

3 Funding of health expenditure in Australia

3.1 Broad trends

This section makes broad comparisons between the government and non-government sectors (as described in Section 1.2). Sections 3.2 and 3.3 of this chapter will discuss in more detail the funding arrangements in the government and non-government sectors. Chapter 4 provides an analysis of funding of specific items of health goods and services (including capital formation and capital consumption).

In 2001–02 government funding of health expenditure was \$45.5 billion, compared with \$21.1 billion for non-government sources (Table 11).

In the decade to 2001–02, funding of health expenditure by governments in Australia grew at a higher average annual real rate (5.4%) than did total expenditure on health funded from all sources, which averaged 4.6% per year (Table 16, page 24).

As a consequence, the contribution of governments to the funding of total health expenditure increased from 67.3% in 1991–02 to 68.4% in 2001–02 (Table 12).

Table 11: Total health expenditure, current prices, by broad source of funds, 1991–92 to 2001–02 (\$ million)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1991–92	14,167	8,138	22,305	10,818	33,123
1992–93	15,291	8,202	23,494	11,605	35,098
1993–94	16,683	7,868	24,550	12,440	36,990
1994–95	17,551	8,460	26,010	13,205	39,216
1995–96	18,997	9,260	28,257	13,825	42,082
1996–97	19,806	10,391	30,197	15,099	45,296
1997–98	21,588	11,489	33,078	15,196	48,273
1998–99	23,803	11,808	35,611	16,017	51,628
1999–00	26,178	12,845	39,023	16,786	55,809
2000–01	28,493	13,751	42,244	18,654	60,897
2001–02 ^(b)	30,673	14,837	45,510	21,072	66,582

(a) Australian Government and non-government expenditure has been adjusted for tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

NB: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

Table 12: Total health expenditure, current prices, by broad source of funds, as a proportion of total health expenditure, 1991–92 to 2001–02 (per cent)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1991–92	42.8	24.6	67.3	32.7	100.0
1992–93	43.6	23.4	66.9	33.1	100.0
1993–94	45.1	21.3	66.4	33.6	100.0
1994–95	44.8	21.6	66.3	33.7	100.0
1995–96	45.1	22.0	67.1	32.9	100.0
1996–97	43.7	22.9	66.7	33.3	100.0
1997–98	44.7	23.8	68.5	31.5	100.0
1998–99	46.1	22.9	69.0	31.0	100.0
1999–00	46.9	23.0	69.9	30.1	100.0
2000–01	46.8	22.6	69.4	30.6	100.0
2001–02 ^(b)	46.1	22.3	68.4	31.6	100.0

(a) Expenditure has been adjusted for tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

NB: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

Recurrent funding of health

In real terms, recurrent funding of health grew by 4.5% in the decade from 1991–92 to 2001–02 (Table 15). The government sector's share of funding grew by 5.3%, while non-government funding grew by 3.0% (Table 13; Table 14). These growth rates are similar to those for total government and non-government funding of health (Table 16).

Pharmaceuticals consistently experienced the greatest growth in funding. Overall, pharmaceuticals averaged real growth of 9.4% between 1991–92 and 2001–02. Funding for public hospitals (4.1%), medical services (3.8%) and private hospitals (3.6%) were the next highest contributors to real growth in funding.

Government sector funding

Over the whole period, the area that attracted the most rapid real growth in government funding was private hospitals – 25.7% per year (Table 13). This was largely a transfer between the non-government sector (private health insurance funds) and the Australian Government brought about by the effect of the rebate to holders of private health insurance cover. The increased use of private hospital services by veterans funded by the Department of Veterans' Affairs also contributed to the rapid real growth in government funding.

The period from 1997–98 to 2001–02, during which the Australian Government's private health insurance incentives were being introduced, saw the fastest growth in government recurrent funding (5.7%). Growth during that period was largely in two areas – private hospitals (23.2% per year) and other professional services (19.6%) –

both of which were strongly influenced by changes to private health insurance arrangements. The other area that attracted strong growth in government funding after 1997-98 was expenditure on pharmaceuticals (14.3%).

