

MEDIA TRANSCRIPT

Prime Minister the Hon. John Howard MP, RADIO 2UE WITH JOHN STANLEY
30 August 1996

E&OE

JOURNALIST:

Well, yesterday you made one announcement that you were going to take personal control of the fee setting and the fee increases of private health insurance. Why this move today to institute and inquiry?

PRIME MINISTER:

Well, there are two reasons for it. I've come to the conclusion after talking to my colleagues including Dr Wooldridge, that given that the Federal Government is going to put a very big tax subsidy into private health insurance to encourage low and middle income earners to take out private health insurance, that it is quite justified on that ground alone for the productivity commission to look at the state of that industry, and there is another reason and that is that the Labor Party and the Democrats have both said that they won't vote in favour of giving low and middle income earners a tax break for private health insurance unless there is some kind of audit. Well, I'm not going to muck around and play politics on this. I want that tax break to go to low and middle income earners, and if the price if you like of getting Labor and Democrat support is to have an inquiry, which in its own right is a good idea, then I'm going to have it. And by having the inquiry I'm guaranteeing through the productivity commissioner a bona fide inquiry and not a Senate inquiry where you get three separate reports, one from the Labor Party, one from the Democrats and one from the Coalition. And the other great advantage is that this will remove the Labor Party and the Democrats excuse for voting against giving tax breaks to low and middle income earners for private health insurance, and that's always been my aim.

JOURNALIST:

Now the fee rises that have already been announced and which of course the controversy this week - they can't be reversed can they?

PRIME MINISTER:

Well, those announcements were all of course the product of circumstances that have existed in the industry for a long time and of course before we came to power, and can I say so you understand what happens with fee rises, in the whole of the 13 years that the Labor Party was in power, it is my understanding that they never knocked back one fee increase - not one. The only time I am told by the Health Department that a fee increase has been knocked back was in 1974 and then that rejection was overturned by the administrative appeals tribunal, so I think we ought to see the crocodile tears about the fee increases from Mr Beazley in a correct light. The answer to that question is that this inquiry is not directed towards that. This inquiry is directed to ensuring that we get as much information as possible about the private health insurance industry - an industry

which incidentally the Government believes in. I mean one of the things that you've got to understand about this whole health debate is we believe in private health insurance and we believe in giving tax breaks to low and middle income earners to take in out.

JOURNALIST:

Now, what the private health funds would say, and I know the MBF fund today has called for what would seem to be a broader inquiry than you've announced today. They say that the whole issue of health funding should be looked at - that the health insurance industry is only just one part of that?

PRIME MINISTER:

Well, the health insurance industry is one part of it, but the health insurance industry is the industry that we are giving tax breaks to encourage people to take out private... to participate in. So, there is a direct between, if you like, Government assistance and the industry. Now, the Government itself has a clear commitment to certain health policy goals. We believe in Medicare and we've kept it in full, we believe in community rating, we believe in bulk-billing, all of those things have remained unimpaired and untouched and fully protected by the Budget, but on top of that we also believe in tax breaks for private health insurance, and it is only reasonable therefore quite apart from the political considerations, it is only reasonable that we inquire into the efficiency and the operation of that industry, just as Governments inquire, productivity commission inquires into the efficiency and the operation of the motor vehicle industry because it receives assistance via tariffs and other protective devices so we ought to in relation to the health insurance industry.

JOURNALIST:

Yes, I'm just wondering, in this you talk about the cost pressures on the industry, particularly the impact of declining membership levels and increasing health care costs. So could that particular part of the inquiry look at those broader issues and....

PRIME MINISTER:

It will be open to the health insurance industry to put whatever submissions it chooses to put about the contribution to cost pressures of other sections of the health industry and it will be a completely open inquiry. The productivity commission does that, and I think there is an enormous public benefit in something that is so obviously very important. I mean, I've recognised for a long time that the cost of health insurance, the cost of health protection in this country is very very dear and very sensitive to the mainstream of Australian families, particularly those who are on low and middle incomes, and that's why we fashioned our tax breaks in a targeted way. But equally I can't say to you, I can't say to anybody that there will never ever be increases in health insurance premiums and it is not reasonable of anybody on the political stage to pretend that no increase should ever occur. I mean, I just say to Mr Lee and Mr Beazley if you think the latest increases are so criminal, why did you allow every single increase to go through during 13 years that you were in power.

JOURNALIST:

Well, can I ask you then about Medicare? You're committed to Medicare and to retaining Medicare. There might be those listening to this who would say, well look, part of the

problem is Medicare. What if this inquiry comes up and says, well look, part of the reason there are so many pressures on private health insurance is the nature of Medicare and it ought to be changed.

