

**SECRETARY**

Chairman  
Productivity Commission  
PO Box 80  
Belconnen ACT 2616

I am writing regarding the Productivity Commission's *Review of National Competition Policy Reforms* Discussion Draft, in particular the Draft's reference to the health system and aged care as areas for reform.

It is clear from the Commission's Draft that the principles of competition have been of benefit to a wide cross-section of the Australian economy, including elements of the health sector. I note that the Productivity Commission has highlighted healthcare as one of the two highest priorities for nationally coordinated reform. On 22 October, in the week before the Commission's Draft was released, the Prime Minister announced the establishment of a new Health Reform Task Force within his Department to examine how to improve the delivery of health services. The Task Force is headed by Mr Andrew Podger, a former Secretary of the Department of Health and Ageing. The Task Force will report to the Australian Government in March 2005.

Over the last two years, all States and Territories have been working collaboratively with the Australian Government to address major issues that will result in better coordination of care. For example, as you note in the report, the Council of Australian Governments has commissioned a report on health workforce issues, focusing on the needs of rural areas and GPs working in or near hospitals after hours.

In the Discussion Draft, you have quoted my letter to you dated 24 June, in support of the idea that "competition-related change does have a role to play, not only in improving outcomes for clients, but also in contributing to productivity growth across the economy and helping to meet the ageing challenge."<sup>1</sup>

The current manner in which the Draft refers to the Department's comments does not reflect the overarching position presented in my letter that, whilst increasing competition may be practical and beneficial in some areas, there are a number of unique characteristics of the

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<sup>1</sup> Discussion Draft, p.249.

market for health services which impose limits on the extent of competition that is considered desirable.

These characteristics, some of which are picked up on in the Discussion Draft, include:

- information asymmetry between patients and practitioners;
- the potential irreversibility of consequences of wrong decisions or poor products;
- market failure in rural areas or in relation to accessibility for low income earners;
- consumer expectations of universal accessibility; and
- the need to manage uncapped publicly funded health care programs in the face of potentially unlimited demand.

I would be happy to provide any further information that you may require for the finalisation of the Commission's report. Such requests should be directed in the first instance to Mr David Webster, First Assistant Secretary of the Portfolio Strategies Division in my Department, on (02) 6289 7931.

I look forward to seeing the PC's final report in 2005.

Yours sincerely

Jane Halton  
Secretary

December 2004