Non-government funding

The area that attracted the fastest real growth in funding by non-government sources between 1991-92 and 2000-01 was pharmaceuticals – 7.0% per year (Table 14).

Non-government funding for private hospitals, was in fact, negligible.

Growth in non-government funding was most rapid between 1997-98 and 2001-02. It averaged 4.7% over this period, with much of the growth being driven by pharmaceuticals (9.4%) and other professional services (5.5%).

Table 13: Government funding of recurrent health expenditure, constant prices^(a), by area of expenditure, and annual growth rates, 1991–92 to 2001–02

Year	High-level resid. Aged care		Pharmaceuticals		Medical services		Other prof. services		Private hospitals		Public hospitals		Other		Total government		
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	
1991–92	2,393	..	1,554	..	5,595	..	236	..	165	..	9,757	..	5,042	..	24,743	..	
1992–93	2,444	2.1	1,880	21.0	6,160	10.1	250	5.8	186	12.9	9,927	1.7	5,022	-0.4	25,868	4.5	
1993–94	2,380	-2.6	1,929	2.6	6,552	6.4	246	-1.5	264	41.9	10,033	1.1	5,063	0.8	26,466	2.3	
1994–95	2,411	1.3	2,125	10.2	6,889	5.1	233	-5.5	373	41.5	10,572	5.4	5,129	1.3	27,733	4.8	
1995–96	2,561	6.2	2,550	20.0	7,231	5.0	248	6.5	419	12.3	11,370	7.5	5,281	3.0	29,660	6.9	
1996–97	2,743	7.1	2,761	8.3	7,423	2.7	244	-1.4	428	2.1	12,194	7.2	5,357	1.4	31,149	5.0	
1997–98	2,974	8.4	2,828	2.4	7,630	2.8	255	4.3	705	64.9	13,116	7.6	5,709	6.6	33,217	6.6	
1998–99	3,050	2.6	3,104	9.7	7,824	2.5	264	3.5	1,108	57.2	13,745	4.8	5,516	-3.4	34,611	4.2	
1999–00	3,148	3.2	3,542	14.1	8,284	5.9	402	52.3	1,478	33.3	13,875	0.9	6,794	23.2	37,523	8.4	
2000–01	3,161	0.4	4,395	24.1	8,407	1.5	515	28.2	1,574	6.5	14,479	4.4	7,135	5.0	39,667	5.7	
2001–02 ^(b)	3,202	1.3	4,827	9.8	8,732	3.9	522	1.3	1,624	3.1	15,207	5.0	7,412	3.9	41,526	4.7	
Average annual growth rate																	
1992–93 to 1997–98		4.0		8.5		4.4		0.4		30.6		5.7		2.6		5.1	
1997–98 to 2001–02		1.9		14.3		3.4		19.6		23.2		3.8		6.7		5.7	
1991–92 to 2001–02		3.0		12.0		4.6		8.3		25.7		4.5		3.9		5.3	

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01. Not adjusted for general tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

Table 14: Non-government funding of recurrent health expenditure, constant prices^(a), by area of expenditure, and annual growth rates, 1991–92 to 2001–02

