

Health reform must include out-of-pocket expenses

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Health care does not appear to be a key issue for any political party in this year's election campaign. It's hard to believe that's a response to electorate priorities; more likely it represents the failure of either the Government or the Opposition to see health-care costs as a key economic indicator and health-care access as a key social indicator. In both these cases current Australian health policy is seriously flawed and new approaches are seriously lacking. Whoever wins this election will face the task of determining how the \$7.3billion previously committed to health-care reforms will be spent. In making these important decisions, which will outline the sort of health-care financing and governance systems Australia will have into the future and hopefully too the sort of health-care delivery systems the new government must also consider the contributions that Australians make directly from their own finances to their health care, and the consequences of this for equity, access and health outcomes.

More than one in every six dollars spent on health care is paid directly by consumers. That amounts to more than \$15billion a year, more than double the amount covered by private health insurance. Out-of-pocket costs comprise 17per cent of health spending in Australia, a higher proportion than in 13 out of 20 countries in the Organisation for Economic Cooperation and Development, including the United States. This growing financial burden is borne disproportionately by those who can least afford it, severely compromising the ability of people with chronic illnesses to get the treatment they need, and undermining the equity of Medicare. Not only are these payments high, but the way we address them, through a complex and confusing series of safety nets, is inefficient and discriminatory.

An international survey of seven OECD countries found that Australia ranks poorly, ahead of only the US, on cost-related access problems to health care. Twenty-oneper cent of people surveyed reported that in the last year they had a medical problem but did not visit a doctor because of cost, and 43per cent of people who needed dental care did not see a dentist. Those who did see a doctor often could not afford to follow the doctor's advice; 36per cent did not get a prescription filled and 33per cent did not get tests or follow-up treatment because of cost.

There is data to show that increased co-payments for prescription medicines mean that many people skip doses, or are forced to choose between needed medicines and other essentials such as food and electricity. One-third of chronically ill adults report problems with accessing health care and compliance with medication and treatment regimes because of cost. The inevitable consequence is that these people end up in emergency departments and hospital. Out-of-pocket costs and co-payments result in a series of perverse incentives: the net effect is to shift the cost burden from the affluent and healthy to the poor and sick. The poor pay a higher proportion of their household income on health-care costs, and sick people, on average, are poorer. When people are not able to get access to the care they need, their health deteriorates and results in increased expenses to the individual, the health-care system and the economy as a whole. This inequity is further compounded by both the current focus on fee-for-service and the way the Medicare safety net works. For example, the average out-of-

pocket cost for a visit to a psychologist under the Better Access mental health program is \$35, a fact that explains why most services provided under this program go to people living in well- to-do suburbs. An analysis of the Medicare safety net shows that people living in the richest 25per cent of electorates receive on average three times the average safety net payment compared with people in the poorest 25per cent of electorates.

Those living in Sydney's richest suburbs get nearly 40 times more from the safety net than people in the Northern Territory outback. Economic hardship requires households to make difficult decisions between care and basic living expenses, decisions which may cause less than optimal health outcomes and increased costs to the health-care system. Any attempt to deliver real health-care reforms that represent real value for taxpayers will founder unless the key issue of out-of-pocket costs is addressed. It's an issue worthy of an election policy from all parties. Dr Lesley Russell is the Menzies Foundation Fellow at the **Menzies Centre for Health Policy**, University of Sydney / Australian National University. She is currently a visiting fellow at the Center for American Progress, Washington DC.