QUEENSLAND
Nurses' Union
IN ASSOCIATION WITH AUSTRALIAN NURSING FEDERATION QLD. BRANCH
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QNU
Just Rewards for Professional Care

IN REPLY PLEASE QUOTE:

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22 April 2004

Australia's Demographic Challenges Taskforce
Social Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Comments on Discussion Paper on Australia's Demographic Challenges

The Queensland Nurses' Union (QNU) welcomes the opportunity to provide comment on the recently released discussion papers *Australia's demographic challenges* and *A more flexible and adaptable retirement income system*. Although we appreciate that the latter paper contained a number of policy initiative announcements that did not invite feedback, the QNU wishes to provide some comments on the strategies contained in this paper and suggest additional strategies to enhance our retirement income system. As these issues are inextricably linked to the issues raised in the *Australia's demographic challenges* paper we will deal with these issues in the last half of this submission.

Before dealing specifically with issues of concern to the QNU relating to these papers, we will provide some background information on the union that will help to contextualise these comments.

The Queensland Nurses' Union

The QNU is the principal health union operating in Queensland and is registered in that state. In addition it operates as the state branch of the federally registered Australian Nursing Federation (ANF). The QNU represents the largest number of women of any union in Queensland.

The QNU covers all categories of workers that make up the nursing workforce in Queensland: registered nurses, enrolled nurses and assistants in nursing, employed in the public or the private and not-for-profit health sectors. Our members work across a variety of settings from single person operations to large health and non-health institutions, and in a full range of classifications from entry level trainees to senior management.

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Registered under the Industrial Conciliation & Arbitration Act 1961

Membership of the QNU has grown steadily since its formation in 1982 and as at March 2004 was in excess of 32,500 and still growing. Like the nursing profession as a whole, the overwhelming majority of our members are female (93%). The QNU has a democratic structure based on workplace or geographical branches. Approximately 250 delegates are elected from the branches to attend the annual QNU conference which is the union's principal policy making body. In addition the QNU has an elected council and an elected executive, which in turn have decision-making responsibilities between conferences. Council is the governing body of the union.

Predominantly, QNU members in the public sector are employed under federal awards and agreements and in the private sector are employed under state awards and agreements. Since 1994 when no enterprise agreements were in place covering nursing workers, the QNU has become party to over 200 enterprise agreements.

Because of the feminised nature of the workforce a high proportion of nurses are engaged on a part-time basis (according to latest Australian Institute of Health and Welfare data 53.7% of enrolled and registered nurses work part-time). However a significant issue that needs to be acknowledged is that the number of nurses working part-time has increased significantly in the last few years (from 48.8 % in 1995 to 53.7% in 2001). At the same time the average number of hours worked per week has decreased from 32.4 hours in 1995 to 30.5 hours in 2001. We strongly believe this is an effect of dissatisfaction by nurses with their working lives along with pay and conditions of employment, a fact highlighted by reports by the recent Senate Inquiry into Nursing as well as the government National Review of Nursing Education.

Disturbingly this increasing shift to part-time employment is occurring in the context of significant national (and indeed international) nursing shortages, an issue obviously requiring close attention by your taskforce given the predicted increased demand for health services in the future. Although employers appear to be increasingly attempting to address this shortage by substituting qualified nursing personnel with unqualified (and cheaper to employ) personnel this strategy is neither sustainable nor desirable in the long term if we are to provide high quality, safe and evidence based health services to the Australian community. Another significant issue requiring consideration by your taskforce is that the nursing workforce in Australia is also ageing, with the average age of nurses now over 42 years.