Year	High-level resid. Aged care		Pharmaceuticals		Medical services		Other prof. services		Private hospitals		Public hospitals		Other		Total non- government		
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	
1991–92	719	..	2,101	..	1,789	..	1,576	..	3,280	..	1,022	..	3,816	..	14,303	..	
1992–93	674	-6.3	2,152	2.4	1,844	3.1	1,634	3.7	3,461	5.5	989	-3.2	4,260	11.6	15,014	5.0	
1993–94	736	9.2	2,160	0.3	1,770	-4.0	1,609	-1.5	3,650	5.5	1,140	15.3	4,452	4.5	15,516	3.3	
1994–95	739	0.4	2,367	9.6	1,764	-0.4	1,550	-3.6	3,923	7.5	1,126	-1.3	4,452	0.0	15,920	2.6	
1995–96	765	3.5	2,299	-2.9	1,744	-1.1	1,463	-5.7	3,975	1.3	1,157	2.8	4,528	1.7	15,932	0.1	
1996–97	783	2.4	2,526	9.8	1,791	2.7	1,676	14.5	3,844	-3.3	1,165	0.6	4,663	3.0	16,447	3.2	
1997–98	812	3.8	2,878	14.0	1,758	-1.8	1,444	-13.8	3,411	-11.3	1,070	-8.1	4,562	-2.2	15,936	-3.1	
1998–99	857	5.5	3,072	6.7	1,818	3.4	1,685	16.7	3,272	-4.1	929	-13.2	4,868	6.7	16,501	3.5	
1999–00	695	-18.9	3,360	9.4	1,836	1.0	1,638	-2.8	2,964	-9.4	1,230	32.4	5,049	3.7	16,772	1.6	
2000–01	737	6.0	3,690	9.8	1,869	1.8	1,925	17.5	2,903	-2.1	862	-29.9	5,643	11.8	17,629	5.1	
2001–02 ^(b)	805	9.2	4,122	11.7	1,967	5.2	1,790	-7.0	3,287	13.2	947	9.8	6,229	10.4	19,146	8.6	
Average annual growth rate																	
1992–93 to 1997–98		3.8		6.0		-0.9		-2.4		-0.3		1.6		1.4		1.2	
1997–98 to 2001–02		-0.2		9.4		2.8		5.5		-0.9		-3.0		8.1		4.7	
1991–92 to 2001–02		1.1		7.0		1.0		1.3		—		-0.8		5.0		3.0	

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01. Not adjusted for general tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

NB: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

Table 15: Total funding of recurrent health expenditure, constant prices^(a) by area of expenditure, and annual growth rates, 1991–92 to 2001–02

Year	High-level resid. Aged care		Pharmaceuticals		Medical services		Other prof. services		Private hospitals		Public hospitals		Other		Total	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1991–92	3,113	..	3,655	..	7,384	..	1,812	..	3,445	..	10,779	..	8,859	..	39,046	..
1992–93	3,118	0.2	4,032	10.3	8,004	8.4	1,884	4.0	3,647	5.9	10,916	1.3	9,282	4.8	40,882	4.7
1993–94	3,117	0.0	4,088	1.4	8,323	4.0	1,855	-1.5	3,914	7.3	11,173	2.4	9,514	2.5	41,983	2.7
1994–95	3,150	1.1	4,492	9.9	8,653	4.0	1,783	-3.9	4,296	9.8	11,698	4.7	9,581	0.7	43,653	4.0
1995–96	3,326	5.6	4,849	7.9	8,975	3.7	1,711	-4.1	4,394	2.3	12,527	7.1	9,809	2.4	45,591	4.4
1996–97	3,526	6.0	5,286	9.0	9,214	2.7	1,920	12.2	4,272	-2.8	13,358	6.6	10,020	2.2	47,596	4.4
1997–98	3,786	7.4	5,707	8.0	9,388	1.9	1,699	-11.5	4,117	-3.6	14,186	6.2	10,271	2.5	49,153	3.3
1998–99	3,907	3.2	6,176	8.2	9,641	2.7	1,949	14.7	4,381	6.4	14,674	3.4	10,383	1.1	51,112	4.0
1999–00	3,844	-1.6	6,902	11.7	10,120	5.0	2,040	4.7	4,442	1.4	15,104	2.9	11,843	14.1	54,295	6.2
2000–01	3,899	1.4	8,085	17.1	10,276	1.5	2,440	19.6	4,477	0.8	15,341	1.6	12,778	7.9	57,297	5.5
2001–02 ^(b)	4,007	2.8	8,948	10.7	10,669	4.1	2,312	-5.2	4,910	9.7	16,154	5.3	13,641	6.8	60,672	5.9
Average annual growth rate																
1992–93 to 1997–98		4.0		7.2		3.2		-2.0		2.5		5.4		2.0		3.8
1997–98 to 2001–02		1.4		11.9		3.3		8.0		4.5		3.3		7.4		5.3
1991–92 to 2001–02		2.6		9.4		3.8		2.5		3.6		4.1		4.4		4.5

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01. Not adjusted for general tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

NB: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

3.2 Government sources of funds

In 2001–02, the Australian Government’s (Commonwealth’s) funding of health expenditure was an estimated \$30.7 billion (Table 11). This was 46.1% of total funding for health by all sources of funds (Table 12; Figure 5). State, territory and local government sources provided 22.3% of all funding for health expenditure. The remaining 31.6% was provided by non-government funding sources.

