

The Australian

Nanny state starves the disabled

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"MY son," Timothy Smith from the Fortitude Parents Group told the Productivity Commission's disability inquiry, "is 113cm tall at four, weighs 25kg and does not walk." Yet Smith has spent over a year seeking approval to get his son a high-low bed.

While Smith struggled, Kristina Keneally's government, which should have provided the funding, splurged on multimillion-dollar payments to the advisers who concocted its failed sale of electricity assets, and the Rudd and Gillard governments threw billions at school halls, pink batts and subsidies to auto companies to reinvent hybrid cars.

Those governments' waste is a scandal. But that does not mean their predecessors did better by the truly disadvantaged. Rather, severe disability, like mental health, has long been underfunded. And what funding there is has been a lottery, in which the disabled battle a maze of administrative requirements that prevent scarce funds from being used efficiently.

The recommendations in the commission's recently released disability report would dramatically improve that situation. Fully implemented, they would help give disabled people a life worth living. They would provide families like Smith's with peace of mind about their children's future. And by moving towards a voucher system for purchasing disability supports, including care and appropriate housing, they would put consumers, not administrators, in the box seat, allowing markets to develop for the services disabled Australians need.

But those outcomes cannot be achieved without greatly increased spending. The commission's estimate is that outlays would double to some \$12 billion a year. The problem is where the money will come from.

What is clear is that spending an additional dollar on meeting the needs of the severely disabled has a far higher return to society than many current government programs. Ideally, the funding should therefore come from cutbacks elsewhere. And that is basically what the commission recommends, with its preferred scheme depending on periodic appropriations from the commonwealth's consolidated revenue.

The trouble, however, is that our intensely competitive political system directs public spending where the political, not social, returns are greatest. And no matter how sincere our politicians are in welcoming the PC's report, properly caring for the victims of brute bad luck buys few votes.

The commission's proposed approach therefore lacks a stable financial basis. Fine indeed to call the scheme national insurance against disability, as the PC proposes. But government promises are hardly legally enforceable insurance contracts: the assurances they provide count little when political advantage demands shifting taxpayer funds to other uses.

As a result, these are not promises that provide the certainty that makes insurance worth paying for: the certainty especially crucial to those who have few buffers to cushion further adversity. And it could be even worse than that. Governments are good at being strong with the weak and weak with the strong. The weak are the intended beneficiaries: the severely disabled, the mentally ill, the chronically sick. The strong are the bureaucracies controlling the services provided. As funding for the weak is captured by the strong, the outcome is a peculiar but recurring version of the nanny state: one that flogs the children, while treating itself to oysters and champagne.

Shifting the monopoly over disability funding from states and territories to a new commonwealth agency will not remove that risk. Rather, as budget realities and bureaucratic politics bite, today's rationing and restrictions would soon be back on the cards.

Averting that outcome requires a new and different framework, less dependent on the whims of government, for comprehensively covering health-related risks. Already, our approaches for dealing with these risks find it difficult to cope. And even where they do a tolerable job, they lack the financing, and often the incentives, to do so in future.

What would a better system look like? It would involve real insurance, centred on enforceable commitments to deliver contractually specified services to regulated standards. It would be based on choice of insurer: that might forgo theoretically achievable economies of scale, but it brings efficiencies of competition and consumer sovereignty the commission rightly emphasises. And it would be genuinely universal.

To achieve universality, it would subsidise premiums for those who because of low incomes or inherent risk profile would face charges they could not afford. In practice, that redistribution creates pressures for good risks to opt out, which can interact with incentives to free ride, confident that the community will bail one out.

The system would therefore have to be mandatory. But by being based on premiums, which are a payment for expected services, it would cause less distortion than do taxes to decisions to work and save, although some distortion, associated with redistribution in the scheme, would inevitably remain. And given mandatory coverage, premiums that reflected system costs and effective solvency regulation, financial sustainability could be achieved without unmanageable fiscal risk.

That moving to such a competitive social insurance system raises myriad difficulties is obvious. So is the fact that it would take diligence, patience and endurance to put in place, and even then would still fall far short of nirvana. Partial solutions, such as those proposed by the commission in its disability and aged-care reports, might well make sensible way stations in what would inevitably be a lengthy transition process.

But those partial solutions involve real dangers, not merely of inadequate funding but of perpetuating the silos between health services, disability and aged care that create pervasive cost-shifting games today.

With the government's healthcare reforms doing little to overcome that thicket of confusions and contradictions, and even less to assure long-run financial viability, we need to start the move to a system that can last.

The alternative is yet more cases like Smith's. He deserves better, and so does his son. If a society as wealthy as ours so lacks imagination and courage as to be unable to provide that, we are not half the country we claim to be.

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