

Newman Weekly

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The New Zealand Centre for Political Debate

Lessons from Singapore

The unions have brought New Zealand's public hospitals to their knees with their five-day junior doctor strike. All non-urgent operations have been cancelled and 17,000 patients sent home.

While the public was told that the dispute is over the 'dreadful' working conditions of junior doctors, information that is now emerging indicates that some of their employment conditions lead the world! This exposes the real motive behind the strike: the struggle for control of the workplace by the unions. The union wants resident doctors to be locked into collective employment contracts which gives them central control, whereas the District Health Board employers, favour greater workplace flexibility so that they can better meet the needs of patients and staff.

This strike in the critical area of hospital care demonstrates how vulnerable most New Zealanders are to the government's monopoly control of the health system. Few New Zealanders can afford to pay twice for health (once through their taxes and again through private insurance) and so most are forced to suffer the consequences of a system that increasingly subjugates the needs of consumers.

The reality is that health has become a bottomless pit for public spending: in spite of Labour's massive increases in health funding - at \$10.6 billion health now accounts for 21 percent of total government spending - elective surgery numbers have barely risen and the total number of patients waiting for operations is growing at an alarming rate. The reason is that most of the additional funding, instead of being used to improve services to patients, is being absorbed by the bureaucracy itself, not only through the deadweight cost of taxation which wastes over 40 percent of all public funding, but through additional administrators, higher wages, and more perks.

Further, as in any government monopoly,

taxpayers must suffer political funding prioritisation, which they may not agree with such as the allocation in the last budget of \$16 million to deal with problem gamblers, \$19 million to fight obesity, and \$28 million for "significant" emergency planning the Government's Health Budget). Interestingly, while the public puts up with surgery being cancelled at the last minute, with even the very sick being thrown off hospital waiting lists, and with patients being prevented from consulting specialists, we would not dream of putting up with such poor quality treatment from our bank, supermarket, veterinarian, or anyone else for that matter - we would simply take our business elsewhere!

The problem is that monopoly provision of any good or service, generates inefficiency and stifles innovation; in comparison, competition forces providers of goods and services to strive to attract consumers through excellent service, better value for money, greater choices, and more

innovation. It is this harnessing of competition in the provision of health care, that has led to the excellent health systems which many countries enjoy.

In Switzerland, where competition between cantons and municipalities have caused tax rates for companies and individuals to be amongst the lowest in the world, private health insurance is mandatory and the Swiss are reputed to have one of the finest health systems in the world. (See www.nzcpd.com for an article on the Swiss system by Czech economist Pavel Kohout: A Minister Free Health Care System).

In Germany, health insurance is compulsory through a national insurance scheme or private health insurance. Sickness fund premiums are paid by employee and employer contributions, with state provision for those not in the workforce. Waiting lists are unknown in Germany, competition between providers in the health care sector is encouraged, and the

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national health policy focus is on ensuring that even the poorest people receive the highest standard of care.

France operates a similar system to the German model based on compulsory health insurance, in which choice for consumers and competition between providers is fiercely protected. The French enjoy a choice of doctor, they can see specialists whenever they want to and patients are completely free to choose either public or private hospital beds. (Further information by the Institute for the Study of Civil Society, on these and other health systems can be found through the NZCPD Articles and Research of Interest page).

Singapore is another country with a proud record for health care. Its system of health financing is designed to promote individual responsibility, to encourage competition and choice between public and private sector providers, and to protect the poor. Under the Medisave program, introduced in 1984, employees and employers contribute to an individual medical savings account. This is part of a broader compulsory savings program, covering medical care, pensions, and mortgages, which has catapulted Singapore from being one of the world's poorest countries to one of the richest.

According to Rob Taylor, Senior Financial Analyst for the World Bank, who is the NZCPD Guest Commentator this week, in an article Financing Health Care: Singapore's Innovate Approach, he states: "Most observers agree that

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Singapore's health system has succeeded in restraining costs while delivering excellent health outcomes. The country has the lowest-cost health system among developed countries and ranks high on all health indicators". While Labour has instigated some major reforms in the health sector, instead of focusing on improving capability in the hospital system, they have chosen to regulate GPs (a system

which most patients thought worked well!) through the introduction of Primary Health Organisations. According to a study by Bronwyn Howell for the NZ Institute for the Study of Competition and Regulation, there are major questions over whether this expensive strategy will deliver value for money. Her

report concludes that the reforms are likely to lead to higher costs of financial risk, a reduction in the level of competition between providers of health care services, and reductions in efficiency in the primary health care sector.

Last week I looked at Dr Charles Murray's plan to replace the welfare state. Implicit in his plan was the need to introduce compulsory health insurance cover.

The poll this week asks: Do you support the idea of New Zealand moving to a Singaporean health system model whereby health taxes are channeled into individual medical savings accounts for the purchase of health insurance?

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