The QNU can provide more detail to your taskforce on specific nursing workforce issues if you require such information. The union has expended considerable resources in recent years attempting to address many of the core issues raised by your *Australia's demographic challenges* discussion paper. This has been in the form of direct negotiations with government and employers on nursing workforce issues and has contributed to the debate on these issues through direct submissions to state and federal governments. For example, we provided detailed submissions to the Queensland government via the Queensland Ministerial Nursing Recruitment and Retention Taskforce and Work and Family Taskforce and to the federal government via the Senate Inquiry into Nursing and the National Review of Nursing Education. We believe the deliberations and findings of these inquiries are of direct relevance to your taskforce. In particular, Queensland's 2002 Work and Family Taskforce dealt with most of the issues raised in your discussion paper. The QNU submission to the Queensland Taskforce was lengthy and comprehensive and we attach a full copy for your consideration.

We also wish to briefly highlight our experience with the Queensland Work and Family Taskforce. The QNU was represented by the Queensland Council of Unions on this taskforce. Unfortunately, despite a considerable amount of work and effort that occurred in a rather short timeframe and the goodwill and willingness to compromise that existed between the majority of the taskforce members, a final report to government was never provided. This was because, at the final meeting of the taskforce the employer representatives advised that they would not support seven of the thirty-nine draft recommendations from the inquiry. These recommendations were central to the terms of reference for the inquiry, relating to issues such as access to unpaid parental leave, access to part-time work, access to carer's leave, strengthening the powers of the Queensland Industrial Relations Commission in relation to work and family matters, amendments to the

Industrial Relations Act to reflect the Australian Industrial Relations Commission's reasonable hours test case and access to cultural leave for indigenous people. The majority of taskforce members supported all of the thirty- nine recommendations, however, the state government unfortunately bowed to employers pressure and have not released the report or further progressed the work and family agenda. (The stated rationale for lack of action is that the government is awaiting the outcome of the work and family test case).

To be fair, we believe the individual employer representatives on the taskforce were indeed convinced by the compelling demographic and other evidence presented to the taskforce and accepted that a comprehensive change agenda was indeed required. It was when they took the draft report and recommendations back to their peak bodies that they announced they were unable to support seven key draft recommendations. It should be noted that the union representatives on the taskforce had compromised from their positions on these issues in the hope that the taskforce could reach unanimous agreement on its recommendations. Unfortunately, a similar level of willingness to compromise was not forthcoming from employer representatives or government. It was also of particular concern that the government was not even prepared to release a majority report that contained dissenting views of the employer representatives on the outstanding issues.

This whole experience was very disappointing to the QNU. Despite considerable time and effort and goodwill it appears that the Queensland Work and Family Taskforce has amounted to nothing, though some very interesting background papers were produced for the inquiry. (These are available from the Queensland Department of Industrial Relations website and we believe would be of benefit to your inquiry). The experience clearly demonstrated to us the need for significant cultural change on behalf of government and employer representatives. Short term political considerations cannot be allowed to get in the way of implementing good policy. In the not too distant future strategies along the lines recommended by the QNU and in the final draft of the taskforce report will be required. We can make these changes in a proactive, measured and planned way in partnership between government, employers, unions and the community in general, or we can continue to keep our head in the sand and maintain a reactive approach to demographic challenges. (This latter approach is much more costly in the long term).

In summary we can make a choice – we can do this the easier way or the hard way. The easier (and more logical) approach is to start addressing the issues now, not wait until the crisis is upon us. This requires a paradigm shift that at its core involves significant cultural changes and a cooperative approach. The QNU places on record our willingness to be involved in finding solutions to the challenges posed by demographic change. The challenge to your taskforce and governments at all levels is to find sufficient willingness on behalf of other key stakeholders to genuinely participate in implementing required change.

