

RATIONING VERSUS INCREASED TAXES

Recently, some newspaper headlines caught my attention: "Health spending to swamp budgets" * and "States face health cost avalanche". † These reports proclaimed that, based on present trends, federal Treasury estimated that the total health spending of all states would exceed their total tax revenue, excluding the Goods and Services Tax, by 2045–46. Indeed, the worst-case scenario predicted this dire outcome may occur even earlier in some states.

Prime Minister Rudd added that federal government per-capita health spending would rise in real terms from the current \$2290 to \$7210 by 2050, with state governments at risk of being overwhelmed by rising costs.

As Homer from *The Simpsons* would say — "D'oh!"

In a demand-driven, universal health system, which is free at the point of delivery, such an outcome is inevitable. The push factors are easy to acknowledge — the increasing cost of pharmaceuticals and technology, the urgent need for ever-expanding physical capacity, and predictions of an exponential increase in salaries.

Politicians are faced with the stark reality that an expanding tax-based health care system means either service rationing or increased taxes! Both are anathema to the voting public.

Paradoxically, however, we do already have "rationing" in the form of evidence-based medicine and comparative effectiveness research: both aim to curb ineffective diagnoses and treatments or delineate the most cost-effective alternative.

But, as long as medicine is a demand-driven and revenue-rewarding industry, the cost of health care will only go the way predicted by the famed British physician Lord Horder in 1949. "Whither medicine?" he asked. "Why, whither else than straight ahead!"‡

Little did he know. Living in those relatively uncomplicated times, he could not have foreseen that this straight trajectory would cost billions and billions of dollars. Should Lord Horder be asked the same question today, would his answer be "Raise taxes" or "Ration services"?



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* Pearlman J, Besser L. Health spending to swamp budgets. *Sydney Morning Herald* 2009; 25 Jan: 1.

† Grattan M, Edwards L. States face health cost avalanche. *The Age* (Melbourne) 2009; 25 Jan: 5.

‡ Horder. Whither medicine? *Br Med J* 1949; 1: 557-560.

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A patient undergoing vertebroplasty.