2.1 Australia’s health system

For most people their first contact with the Australian health system when they become ill is a visit to a general practitioner (GP). The GP may refer them to a specialist or a public hospital, order diagnostic testing, write them a prescription or pursue other treatment options. But patient and clinical care are just 2 components of a much broader and complex network that involves multiple providers working in numerous settings, supported by a variety of legislative, regulatory and funding arrangements.

So what is a health system? According to the World Health Organization, a health system is ‘all the activities whose primary purpose is to promote, restore and/or maintain health’ (WHO 2013b). Further, a good health system ‘delivers quality services to all people, when and where they need them’.

While the configuration of services varies from country to country, common elements include robust funding mechanisms, a trained workforce, reliable information on which to base decisions and policies, and well-maintained facilities and logistics to deliver quality medicines and technologies (WHO 2013a).

Australia’s health-care system is a multi-faceted web of public and private providers, settings, participants and supporting mechanisms. Health providers include medical practitioners, nurses, allied and other health professionals, hospitals, clinics and government and non-government agencies. These providers deliver a plethora of services across many levels, from public health and preventive services in the community, to primary health care, emergency health services, hospital-based treatment, and rehabilitation and palliative care.

Public sector health services are provided by all levels of government: local, state, territory and the Australian Government. Private sector health service providers include private hospitals, medical practices and pharmacies.

Although public hospitals are funded by the state, territory and Australian governments, they are managed by state and territory governments. Private hospitals are owned and operated by the private sector. The Australian Government and state and territory governments fund and deliver a range of other health services, including population health programs, community health services, health and medical research, Aboriginal and Torres Strait Islander health services, mental health services, and health infrastructure (see Chapter 8).

Navigating your way through the ‘maze’ of health service providers and responsibilities can be difficult (Consumers Health Forum of Australia 2013). Figure 2.1 provides an ‘at a glance’ picture of the main services, funding responsibilities and providers. Health funding and the composition of the workforce are covered in detail in a separate article and snapshot in this chapter, but an overview is provided here to outline the main elements of Australia’s health system.
**Figure 2.1**

Note: The inner segments indicate the relative size of expenditure in each of the 3 main sectors of the health system ('hospitals', 'primary health care', and 'other recurrent'). The middle ring indicates the relative expenditure on each service in the sector (shown by the size of each segment) and who is responsible for delivering the service (shown by the colour code). The outer ring indicates the relative size of the funding (shown by the size of each segment) and the funding source for the difference services (shown by the colour code). For more detail, refer to the main text.

**Health services—funding and responsibility**
The inner segments show the relative size of the expenditure in each of the main sectors of the health system, being hospitals, primary health care and other recurrent areas of expenditure. In the case of the hospital sector, this includes all services provided by public and private hospitals. Primary health care includes a range of front-line health services delivered in the community, such as by a GP, physiotherapy and optometry services, dental services and all community and public health initiatives. It also includes the cost of medications not provided through hospital funding. The category ‘other recurrent’ includes areas of recurrent spending that were not paid for by hospitals but that were not delivered through the primary health care sector, such as medical services other than those provided by general practitioners, medical research, health aids and appliances, patient transport services and health administration. It is important to note that these examples are not exhaustive, and each group of services consists of many types of activities.

The middle ring indicates the relative expenditure on the specific service types within each sector, and who delivers the service.

The outer ring shows the funding source for the different services and the relative size of the funding.

For more detailed information about expenditure, see ‘How much does Australia spend on health care?’ in this chapter.

The colour coding in the figure shows whether the service is provided by the private sector, public sector, or both. Private sector providers include private hospitals, medical practices and pharmacies. Public sector provision is the responsibility of state and territory governments for public hospitals, and a mixture of Australian Government and state, territory and local governments for community and public health services.

**Who uses the health system?**

The health system is used to varying degrees by Australian citizens, overseas visitors, temporary and permanent visa holders and asylum-seekers (Department of Health pers. comm. 20 January 2014). Their needs and expectations are shaped by many factors, including the nature and extent of their health status, as well as factors such as age, gender, where they live and their cultural background.