Comments on *Australia's demographic challenges*

Your discussion paper highlights that although the demographic challenges confronting Australia are significant our country is relatively well placed to meet these challenges if we act in a well planned, consultative and comprehensive manner. (The QNU believes that although significant in many ways, the economic challenges cited in this report and the Treasurer's Intergenerational Report may be somewhat overstated. We refer you to a research paper released by the Australia Institute recently *The benefits of an ageing population* by Judith Healy and *Population Ageing: Crisis or Transition?* (2001) by Pamela Kinnear). These challenges require a holistic and inclusive approach to finding policy solutions given that they demand action in a number of areas such as industrial relations, workforce planning, work and family (including child and elder care), health and ageing, education and training, income support and superannuation. A structured and multi-factorial approach is therefore required. The QNU believes that this would be best facilitated by adopting a coordinated whole of government approach underpinned by the establishment of consultative mechanisms involving government at all levels, unions, business, academic and community representatives and representatives from key sectors such as the superannuation industry.

To this end our first recommendation to this inquiry is that a high level steering committee be established with representation from these key stakeholder groups to oversee the identification, prioritisation, implementation and review of agreed policy initiatives. A number of working parties/reference groups or expert panels (such as a National Health Reform Council) should also be established to inform this steering committee given the disparate nature of the areas requiring policy attention.

It is important that the solutions to the problems identified in your discussion paper and the Treasurer's Intergenerational Report a few years ago are driven not from Treasury but rather from the Prime Minister's office. Although the issues requiring attention and the implications of failing to address the challenges have economic significant consequences, we must not lose sight of the social implications. The issues are of such national significance that the agenda needs to be driven from the highest level.

We will provide brief comment on key issues of concern to the QNU arising from the opportunities identified in your discussion paper to address the demographic challenges. In your paper these are identified as:

- Improvements in the capacity for work through better health and education;
- Better incentives for work; and
- Improved flexibility in the workplace.

Improvements in the capacity for work through better health and education

The QNU agrees that there is a need to improve the capacity to work through better health and education. However, we also strongly believe that some significant areas of current government policy are working to directly undermine our capacity to bring about the requisite changes in these areas in a sustainable manner.

Of particular concern are the current health policy shifts that are moving Australia's health system towards a US user pays system. Although the government would argue that their policy changes are at least in part a response to the demographic challenges highlighted in your discussion paper, the QNU totally rejects the assertion that the policy changes will make our health system more sustainable and help contain growing health care costs. Indeed it is our belief that they will have the opposite effect. The burden of additional health costs that will be incurred will be met increasingly by individuals through growth in out of pocket expenses, with attempts being made to curtail government exposure to the risk of growing health and aged care costs. The overall thrust of government policy is towards a residual rather than universal model of health care with a greater emphasis on individual (financial) responsibility through co-payments rather than a societal or collective responsibility for the health of our nation through our taxation system.

Another significant issue of concern to the QNU is that there is currently not enough emphasis on the efficacy of available health interventions. Just because a new drug or treatment is available does not mean that the outcome will be any better for the patient. Research demonstrates that inappropriate or unnecessary interventions are more likely to be performed in the private health system and that these are more costly than if they had been performed in the public sector. The 30% rebate for private health insurance has contributed to growing health costs through the funding of discretionary health related items. Many people felt compelled to take out private health insurance because of the change in government policy and because of this many are ensuring that they are claiming all they can in order to achieve "value for money". Not only has the projected cost of the 30% rebate for private health insurance blown out, it has also failed to achieve one of its major stated objectives – to take pressure of the public hospital system.

The QNU recommends that the 30% rebate for private health insurance be urgently reviewed in terms of its efficiency, effectiveness and equity.

We will not deal in significant detail with our concerns about the Howard government's most recent changes to health policy through its *Medicare Plus* package, but we do wish to highlight our major concerns about the policy shift that has occurred in recent times and how this will, in our view, exacerbate health and aged care costs rather than curtail them. In particular, we are concerned that the basic thrust of the current Howard government health policy:

- undermines Medicare's fundamental principles of universality, access, equity, efficiency and simplicity;
- entrenches the notion of differential treatment of patients;
- fails to address the decline in bulk billing – indeed this package sends the clear message that this is the end of bulk billing of all Australians;
- provides band aid solutions to complex and entrenched issues;
- refuses to agree to calls for a National Health Reform Council – this is vital to ensure sound policy change that is informed by community needs and values;
- enhances health inflation given that the new safety net arrangement is likely to have significant inflationary effect as the signal will be sent to doctors that government will pick up the tab to the tune of 80% of the excess once the threshold is reached;
- fails to address the growing out of pocket payments (co-payments) by patients – indeed these are predicted to increase significantly given the likely inflationary impact of the new safety net.