PRIME MINISTER:

Well, it can't because the terms of reference will instruct the inquiry to accept as a given, as a fact, that Medicare continues. The reason why I'm not going to have that put back into the balance is that I promised the Australian people as faithfully and as directly as I promised anything during the last election campaign that I was going to leave Medicare alone. Now there are no circumstances in which I am going to muck around with Medicare. I promised the people I would leave it and I say to the Productivity Commission, now, you're wasting your time and people are wasting their time if they put submissions to this inquiry recommending the dismantling of Medicare.

JOURNALIST:

So how quickly can this inquiry be done?

PRIME MINISTER:

Well I'm asking that it report by the end of February of next year. What we will do following the precedent of the Carr inquiry, we will, as well as the two members from the Productivity Commission, we will appoint an additional expert from outside the Productivity Commission who has particular skills and a particular understanding in this area, and I think this will be a very valuable inquiry. I have already spoken to the executive director of the private health insurance industry as a matter of courtesy to tell him of the inquiry. He indicated to me that he would publicly support the holding of the inquiry. Naturally, the industry will put its submission. This is not in any way a witch hunt on the private health fund. I support it. I have personally supported, been a member of a private health insurance fund for over 40 years and I have always encouraged Australians to take out private health insurance. I believe in it and I believe that the tragedy of the last 13 years is that 12 years ago 61% of Australians had private health insurance. That figure is now 34% and unless that decline is arrested, we will put an intolerable pressure on the public hospital system of this country.

JOURNALIST:

Sure. Can we take it as a given then that with the inquiry reporting by the end of February that the next round of increases which may perhaps be some time in 1997, the next round of private health insurance increases, that they would not be approved until after you had the findings of this inquiry?

PRIME MINISTER:

I would be disappointed if there were any further applications during the time the inquiry is going on but as a matter of prudential common sense, I can't categorically say that there would be no increases because there may be a fund whose reserves have reached such a low level that it would be a fraud on the members of that fund for an increase to be denied. But I think people in the industry ought to understand that we will be looking very askance at applications for increases during the currency but only with that caveat do I make that remark.

JOURNALIST:

There's some criticism this morning of Mr Wooldridge and the way he's handled his portfolio, perhaps suggestions he may have taken the eye off the ball in not being aware of how these decisions were made within his portfolio.

PRIME MINISTER:

I'm interested to hear that. Can I just point out for the benefit of your listeners that the approval of the funds increases, the applications occurred, so I'm told, under a delegation to a member of the health department signed by Dr Lawrence, Carmen Lawrence when she was Health Minister, and that delegation was unrevoked at the change of government, and that arrangement continued into our term in government. He was not specifically notified by his department of the approvals to the increases. He found out because one of the funds, as a matter of courtesy, separately wrote to him and told him of their increases. My experience with Michael Wooldridge is that he really has been one of the success stories of the Ministry. His grasp of the detail of his portfolio is outstanding and he has a - because of his professional background in medicine - he does have an understanding of this area which I haven't seen in a health minister for a very long time.

JOURNALIST:

So should his department have told him?

PRIME MINISTER:

The department should have told him. Now, I'm not trying to pay out on the department. It's happened, it's happened. But it really is a lapse for something as important to the Government, and known to be important to the Government and to the Australian public that these increases weren't told. I mean if the increases were completely justifiable and they had been announced before the budget and made publicly known, then the irony of it is that I think some of them could have been communicated to contributors but the simple fact is that if the announcement had been made before the budget in an open sort of way and not come out afterwards, people would not have been wrongly as it is suspicious that there was some sort of an attempt to keep the information back. There was no attempt. If I had known, if I had been told about these increases, I would have requested that they be announced publicly and openly before the budget was brought down if I was satisfied that they were completely justified.

JOURNALIST:

Just a final question. You did last week indicate that you thought the reception for your budget had been the best in many, many years and I think that was quite correct. So in your role as commentator, do you see this as a political setback, this issue?

PRIME MINISTER:

Look, I would rather the increases had been approved at a political level by government if they were acceptable and justified and any suggestion that they were being sort of suppressed and not been made but in the long scheme of things the fact remains that our budget has had a good reception because people see it as being fair and a final point I would say on health insurance is that people must be better off as a result of our tax breaks because whatever the level of premium is, it would be effectively for a family \$450

cheaper as a result of our tax rebates. So any suggestion that the tax break would be of no benefit and that if you knock it off, people are going to not be any worse off for having lost that \$450, defies the simple laws of arithmetic.

JOURNALIST:

Prime Minister thank you.

PRIME MINISTER:

It's a pleasure.

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