Our contact with the health system almost always begins at birth and, for most of us, continues frequently throughout our lives. These interactions can range from conducting simple over-the-counter transactions at a pharmacy to seeking treatment for complex and sometimes chronic illnesses. And while some of us have more interactions with health practitioners than others, even people who rarely visit a doctor or who have never been admitted to hospital are exposed to elements of the health system almost daily, including through health promotion messages or community health campaigns in the media. (See Chapter 8 ‘Prevention for a healthier future’).
Types of health care

Primary health care

In Australia, primary health care is typically a person’s first point of contact with the health system and is most often provided outside the hospital system (Government of Western Australia Department of Health 2013). A person does not routinely need a referral for this level of care, which includes services provided by general medical and dental practitioners, nurses, Indigenous health workers, pharmacists and other allied health professionals such as physiotherapists, dietitians and chiropractors.

Primary health care is delivered in a variety of settings, including general practices, Aboriginal and Community Controlled Health Services, community health centres and allied health services, as well as within the community, and may incorporate activities such as public health promotion and prevention. Primary health care accounts for almost as much health spending as hospital services, accounting for 36.1% ($50.6 billion) of total health expenditure in 2011–12 compared with 38.2% ($53.5 billion) on hospital services (see Chapter 2 ‘How much does Australia spend on health care?’). Primary health care is covered in detail in Chapter 8 ‘Primary health care in Australia’.

Secondary care

The primary health-care system does not operate in isolation. It is part of a larger system involving other services and sectors, and so can be considered as the gateway to the wider health system. Through assessment and referral, individuals are directed from one primary care service to another, and from primary services into secondary and other health services, and back again (AIHW 2008).

Secondary care is medical care provided by a specialist or facility upon referral by a primary care physician (Nicholson 2012). It includes services provided by hospitals and specialist medical practices (see Chapter 8 ‘Primary health care in Australia’).

Hospitals

In Australia, hospital services are provided by both public and private hospitals. In 2011–12, there were 1,345 hospitals in Australia (AIHW 2013a) and total hospitalisations rose by 4.6% to almost 9.3 million from 2010–11 to 2011–12 (see Chapter 8 ‘Overview of public and private hospitals’).

Hospital emergency departments are a critical component of hospitals and the health system. They provide care for patients who have an urgent need for medical or surgical care, and in some cases also provide care for patients returning for further care, or patients waiting to be admitted. In 2012–13, more than 6.7 million emergency department presentations were reported by public hospital emergency departments—or just over 18,000 each day (see Chapter 8 ‘Emergency departments: at the front line’).
Primary Health Networks and Local Hospital Networks

Primary Health Networks
In 2011, the Australian Government established Medicare Locals to plan and fund extra health services in communities across Australia. Medicare Locals were created as local organisations, to coordinate and deliver services to meet particular local needs (Australian Government 2013). On 13 May 2014 the Australian Government announced that the 61 Medicare Locals would be replaced with a smaller number of Primary Health Networks, to be operational from 1 July 2015. Primary Health Networks are expected to align more closely with state and territory health network arrangements, and reduce duplication of effort.

Local Hospital Networks—how hospitals are organised
Local Hospital Networks (LHNs) are being established across the country to improve delivery, coordination and access to health services. LHNs are small groups of local hospitals, or an individual hospital, linking services within a region or through specialist networks across a state or territory. Responsibility for hospital management is devolved to LHNs, to ‘increase local autonomy and flexibility so that services are more responsive to local needs’ (Australian Government 2010).

There are 136 LHNs in Australia, of which 123 are geographically based and 13 are state or territory-wide networks that provide specialised hospital services across jurisdictions (DoHA 2011).

Emerging models of care
The development of new models of care, such as nurse-led walk-in clinics and day surgical procedures being performed in consultants’ rooms, is shifting the boundaries between what traditionally would have been hospital-based care and care delivered by other health professionals.

