HAYDEN ORATION

It is a great honour to be asked to present the third Hayden Oration though I am somewhat daunted by my predecessors in this oration - a distinguished Queensland Treasure and a great Australian Prime Minister.

The first vote I ever cast in the federal Labor Caucus was for Bill Hayden to be party leader in December 1977, over forty years ago. It is a vote I have never regretted. Yet that first Caucus meeting in 1977 was a gloomy and desperate affair. The party was demoralised and despairing. We had just suffered a second thumping electoral defeat. Never since the Great Depression had federal Labor suffered successive catastrophic defeats as 1975 and 1977. It had taken Labor over a decade to recover from the defeats of the Great Depression; over twenty-three years to end the Menzies hegemony. Were we now to be condemned to further decades in the wilderness? Yet in little over five years Bill Hayden bequeathed his successor a party on the verge of victory.

In his years as Opposition Leader Bill Hayden restored the morale, the discipline and the purpose of a party that in the wake of the disasters of 1975 and 1977 was demoralised, directionless and disabled by bitterness. I echo Paul Keating's remarks of last year: "[he brought]*to the Labor party and the Parliament… a sense of scale, order and rationality … that the Labor party had rarely, if ever, known… shadow cabinet meetings were marked by their sense of order, focus and political consistency"*

And it was not just within Parliament: he tackled party reform in Queensland, Tasmania and nationally to the great benefit of the party but often at considerable personal cost.

Not only did he lay down the policy foundations for Labor's unparalleled success in the 1980s and 1990s but many of the ministerial personnel of that period were there because of Hayden's decisions. As Paul Keating confessed here last year had Bill Hayden not made him shadow Treasurer in January 1983 " *a big call… a wild call"* (Keating's words) he would not have become Treasurer when Bob Hawke's government was formed in March 1983. Let me add another confession: I would not have been Health Minister in the Hawke government if Bill had not made me shadow Health Minister in 1980. And I have a further confession to make: being somewhat of a political innocent as well as a personal friend of the existing shadow minister, who was being displaced, I expressed my doubts about taking the position. I was given short shrift: "*Right Blewett, you can either be shadow Health Minister or assistant shadow Minister to the shadow Minister for the Territories".* A hard man Bill Hayden!

He thus laid the foundations of what was to prove one of Labor's great periods in federal office from 1983 to 1996. That government is usually known as the Hawke-hyphenated-Keating government (singular) somewhat I suspect, to the disquiet of one member of that duumvirate. Inspired by Keating's oratory of last year I, somewhat cheekily, suggested in the *Sydney Morning Herald* that we should add another hyphen - the Hayden-Hawke-Keating government in honour of the man who did so much to lay its foundations.

But in addition to restoring morale, determining a policy agenda, and recruiting ministerial personnel, Hayden, with Gough Whitlam, bequeathed

to the Labor government in 1983 a monumental task, indeed a crusade: the restoration of universal health care for all Australians.

To establish health services accessible to all, irrespective of income, had long been a Labor ambition. Ben Chifley had pursued this aim in the 1940s but had been frustrated by his conservative opponents and his hopes and that of a generation had been ended by Menzies triumph in 1949. You were never going to get universal health cover from the conservatives. Menzies left behind an expensive, complex, subsidised system of private health insurance which left upwards of 20% of Australians with no health cover at all, and many more with inadequate cover.

When Gough Whitlam, in the late 1960s, set out to challenge the existing health cover arrangements he chose Bill Hayden as his executive arm in the struggle, a struggle which in many ways is still with us today. Universality was to be the essential principle.

You could achieve universal cover in one of three ways. First through a national health service as in Britain and a number of the Scandinavian countries, where hospital and medical services are publicly financed, publicly provided, and publicly controlled through contractual arrangements between governments and doctors. Secondly you could achieve universality through compulsory cover by private health insurance and/or employer coverage accompanied by taxpayer subsidies from government as for example in Switzerland and Germany. Thus there would be universal cover but the providers - hospitals and doctors - would have relatively high levels of economic and professional freedom. As a result government would have only limited control over the total health expenditure and the shape of the health system. Thirdly, universality could be secured by compulsory cover

through public health insurance by way of taxation or by a special levy, but which leaves most aspects of the actual delivery of health services in private hands. The government being the dominant payer has considerable influence over total health expenditure and the shape of the health system. Such a scheme is typical of most European countries.