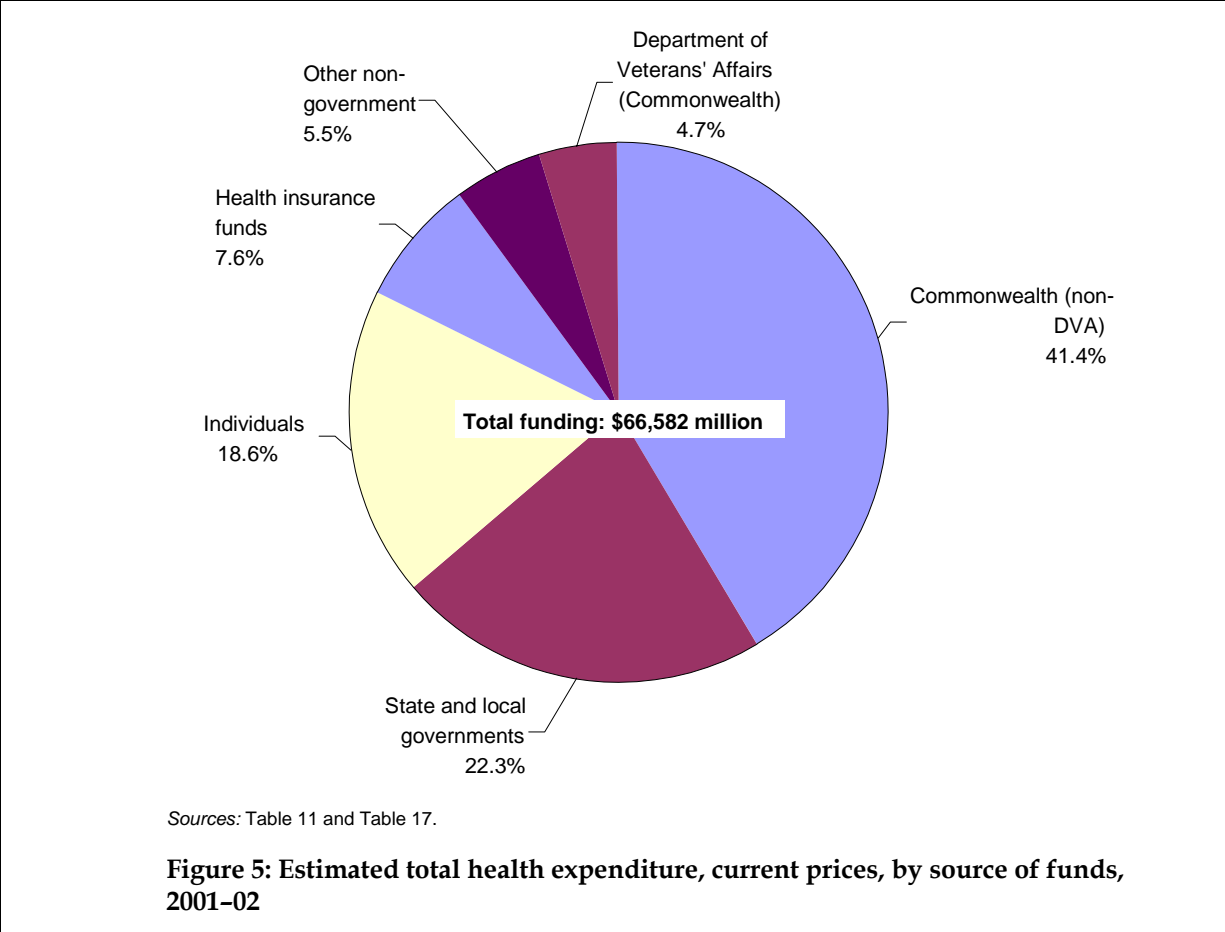


Table 16: Total health expenditure, constant prices^(a), and annual growth rates, by broad source of funds, 1991–92 to 2001–02