The QNU is particularly concerned about this last point. The greatest contributor to health care inflation after pharmaceuticals and other technological advances is medical costs which have grown more significantly in recent years. This is likely to continue given the *Medicare Plus* safety net. The issue of medical officer remuneration therefore requires particular urgent attention in our view, particularly since health and aged care costs are predicted to grow because of the ageing of the population. There is a need to establish an open, transparent and accountable mechanism for establishing and reviewing medical officer remuneration. This has required attention for some time but governments of both political persuasions have been reluctant to tackle this issue.

The QNU certainly agrees that it is essential to place greater emphasis on primary health care (where the emphasis is on health maintenance and illness prevention) given the impending demographic challenges. An initiative that would be very much supported by the QNU is the establishment of free at point of service, multi-disciplinary primary health care clinics where the community can access primary health care services. (The preferred funding model for such services would be a direct employment or capitation model rather than the current fee for service arrangement). However, the implementation of innovative, cost efficient and effective models of care will not be possible in our view unless we undertake a fundamental review of our health and aged care systems and future needs and expectations. This would be best achieved with the establishment of a National Health Reform Council, an initiative recommended by the two recent reports of the Senate Select Inquiry into Medicare. All key stakeholders must be represented on such a council. In particular, mechanisms must be established to engage the community on the issue of growing health and aged care costs and how these are best funded. Any resultant policy changes would therefore be driven by community needs and expectations. Such an exercise was recently undertaken in Canada (via their Commission for the Future of Health Care) and the community re-affirmed their support for their universal health care system and concluded that this is best funded through their taxation system.

The QNU strongly recommends that the government establish a National Health Reform Council as recommended by the recent Senate Select Inquiry into Medicare. Such a Council would undertake research and consultations with the community to inform health care planning, base future services on community health needs and encourage debate on health expectations and how these would be best funded.

Another issue of concern to the QNU is the potential negative cost effects on the Pharmaceutical Benefits Scheme (PBS) that may arise from the proposed Free Trade Agreement (FTA) between Australia and the USA. Given that growth in pharmaceutical costs has been identified as the most significant driver of health care costs the government needs to be satisfied that the changes proposed in the FTA will not drive drug costs up. The QNU certainly is not convinced that this is the case and a significant number of experts have expressed concern that they believe drug costs will rise as a result of the FTA. For example, Dr Ken Harvey, Senior Lecturer, School of Public Health at La Trobe University (an inaugural member of the Commonwealth's Pharmaceutical Health and Rational Use of Medicines (PHARM) Committee) has highlighted some serious concerns.

Dr Harvey's primary concerns about the FTA are:

- Major concessions to the US pharmaceutical industry in the FTA are likely to undermine the Australian PBS and ultimately increase the costs of drugs to Australian consumers.

- Lack of balance in agreement – the focus is on the rights of drug manufacturers and not the right of consumers to equitable access to affordable drugs.

- The failure to include a key principle of the Doha Declaration on the TRIPS Agreement and Public Health (adopted by the WTO Ministerial Conference in November 2001), namely that trade agreements should be interpreted and implemented so as to protect public health and promote access to medicines for all.

- The implementation of an appeals process into the Pharmaceutical Benefits Advisory Committee (PBAC) processes, a mechanism likely to favour transnational drug companies. The introduction of such appeals processes was previously rejected by a PBS review in 2000.

- A provision that will allow for dissemination of drug information via the internet. This will allow Direct To Consumer Advertising (DTCA) in Australia. Such advertising is legal in the USA but not in Australia and is associated with substantial increase in usage of drugs that is often not associated with best practice.

