Tony Abbott was in full confessional mode after Tuesday's formal interment of the Medicare co-payment.

As a former health minister, "I should have known better than to attempt health reform without the strong co-operation and support of the medical profession", Abbott told parliament.

"I accept chastisement," Abbott said. "But it is much better to learn than to be obstinate."

Indeed. That should have applied to a lot of what the prime minister has done since the election. But the trouble is that when he periodically seeks absolution he doesn't necessarily improve. Does he really grasp the need for good process?

The Medicare co-payment has been a spectacular case study in bad policymaking, marked for a long time by breathtaking arrogance and hubris on the government's part.

And while the co-payment might be, as Abbott said, using his own recycled phrase, "dead, buried and cremated", the government's policy on Medicare is still a work in progress, with negotiations ongoing with the Australian Medical Association and the government preparing for a fresh search for savings through a forensic review of the Medicare schedule.

The co-payment, announced in the budget, was driven by a combination of ideology and budget needs. The government was convinced that people capriciously overused doctors' services.

Abbott and his office, including chief of staff Peta Credlin, had a major hand in the design, including the level, of the co-payment. Credlin did not think A$7 was unreasonable. The Medicare package, which also included a freeze on the indexation of rebates, was to save $3.5 billion over the budget years.

A modest, properly targeted co-payment would have been a reasonable idea. A $7 charge (potentially adding up to a substantial amount for a patient needing multiple tests) without exemptions for the needy, ignored political realities such as a hostile Senate, an inevitable public backlash, and the power of the medical profession to mobilise opposition.

But the government dug in for months, until its December rethink, which reduced the co-payment to $5, restructured the rebate for short GP consultations, and extended the rebate freeze until 2018.

Only weeks later, with all hell breaking loose ahead of the Queensland election, Abbott summoned his new health minister Sussan Ley from her holiday. The change for short consultations was aborted, and Ley embarked on intensive consultations with the doctors.

That's the brief history. Well before its December-January changes, the government asked the Australian Medical Association (AMA) to prepare an alternative plan, then snorted in derision at what it produced. Later on, the Prime Minister's Office had a PR disaster when it tried to brief out proposed alterations.

Abbott absolutely should have known better all the way through. His first big dealings as health minister with the AMA were with its then-president Bill Glasson (who ran in 2013 for the Liberals against Kevin Rudd in Griffith, and contested the subsequent by-election). Glasson extracted a good deal on medical indemnity.

The government was a touch unlucky that at the start of the the co-payment row, the AMA – often seen as one of the most powerful trade unions in the country – got a new president.

Brian Owler, whose day job involves using the scalpel on patients' heads, takes up blunter instruments when dealing with politicians. In the medical trade, they claim decisiveness is a surgeon's trait. He is a capable and indefatigable media performer, had something to prove to his members and was more than a match for a government on the ropes.

As Owler said on Tuesday, the co-payment "has been dead for some time" – it was only a

matter of pronouncing its passing.

Abbott did not attend the burial. He was more comfortable flanked by eight flags and the chief of the Australian Defence Force, Air Chief Marshal Mark Binskin and Defence Minister Kevin Andrews, announcing more Australian troops for Iraq. Ley's news conference followed immediately. She was alone.

Dropping the co-payment plan has lost another $900 million from the budget.

All that's left now the government has abandoned the $5 cut in the Medicare rebate and the $5 co-payment is the freeze on the indexation of the rebate. But its length is up for grabs in further negotiations about ways to make savings that Ley will have.

Owler – who meets Abbott on Thursday – was already warning on Tuesday that a freeze until 2018 would mean increased costs for patients.

Ley has an uphill battle in keeping up with the doctors. Not only is she new to the area, but so is her departmental head Martin Bowles, who has recently arrived from Immigration.

Ley struggled on Tuesday with trying to hang on to the idea that a price signal was needed while she was abandoning the specific signal represented by the co-payment.

"It's definitely good policy to put the right price and value signals in health to make sure that, number one, people value the service they get from doctors … and also that they make that modest contribution according to their capacity to pay, and those who can pay a bit more are asked to pay a bit more. It's really that simple," Ley told her news conference.

It's not really that simple however, as was obvious when on Sky Abbott's dead-and-buried line was stacked up against her declaration that the policy intent remained a good one. "So which is it?" Ley was asked.

“Well, it is both because what we want to make sure is that to keep Medicare sustainable, we find ways for those who can contribute more to the cost of seeing a doctor to pay a modest contribution. And at the moment, bulk billing rates are too high, too many people who can afford to make that modest contribution are in fact paying nothing.”

How a price signal is sent to the patient while the co-payment remains in ashes is a mystery, and how much the government can get in its new hunt for savings is a question mark.

So at the end of it all, the government is left with no price signal, and until it finds further efficiencies, no Medicare savings policy at all except the rebate freeze that the AMA is determined to chip away at. Not a bad effort at policy implosion.

Michelle Grattan does not work for, consult to, own shares in or receive funding from any company or organisation that would benefit from this article, and has no relevant affiliations.

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