In Australia the British model faced enormous difficulties given that the clause in our constitution prohibiting the civil conscription of doctors made it unlikely that such a scheme could be established on a universal basis. As for the second option, compulsory private health insurance, the private health funds were so on the nose, at least within Labor ranks, given the health shambles of the later sixties, that it was inconceivable that you would have a compulsory system based on the private health insurers. Thus to Medibank and public insurance as the path to universality.

When Whitlam and Hayden launched their Medibank plans in 1969 they opened in Hayden's words "*indisputably the most furiously fought domestic issue* [in a generation] …*a long drawn out, hard slogging battle pitched over nearly 6 years".* They launched a crusade, a crusade which is with us still, and a crusade which defined many of the opponents of universal health cover, who are also with us still. Why so tough a fight? One reason relates to timing - health reform in Australia came late in the day. Most developed societies achieved forms of universal health cover in the immediate aftermath of the Second World War, a period dominated by a social democratic ethos. With the passage of time reform became much harder given the enhanced prestige and power of the medical profession, the growing entrenchment of the private health insurers, and the corporatisation

of private hospitals In the USA these forces have effectively stymied a national scheme and the shemozzle seems to be growing worse under President Trump.

Canada was another late starter, introducing universal insurance in 1966, and then only on a province by province basis. It was late in the day and the going was tough. In 1970 the Quebec medical specialists voted overwhelmingly to strike against the imposition of Canadian Medicare. Unfortunately for the specialists, as the strike got underway, a Quebec minister was assassinated by terrorists and the resulting anti-terror legislation was used to break the doctors' strike. (a favourite anecdote of mine with doctors groups)

The medical profession including the AMA, the specialist grandees and extremist groups like the GPS (The General Practitioners' Society) led the opposition to Medibank. The saw it as a threat to their incomes, their autonomy, and as presaging *"the ultimate nationalisation of all medical and hospital services".* The AMA launched a Freedom Fund to sustain a massive P.R. campaign against the Medibank proposals. Extremist medical groups circulated scurrilous personal canards against Hayden, as the executor of the policy, one poster even picturing him garbed in a Nazi uniform. Imagine our Bill as a Nazi gauleiter! All this seemed rather odd as under the Medibank proposals there was no conscription, no regimentation and private-fee-for- service was retained. Some doctors recognised this and the Doctors Reform Society was formed to defend the Labor approach, while even on the AMA Council some feared the campaign had gone too far. One of the pleasures of campaigning at the time was to enjoy the doctors

lambasting each other for being either too soft, not extreme enough or too extreme.

The private health funds and the private hospitals were in the anti-camp fearing the impact of Medibank on their lucrative businesses. But the funds were scarcely popular - seen as bloated and inefficient - and played a low key role while the Catholic sector of the private hospitals worked to stiffen the DLP senators against the Medibank plan.

And finally of course there were the Coalition political parties whose ideological opposition to Medibank was visceral, running counter as it did to their fundamental belief in citizen responsibility for their own health with governmental obligations limited to the poor. Whatever their contemporary love-in with Medicare, (and I will come to that in a moment), their hostility to Medibank was unremitting. They were in a strong position to resist. With the Democratic Labor party they had a majority in the Senate and there were conservative governments in four of the six states.

This formidable alliance of interests and political forces meant that the Medibank legislation was resisted all the way. The legislation was rejected twice by the Senate and resistance was only overcome by a double dissolution, a third rejection by the Senate, and ultimately by the first joint sitting of the houses in the history of the Commonwealth.

But the political battle was not yet over, for the hospital side of Medibank required the cooperation of the States. Some of the State Premiers outdid the doctors in hyperbole. Joh Bjelke-Petersen was apocalyptic, claiming that Medibank was a catastrophe comparable to the "*Biblical flood, the eruption of Vesuvius that destroyed Pompeii, the Titanic".* Initially all the

States refused to sign on, but the generous financial offers by the Commonwealth were too great a temptation. The two Labor States - South Australia and Tasmania - succumbed first, in early 1975. Then as Hayden demonstrated to the other States the potential financial losses to States which refused to sign on resistance crumbled. As Keating once pointed out, *"Never stand between a State Premier and a Commonwealth pot of gold".* By July 1975 all were signed up.

But it was too late. Medibank had consumed the life of the Whitlam government. Within four months of the final agreement the Whitlam government was no more. Medibank was scarcely in place. Had the battle been in vain?