- It also appears that there may be planned extensive changes to patent laws that could delay the introduction of cost effective generic drugs.

The PBS is a world class system that has greatly assisted in containing drug costs and promotes rational and sustainable prescribing. The 2001 Productivity Commission inquiry into international pharmaceutical price differences highlighted that Australia had been very successful in containing drug costs for the majority of drugs prescribed when compared to seven other "like" countries in the study. For the basket of 150 drugs (which accounted for over 80% of expenditure on PBS listed drugs in 2000) compared in the study costs in the USA were 80-160% higher. Our government must not enter into any agreement that has the potential to increase drug prices given the significance of this as a driver in increasing health costs.

The QNU strongly recommends that the federal government ensures that trade agreements entered into by Australia do not diminish the government's ability to deliver and relegate the provision of cost efficient and effective public services (such as health, education and related matters such as health insurance and cost containment/effectiveness measures such as the PBS).

In summary, the QNU is extremely concerned that the Howard government on the one hand is expressing concern about the potential cost impact of Australia's demographic changes and yet at the same time are promoting poor public health policies (for example the *Medicare Plus* safety net and the yearly $2.3 billion private health insurance rebate) that we believe are increasing health costs significantly. Nothing is being done to curb the cost of out of pocket health expenses by addressing the decline in bulk billing. It is ironic that at a time when Australia is shifting away from a universal model of health care and making policy changes that will take us further down the track of a US "user pays" style health system, there are increasing calls in the USA for that country to adopt a single insurer model such as our Medicare system. (For example, a recent survey highlighted that two thirds of US physicians supported a single payer health insurance system).

Single payer health insurance systems such as Australia's Medicare are more efficient, fairer and result in better health outcomes than the US system. In the USA over 42 million poor and low paid workers have no form of health insurance. Bargaining negotiations over health care benefits are becoming more bitter and protracted as health care costs for employers skyrocket. According to a recent New York Times report, estimates for corporate health care costs total $284 billion, with current funding for such plans being only 13.2%. (The health plans of some of the largest corporations in the US extend to the post employment period, so the liability for meeting health care costs continues for retired employees). In addition, liabilities for corporate health care costs are also rising, increasing 11.9% annually in the period 2000-2002. Affected employers are likely to incur a substantial change in their balance sheets or alternatively be forced to renege on promises made to employees. Some large US firms are considering relocating operations to Canada given their liability for health costs would decrease significantly because of Canada's universal tax payer funded health system. As out of pocket health expenses increase for Australian workers pressure will be on to fund such costs through higher wage claims or employer sponsored health schemes.

Australia cannot afford to go down the US health care track. We need an urgent examination of current and future health needs and expectations and this would be best facilitated through the establishment of a National Health Reform Council. Maximising health for all Australians will be critical if we are to improve labour force participation rates and extend productive working lives. It is our firm belief that the current health policies that undermine universal health care and contribute to the shift to a user pays health system will significantly frustrate the achievement of these objectives.

With respect to the issues relating to education and training raised in the discussion paper, the QNU concurs with the conclusion that strategies in this area will be vitally important if we are to meet our future demographic challenges. Again, however, current government policies are an impediment to progress. For example, current higher education policy is resulting in students leaving university with higher levels of personal indebtedness due to HECS and PELS debts. Not only does the latter start to fulltime paid employment diminish the accrual period for superannuation contributions, the education related debt also means that these young people have less disposable income to enable them to contribute to a secure retirement through home ownership or additional contributions to superannuation or other forms of saving. The current $450 per month threshold for payment of the 9% Superannuation Guarantee (SG) can also serve to disadvantage students engaged in part-time and casual employment while studying. (Students who undertake a number of part-time or casual jobs may not reach this $450 threshold in any one engagement but can exceed this threshold when all engagements are combined).