Innovations such as personally controlled electronic health (e-health) records and telehealth also offer the prospect of improved communication and access to services. An e-health record allows patients and their doctors, hospitals and other health-care providers to view and share the patient’s health information, if the person has given prior consent. This information can include a summary of medications, hospital discharge records, allergies and immunisations (Department of Health 2013f). Telehealth services use communication technologies, such as video-conferencing, to deliver health services and transmit health information. Telehealth technology can improve access to services for people living in regional, rural and remote areas. Patients who previously had to travel to the nearest major city to see a specialist can instead use video-conferencing, which might be offered at their local GP or another local health-care venue (DoHA 2012).
The use of e-health technologies to self-monitor health is emerging as a key dimension in contemporary health care. A United States study (Fox & Duggan 2013) found that 69% of United States adults monitored a health indicator such as weight, diet or exercise, and that 20% used technology such as mobile phone applications or websites to do so. Digital platforms such as these can incorporate functions such as sensing and geospatial tracking to provide tailored feedback and enhance the ability for accurate assessment (Norman et al. 2007).

Patients can also now use devices such as blood pressure and blood glucose monitors in their own homes to track and manage their health status and potential health risks.

**How the health system is funded**

Health is an expensive business: in 2011–12, health expenditure in Australia was estimated at $140.2 billion, or 9.5% of gross domestic product (GDP), compared with $82.9 billion in 2001–02 and $132.6 billion in 2010–11 (AIHW 2013b). Almost 70% of total health expenditure during 2011–12 was funded by governments, with the Australian Government contributing 42.4% and state and territory governments 27.3%. The remaining 30.3% ($42.4 billion) was paid for by patients (17%), private health insurers (8%) and accident compensation schemes (5%).

**Medicare**

The Australian Government’s funding contributions include a universal public health insurance scheme, Medicare. Medicare was introduced in 1984 to provide free or subsidised treatment by health professionals such as doctors, specialists and optometrists (Department of Human Services 2013b).

The Medicare system has 3 parts: hospital, medical and pharmaceutical (PHIO 2013). The major elements of Medicare include free treatment for public patients in public hospitals, the payment of benefits or rebates for professional health services listed on the Medicare Benefits Schedule, and subsidisation of the costs of a wide range of prescription medicines under the Pharmaceutical Benefits Scheme (Department of Human Services 2013b).

A person can have Medicare cover only, or a combination of Medicare and private health insurance coverage (PHIO 2013).

The government-funded schemes and arrangements aim to give all Australians access to adequate, affordable health care, irrespective of their personal circumstances. The schemes are supplemented by social welfare arrangements, such as smaller out-of-pocket costs and more generous safety nets for those who receive certain income-support payments (AIHW 2012).

**Medicare and hospital treatment**

Medicare offers free treatment and accommodation as a public patient in a public hospital, by a doctor appointed by the hospital (Department of Human Services 2014; PHIO 2013).
It usually covers:

- free or subsidised treatment by health professionals such as doctors, specialists, optometrists and in specific circumstances dentists and other allied health practitioners and accommodation as a public patient in a public hospital
- 75 per cent of the Medicare Schedule fee for services and procedures if you are a private patient in a public or private hospital (does not include hospital accommodation and items such as theatre fees and medicines)
- some health-care services in certain countries (Department of Human Services 2014).

A public patient cannot choose their own doctor and may not have a choice about when they are admitted to hospital for elective procedures (PHIO 2013).

Medicare benefits are based on a schedule of fees (the Medicare Benefits Schedule, or MBS), which are set by the Australian Government after discussion with the medical profession. Practitioners are not required to adhere to the schedule (except for optometry) and can charge more than the scheduled fee. In these instances the patient is required to pay the extra amount, often called a ‘gap’ payment (ABS 2013; Queensland Government 2013).

Medicare does not cover:

- medical and hospital services which are not clinically necessary, or surgery solely for cosmetic reasons
- ambulance services (PHIO 2013).

While Medicare benefits are generally not available for medical treatment a person receives overseas, the Australian Government has signed Reciprocal Health Care Agreements to help cover the cost of essential medical treatment (Department of Human Services 2013c) for Australians visiting certain countries.

**Medicare and medical services**

When a person visits a doctor outside a hospital, Medicare will reimburse 100% of the MBS fee for a general practitioner and 85% of the MBS fee for a specialist. If the doctor bills Medicare directly (bulk-billing), the patient will not have to pay anything (PHIO 2013). If the doctor charges more than the MBS fee, the patient has to pay the difference.