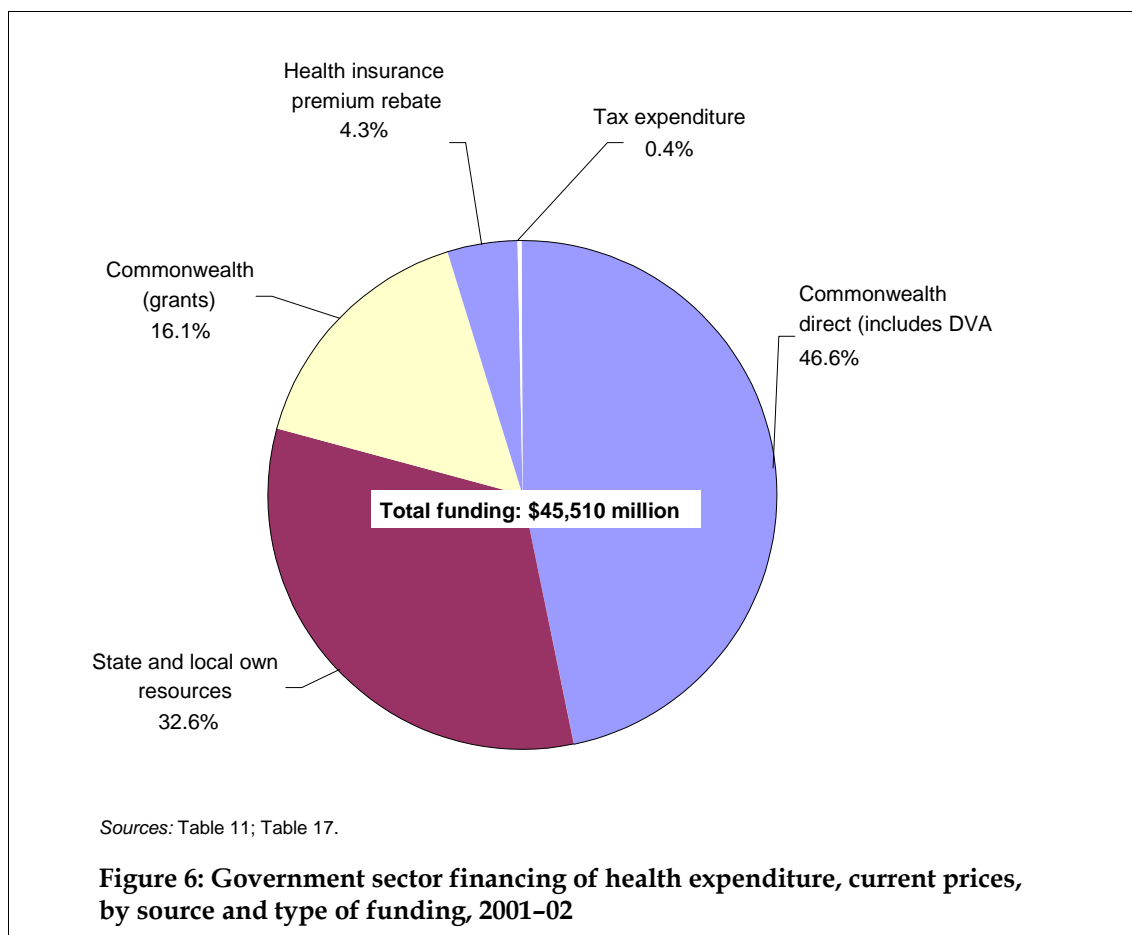
Year	Government						Non-government ^(b)		Total	
	Australian Government ^(b)		State/territory and local		Total		Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)				
1991–92	16,722	..	9,531	..	26,253	..	14,749	..	41,002	..
1992–93	17,982	7.5	9,486	-0.5	27,467	4.6	15,626	5.9	43,093	5.1
1993–94	19,139	6.4	8,993	-5.2	28,132	2.4	16,285	4.2	44,417	3.1
1994–95	19,886	3.9	9,526	5.9	29,412	4.5	16,650	2.2	46,062	3.7
1995–96	21,090	6.1	10,260	7.7	31,350	6.6	16,671	0.1	48,021	4.3
1996–97	21,665	2.7	11,369	10.8	33,034	5.4	17,328	3.9	50,362	4.9
1997–98	23,259	7.4	12,339	8.5	35,598	7.8	16,682	-3.7	52,280	3.8
1998–99	25,027	7.6	12,370	0.2	37,396	5.1	17,236	3.3	54,632	4.5
1999–00	26,978	7.8	13,269	7.3	40,246	7.6	17,564	1.9	57,810	5.8
2000–01	28,734	6.5	13,751	3.6	42,485	5.6	18,412	4.8	60,897	5.3
2001–02 ^(c)	29,799	3.7	14,449	5.1	44,248	4.1	20,281	10.2	64,529	6.0
Average annual growth rate										
1992–93 to 1997–98		5.3		5.4		5.3		1.3		3.9
1997–98 to 2001–02		6.4		4.0		5.6		5.0		5.4
1991–92 to 2001–02		5.9		4.2		5.4		3.2		4.6