The Fraser interregnum in health policy, over which even Liberals seek to draw a veil, was ushered in by Fraser's pledge during the 1975 election campaign that Medibank would stay in place. Medibanks did indeed proliferate. There was a new Medibank virtually every other year, each claiming to preserve Medibank: Medibank II 1976, Medibank III 1978, Medibank IV 1979. The changes were confusing, often contradictory and to most bewildering. A Medibank levy was introduced one year and abandoned the next. Bulk billing was retained and then done away with except for pensioners and welfare recipients. Subsidies for private insurance came and went. Co-payments were in and out with the level of the co-payment undergoing changes from one year to the next.

Why such a shambles? The answer: there were just too many interests to be satisfied: Conservative ideologues and the medical establishment wanted

Medibank done away with; the private health insurers and the private hospitals wanted to get back a bigger role in health; the Treasury mandarins disliked the cost of Medibank to the budget; other economists liked Medibank because it put a brake on inflation; savvy Liberal politicians feared the electoral dangers of doing away with universality and Fraser wished to preserve his personal integrity.

In 1981 Fraser gave up: Universality went. Apart from pensioners and welfare beneficiaries medical benefits were only to be available to those with private health insurance, which to sweeten the change was made tax deductible. With the re-introduction of means tests for public hospitals, private insurance was necessary to secure public hospital treatment for most people. For all essential purposes this was a reversion to the pre-Medibank situation with a significant proportion of the population left with inadequate or no health cover.

The saddest comment of all on this sorry tale is that Fraser seems to have persisted with his delusions telling his biographer in 2010 that "*he retained Medibank as a universal taxpayer funded means of health insurance".* So much for the Fraser interregnum.

The chaos of the Fraser period offered Labor so many opportunities for parliamentary attacks - a MPI on health policy nearly every other week - that constructive thinking on a Labor alternative languished, although there was a desultory debate in the caucus health committee as to whether we should persist with a Medibank type scheme or pursue a system of community health centres with salaried doctors.

In 1981 Hayden was decisive in recommitting the party to universal public health insurance and I was charged with the task. Being Hayden he was insistent that it be done quick smart in time for the 1983 election. A trip to Canada in 1981 to examine Canada's Medicare convinced me that public insurance was the way to go. It also gave us a new name for the scheme given that the Medibank title had been much tarnished during the Fraser interregnum.

We worked flat out for two years: negotiating with all the major interests - doctors, private health funds, private hospitals - and with the State Labor Health Ministers and shadow Ministers. By the end of 1982 Medicare had advanced beyond the embryonic state with much of the detail filled in, even down to Medicare levy calculations.

When Hawke came to office in 1983 he was even tougher than Bill demanding that Medicare be in place within the year.

Though the deadline was tight my task was much easier than Bill's had been ten years before. Much of this was due to Hayden himself. Medicare was after all basically Hayden's scheme; he had paved the way and I had simply to build on his structure. John Deeble, one of the architects of the original Medibank, came on board as did other staff members who had worked with Bill on Medibank. Then too the medical profession had been so bruised and battered in their battle with Hayden that their leaders had no great stomach for a second round. They favoured negotiation rather than confrontation. It is true that unlike Bill I had a doctors' strike against Medicare by a small band of over-privileged medical recalcitrants - NSW and ACT surgeons. A bitter tussle went on for over a year before the conflict

was settled after a rather unsatisfactory mediation. But there was little support for the intransigents outside NSW.

Fraser too contributed to easing my task. The doctors had got little comfort from the Fraser years while the health funds and the private hospitals had suffered from his constant changes. The funds, while hardly ecstatic over Medicare, were placated with the promise that any staff displaced as a result of Medicare would be given preference in the new Medicare offices.

Moreover the political situation was far more favourable. We did not face a hostile Senate. The Australian Democrats, who held the balance of power under Don Chipp and Janine Haines, were supportive on nearly every issue.

The majority of the States were now in Labor hands, the only holdouts being Queensland and Tasmania. Tasmania was no problem. Joh mouthed off about creeping socialism, but as he had refused to follow Fraser and means test his public hospitals he stood to gain financially more than any other state from the national restoration of free public hospitals.