Medical costs that Medicare does not cover include:

- ambulance services
- most dental examinations and treatment
- most physiotherapy, occupational therapy, speech therapy, eye therapy, chiropractic services, podiatry and psychology services
- acupuncture (unless part of a doctor’s consultation)
- glasses and contact lenses
- hearing aids and other appliances
- home nursing (PHIO 2013).
Medicare and prescription pharmaceuticals

Medicare also subsidises a wide range of prescription pharmaceuticals under the Pharmaceutical Benefits Scheme (PBS). Under the PBS, Australians pay only part of the cost of most prescription medicines bought at pharmacies. The rest of the cost is covered by the PBS. The amount paid by the patient varies, up to a maximum of $36.10 for general patients and $5.90 for those with a concession card (Department of Health 2013d).

If a medicine is not listed under the PBS schedule, the consumer has to pay the full price as a private prescription. Non-PBS medicines are not subsidised by the Australian Government (Department of Health 2013b). However, pharmaceuticals provided in public hospitals are generally provided to public patients for free, with the cost covered by state and territory governments.

A separate scheme, the Repatriation Pharmaceutical Benefits Scheme (RPBS), is administered by the Department of Veterans’ Affairs (DVA) and provides access to a range of pharmaceuticals and dressings at a concessional rate for the treatment of eligible war veterans, war widows/widowers, and their dependants (Department of Human Services 2012; DVA 2012).

Other programs

Additional government programs are targeted at improving health services and outcomes for specific groups, such as people living in rural and remote Australia, Indigenous Australians, those with chronic illnesses and older Australians.

The Australian Government’s $805 million Indigenous Chronic Disease Package, for example, aims to improve the way the health-care system prevents, treats and manages the chronic diseases that affect many Indigenous Australians. The goal is to reduce key risk factors for chronic disease in the Indigenous community (such as smoking), improve chronic disease management and follow-up, and increase the capacity of the primary care workforce to deliver effective care to Indigenous Australians with chronic diseases (Department of Health 2013a).

Other government initiatives include arrangements for Australians with chronic illnesses to receive Medicare benefits for allied health services that help manage their condition (Department of Human Services 2013a) and programs to improve health services in rural and remote communities, such as the Visiting Optometrists Scheme (Rural and Regional Health Australia 2013).

There are also special health-care arrangements for members of the Australian Defence Force and their families, and for war veterans and their dependants (AIHW 2012).

Private health insurance

Private health insurance is available for those who wish to fully or partly cover the costs of being admitted to hospital as a private patient and/or the costs of other ancillary health services (Private Healthcare Australia 2013). Part of the cost of being admitted as a private patient is also covered by the Australian Government through the MBS and PBS.
Private health insurance is not compulsory, and people who opt to buy private health insurance can mix and match the levels and type of cover to suit their individual circumstances. Private insurance also offers cover for some or all of the costs of a range of other items or services not covered by Medicare, such as ambulance services, dental services, prescription glasses, and physiotherapy (Department of Health 2013e).

Private patients have more control in choosing their treating doctor in hospital and may be able to reduce their waiting time for elective surgery by having treatment in a private hospital (Private Healthcare Australia 2013).

A person can choose to be treated as a public patient in a public hospital, even if they have private health insurance.

According to the Private Health Insurance Administration Council, at June 2013, 10.8 million Australians (47% of the population) had some form of private hospital cover and 12.7 million (55%) had some form of general treatment cover (Private Health Insurance Administration Council 2013).

Who governs health services?

Overall coordination of the public health system is the responsibility of all Australian health ministers, that is, the Commonwealth and state and territory ministers. Managing the individual Commonwealth, and state and territory health systems is the responsibility of the relevant health minister and health department in each jurisdiction.

The health ministers are collectively referred to as the Standing Council on Health, which has a supplementary coordination role. Membership of the council also includes the Commonwealth Minister for Veterans’ Affairs and the New Zealand Health Minister (AHMAC 2013).

The Standing Council comes under the auspices of the Council of Australian Governments (COAG), which is the peak intergovernmental forum in Australia (AHMAC 2013).