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Expenditure has been adjusted for tax expenditures.

(c) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.



Australian Government

In 2001-02 the Australian Government (Commonwealth) provided 67.4% of estimated total government expenditure (Figure 6). This sub-section provides more detail on the Australian Government's funding of recurrent expenditure. Funding for capital formation is discussed in section 4.2, page 53.

The Australian Government's contribution to funding for health includes:

- payments through the Department of Veterans' Affairs in respect of eligible veterans and their dependents;
- specific-purpose grants to the states and territories;
- direct expenditure by the Australian Government on health programs (such as Medicare, PBS residential care subsidies);
- rebates and subsidies under the *Private Health Insurance Incentives Act 1997*; and
- taxation expenditures.

The various Australian Government policies to subsidise private health insurance since 1997 have seen such assistance rise from zero (1996-97) to \$1.95 billion in 2001-02 (Table 17).

Table 17: Total health expenditure by the Australian Government, current prices, by type of expenditure, 1991–92 to 2001–02 (\$ million)

Year	General expenditure					Tax expenditure			
	DVA	Grants to States	Rebates of health insurance premiums ^(b)	Direct expenditure	Total	Rebates of health insurance premiums	General health tax expenditures	Total	Total
1991–92	1,256	3,786	—	9,043	14,085	—	82	82	14,167
1992–93	1,276	4,050	—	9,874	15,200	—	91	91	15,291
1993–94	1,412	4,404	—	10,771	16,588	—	95	95	16,683
1994–95	1,488	4,729	—	11,242	17,459	—	91	91	17,551
1995–96	1,540	5,012	—	12,340	18,892	—	105	105	18,997
1996–97	1,658	5,202	—	12,822	19,681	—	125	125	19,806
1997–98	1,799	5,656	407	13,441	21,303	160	125	285	21,588
1998–99	2,142	6,328	778	14,067	23,315	179	130	309	23,624
1999–00	2,477	6,569	1,385	15,406	25,837	191	150	341	26,178
2000–01	2,774	6,993	2,031	16,720	28,518	—	150	150	28,668
2001–02 ^(a)	3,104	7,348	2,111	18,111	30,674	—	160	160	30,834

(a) Based on preliminary AIHW estimates.

(b) Includes \$175m in 2000–01 and \$161m in 2001–02 by the Australian Taxation Office as rebates claimed through the taxation system, now classified as an expense item, not a revenue item.

NB: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

The Department of Veterans' Affairs

DVA funding of health services is through its purchase of health goods and services on behalf of eligible veterans and their dependants. In 2000–01 its funding totalled \$2,774 million (Table). More than half of this (59.7%) was for institutional services (mainly hospitals and high-level residential aged care services). In 2001–02 estimated funding by DVA was \$3,104 million.