And while I was only a junior minister I had very powerful allies in cabinet: Bob Hawke wanted Medicare as a vital part of his accord with the unions and as a weapon against inflation; Bill Hayden was across all the arguments; and Paul Keating, usually a tough Treasurer on the spending ministers, was surprisingly generous to the financial demands of Medicare.

The deadline was met and Medicare was in place by March 1984.

Only the conservative parties remained obdurate, their ideological loathing of universal health insurance overcoming their common sense. They

opposed the Medicare legislation on every major division in the Representatives and the Senate. They damned Medicare and pledged to do away with it in every election for a decade -1984, 1987, 1990, 1993. Indeed there is polling evidence that in the close run election of 1990 and the GST election of 1993 it was their refusal to accept Medicare that left them on the Opposition benches.

In 1996 John Howard in his second coming saw the light: " *a Coalition government will maintain Medicare in its entirety" .* A genuine conversion or a politic admission that it was too dangerous to attack Medicare head on? Let's look at the evidence.

In the twenty-two years since Howard saw the light, there have been sixteen years of conservative rule. Yet Medicare has survived. It is now thirty-five years old. It has become iconic - a party risks political oblivion if it questions its fundamental premise: compulsory universal health insurance. That in itself is remarkable. It is something we should celebrate.

But even more remarkable is that Medicare has survived in an age dominated by the ideology of neo-liberalism. For Medicare is antipathetic to everything that neo-liberalism stands for. First neo-liberalism is all about the supremacy of the market. Yet Medicare denies that the market is the appropriate basis for allocating health services. It denies that health care is a private good for sale but rather is a public good paid for with tax dollars. Second the neo-liberals wax lyrical over the virtues of small government, the minimalist state. Yet Medicare typifies state intervention on a grand scale. Third neo-liberals seek as far as is practicable the privatisation of the public sphere. Yet Medicare seeks to preserve the public sector in the area of

health care. All around the country right wing think tanks get their knickers in a twist when they contemplate Medicare - that is if think tanks can get their knickers in a twist.

But before we become too self-congratulatory we should note that Australia is not unique in the resistance of its health care system to the siren call of neo-liberalism. Mrs Thatcher dabbled with the idea of dismantling Britain's national health service but abandoned privatisation proposals as too dangerous. Canadian Medicare has survived 16 years of conservative rule while the various universal health systems of Western Europe remain firmly in place.

Given the survival of Medicare in Australia in an age of neo-liberalism and of Liberal rule must we conclude then that Howard's conversion was genuine, that not only did he "*preserve Medicare [but] we made it better "* or in Abbott's words that '*the Howard government was the best friend that Medicare ever had"?* While that latter is a bit hard on Bill and me it is also mostly poppycock. Medicare is just not in the Liberal DNA.

What characterises the sixteen years of Coalition rule is a fearful reluctance to attack Medicare front on, combined with continuing efforts to undermine it by exploiting flaws in the Medicare system in order to rebuild private health insurance. The ultimate and no doubt hoped for result of such rebuilding was that increasingly Medicare would be seen simply as a residue, a safety net for those who had no private health insurance. By contrast Labor had seen private health insurance simply as a supplement to Medicare providing health inessentials such as access to private hospitals or private beds in public hospitals and also for healthcare services not included in Medicare

such as dentistry or podiatry. The aims of Liberal health policies has been to make private health insurance not simply a supplement but to advantage those with private health insurance in access to basic medical and hospital services.

There have been a whole series of governmental initiatives using public money to prop up private health insurance - a tax rebate for those taking out private health insurance, penalties on the wealthy for not having private health insurance, lifetime health cover to encourage the young to join private health insurance. It is now estimated that these carrots and sticks, aimed at encouraging private health insurance, cost government upwards of $9 billion a year. There has been an expansion of gap insurance for those with private health cover which disadvantages those without private insurance. And the Commonwealth failure to honour fully the historic 2011 agreement with the States to cover 50% of the hospital efficiency improvements, as measured on a diagnostic group basis, denies some $400 million a year to our public hospitals

All this was done accompanied by the usual propaganda slogans. First the changes would relieve pressure on the public hospitals. It does so only by diverting resources and surgeons to private hospitals and increasing waiting times for elective surgery for Medicare only patients. And of course such a slogan ignores the 2011 hospital agreement. Second it would preserve freedom of choice but only, of course, for those with private health insurance. Third it would provide more efficient use of resources. Given that the administrative cost of the plethora of private health insurers is roughly three times that of Medicare - some 39 private health insurers and an estimated 40000 variations of the policies available - that this is an more efficient use of resources is a bit hard to stomach.