The Standing Council oversees the implementation of COAG’s national health reforms that aim to:

- help patients receive more seamless care across sectors of the health system
- improve the quality of care patients receive through higher performance standards, unprecedented levels of transparency and improved engagement of local clinicians
- provide a secure funding base for health and hospitals into the future (AHMAC 2013).
The Standing Council’s major focus is on achieving ‘a better health service and a more sustainable health system for Australia’, and on closing the gap between Indigenous and non-Indigenous Australians (AHMAC 2013). Its areas of responsibility cover:

- hospitals and related health services
- community health and primary health care
- population health, health promotion and prevention
- Indigenous health
- mental health
- e-health and information management
- health workforce
- aged care
- clinical, technical and medico-ethical matters
- chronic diseases, non-transmissible diseases and transmissible diseases
- rural health and access to health services
- National Drug Strategy
- health-related elements of emergency management and national security (AHMAC 2013).

The Standing Council is supported by the Australian Health Ministers’ Advisory Council, which is a committee of the heads of health authorities from the Australian Government and the states and territories (AHMAC 2013).

**Who regulates health services?**

State and territory governments license or register private hospitals, and each state and territory has legislation relevant to the operation of public hospitals. State and territory governments are also largely responsible for health-relevant industry regulations such as for the sale and supply of alcohol and tobacco products (AIHW 2010).

The Australian Government’s regulatory roles include overseeing the safety and quality of pharmaceutical and therapeutic goods and appliances, managing international quarantine arrangements, ensuring an adequate and safe supply of blood products, and regulating the private health insurance industry (AIHW 2010).

**Registration of health professionals**

A National Registration and Accreditation Scheme (NRAS) for health practitioners started on 1 July 2010. The NRAS has been established by state and territory governments to:

- protect the public by ensuring that only suitably trained and qualified practitioners are registered
- facilitate workforce mobility across Australia
- enable the continuous development of a flexible, responsive and sustainable Australian health workforce (Department of Health 2013c).
Professions currently regulated under the scheme are:
• Aboriginal and Torres Strait Islander health practice
• Chinese medicine
• chiropractic
• dental practice
• medicine
• medical radiation practice
• nursing and midwifery
• occupational therapy
• optometry
• osteopathy
• pharmacy
• physiotherapy
• podiatry
• psychology (Department of Health 2013c).

Other parts of the system
Health services are supported by many other agencies. For example: research and statistical bodies provide information for disease prevention, detection, diagnosis, treatment, care and associated policy; consumer and advocacy groups contribute to public discussions and policy development; and universities and hospitals train health professionals. Voluntary and community organisations and agencies also make important contributions, including raising money for research, running educational and health promotion programs, and coordinating voluntary care.

What is missing from the picture?
Due to limitations in primary health care information in Australia, there is currently insufficient information to fully describe who needs primary health care services, what care they receive (including where they receive it, for what reason and from whom), and the outcome.
The implications of these limitations, and opportunities to improve information, are covered in detail in the Chapter 8 article ‘Primary health care in Australia’.
This lack of data is in contrast to the comprehensive information available on Australian hospitals, including that published in the AIHW’s annual Australian hospital statistics group of products.
Currently it is not easy to profile ‘patient journeys’ as they progress through and receive services from different parts of the health system. Such information could be very useful in providing insights into the overall effectiveness and efficiency of our health system. At present, relevant data are derived from different sources—notably primary care data from the Australian Government and data on hospitalisations from the states and territories—and is not identified at the patient level in a uniform way. Data linkage techniques, carried out under stringent conditions to protect privacy, allow data to be analysed at the person level rather than the service level. To date, there have been some useful data linkage projects that examine specific issues (for example, the movement between hospitals and residential aged care facilities described in Chapter 6). However, there is untapped capacity to use data linkage to look at complex population-level health issues by examining what happens to people as they move through the health system, as suggested above.

Where do I go for more information?

More information on health reform, health practitioner registration and Australian Government health policies is available from the Department of Health website.

More information on intergovernmental arrangements and agreements is available at the COAG agreements webpage.

References


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