cost, of 'the aging population' by 2040.

Health Expenditure Cost Benefits

- There are explicit cost-benefits from increased GDP and budget sector expenditure on health related services. The benefits purchased by taxpayers, including reduced disabilities, diseases, mortality rates, hospitalisation stays, and increased quality of life years, may indeed be more consistent with public preferences as well as the public interest. The Commission should at least be bound to consider the health status impacts, prior to any determination of presumed cost-benefits from greater 'efficiency' in the health system. Findings from the OECD Health Report 2004, would provide some level of independent analysis for the Commission.

Health Delivery Reforms and Cost Inflation

- The cost inflation in individual, household and non-government expenditure since 'marketisation' mechanisms have been introduced, and distributional impacts.
- The Report repeatedly refers only to 'government sector expenditure' without considering the cost shifting to individuals and the accessibility and health impacts.

The Commission has access to the implementation of identified competition policy issues in the health sector across states and nationally. No analysis is made in the report of impacts from the NCP reforms to the identified 'key restrictions on competition in health sector regulation as being found in the following'.

- health professional regulations;
- the pharmacy sector;
- elements of Medicare legislation;
- private health insurance; and

The NCP Review is bound to comment on of these health related reforms under NCP, before it claim any authority on recommending 'future reforms'.

Health Systems Economics

- The Commissions opinion that the 'selective application' of NCP principles to health services, does not impose more costs and risks than advantages, is unsubstantiated by economic principles or evidence from health reforms over the past decade. There are robust economic principles, which have not been re-evaluated or refuted by evidence to the contrary, to justify the direction of the current report.
- The original report (The National Competition Policy Review. The Hilmer Report Hilmer, F., Rayner, M., and Taperell, G. (1993), *National Competition Policy*, Report by the Independent Committee of Inquiry) did not recommend the Health Services as a priority, this report does not demonstrate any intellectual or quantitative evidence to advance this position.
- The Review's demonstrated lack of understanding of health care systems and the applicable economic principles to drive efficiency or improved outcomes, disqualifies them from recommending reforms.

The recommendations threaten to pervert the development of democratic and transparent processes for determining the nature of health services in the community.

The debate about health care and costs is too critical to the wellbeing of Australian's for its agenda to be determined by political interests in *reductions in short term budget expenditure of the Prime Minister, Treasurer and State Premiers under COAG*.

That the review fails to provide adequate analysis on the future impacts on community health or non-government expenditure, is particularly disturbing in the context of the shorter term, budgetary interests of this Report's audience.

That government expenditure is only approximately one third of total expenditure on health and human services, demands that any process for review is genuinely inclusive of appropriate authorities and expertise, to represent consumers and the non government sector.

Expertise should also be sought from the original ‘NCP Reforms’ authors, or other qualified persons, to explain the economic principles and relationships to inform on impacts in relation to the Terms of Reference.

There would appear to have ample time to identify and analyse appropriate references and findings, and the Commission has a clear obligation under point 6 in the Terms of Inquiry to incorporate its genuine findings. Consultation being the exchange of information.

The commission’s view may be informed by its ideological and political masters, but the lack of evidence based policy making potentially imposes serious risks on Australia’s health and economic future.

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