The results of this undermining - by those who declare themselves the friends of Medicare - are now apparent. There have been massive increases in out-of-pocket expenses, ironically particularly for those with private health insurance, and these out-of-pocket expenses are now greater than in most developed countries. Prompt access to health services, particularly specialist services, is often out of the reach of people without private health insurance and often very costly for people with such cover. It is perhaps not surprising that the list of professional salaries in Australia is topped by three groups of medicos: surgeons, then anaesthetists, then internal medicine specialists. Those with private health insurance get to the front of waiting lists for elective surgery even in the public hospitals. Those without often have to wait many months even years for such surgery. Bill Hayden pointed out many years ago that "*Medicare is a barrier to a two-tiered system of health care , one catering for the ins and the other for the outs, the silver tails and the battlers, the feckless poor and the deserving well-off."* Yet the use of governmental resources to massively subsidise private health insurance undermines that barrier and threatens Australia with the very two-tiered system that Hayden warned against.

However the policy is ultimately self-defeating particularly in a society where all those under fifty have grown up with Medicare and are sceptical of the value of private health insurance. Each Liberal carrot or stick to get people into private health insurance has been followed by a temporary fillip in the numbers insured. But then as insurance premiums rise inexorably above inflation levels the numbers insured fall away so that a new stick or carrot has to be found at taxpayer expense to get people back into private health insurance.

We are now again in one of these death spirals with private health insurance numbers falling. Minister Hunt seeks to stem these desertions by correcting obvious defects in the private system: making specialist charges more transparent and simplifying the complexities of private health insurance by simplifying the 40000 private insurance options into four categories: gold, silver, bronze and basic. Both are desirable initiatives but they are essentially bandaids and I predict they will do little to stem the decline.

For what we face is an existential crisis. While Medicare remains universal private health insurance can only survive in its present form with continuing dollops of public money. On the other hand those continuing dollops of money may so erode Medicare that it becomes simply a residual system, a safety net for those without private health insurance. We need to restore the original intention that Private Health Insurance should be a supplement to Medicare, providing cover for inessentials and services not covered by Medicare, not a rival in the provision of basic health services to the detriment of Medicare only citizens.

What then is to be done? There are no easy answers. I have no easy answers. I am too far from the contemporary battle lines to prescribe explicit solutions. I can only suggest a number of issues, a smorgasbord of ideas, that need to be considered by those committed to *"securing equal access to equal care for equal need for rich and poor alike"*.

The tax rebate for private health insurance is already means tested and that testing should be used over time to gradually phase out the rebate. The phasing out could also include age as well as income so as to minimise the impact on the old who have had private health insurance all their lives. I recognise the political difficulties of such a policy. To encourage popular

support for such a policy the billions gradually released should go directly into health services. For example, the 9 billion dollars ultimately released could go a long way to providing basic dental care for all Australians within Medicare. As the amounts freed would only become available gradually a first step could be a dental Medicare for children, thus minimising the impact of any age-related phasing out of the rebate.

Again as the private hospitals would be detrimentally affected by the phasing out of the rebate this could offer an opportunity to more fully integrate private hospitals into the Medicare system by either funding the States to buy private hospital beds to ease their public hospital waiting lists, or by restructuring Medicare in such away as to provide a hospital benefit as well as a medical benefit useable in public or private hospitals.

Out of pocket expenses require that we tackle the growth of medical gap insurance which has facilitated record increases in specialist remuneration. We need too to look at incentives to encourage doctors to bulk bill or at least to observe the scheduled fee. Particularly specialists. While 85% 0f GP services are bulk billed only 30% of specialist services are bulk billed.

Private fee-for-service as the method for paying doctors needs examination. It is probably an acceptable method for covering episodic, one-off treatments, but it is ill-suited as a method for covering chronic conditions requiring regular visits to the doctor, conditions which tend to dominate modern medicine. Nor is it ideal as a method for encouraging preventive services particularly by GPs.

Finally there is a need to fully honour the historic 2011 hospital agreement with the States which would go some way to ending the blame game

between the Commonwealth and the States and would provide additional resources for our hard pressed public hospitals.

Such a politically difficult reform agenda would demand the courage, persistence and resolution displayed by Whitlam and Hayden a half century ago against many of the same opponents.