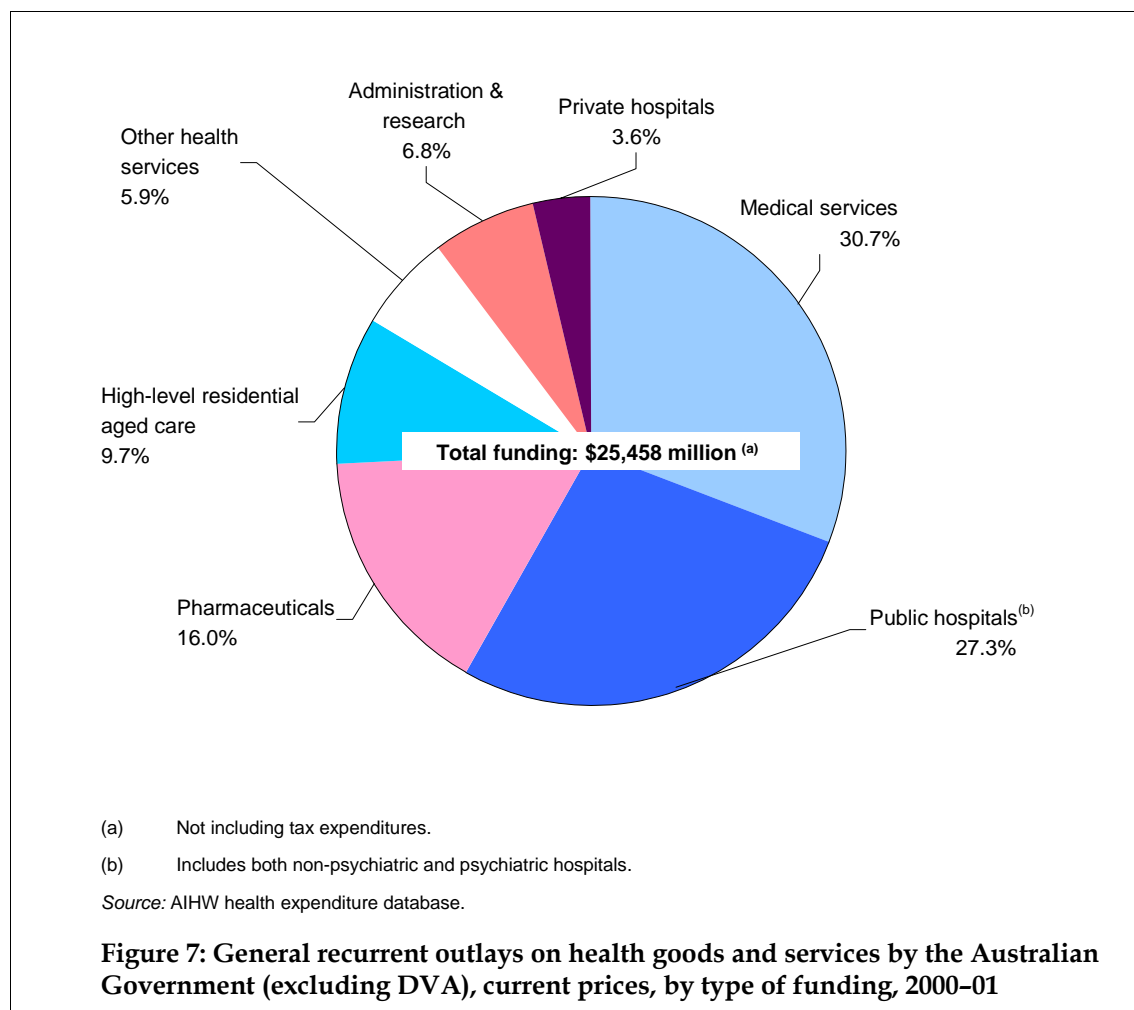
Other Australian Government sources of funding

General recurrent outlays on health

Expenditure recorded as 'general recurrent outlays on health' are recurrent expenditures paid out of appropriations by the Australian Government. Most of those expenditures are administered by the Department of Health and Ageing. They include:

- grants to the states and territories that are specifically targeted to health purposes;
- payments of personal health benefits to individuals – for example, Medicare and pharmaceutical benefits; and
- subsidies paid to providers of health services – for example, high-level residential aged care subsidies.

From 1997–98 these expenditures also include reimbursements, out of appropriations, to health insurance funds, first under the means tested Private Health Insurance Incentives Subsidy and the non-means-tested 30% rebate arrangements.



Nearly one-third of all funding by the Australian Government was for medical services. In 2000-01 this accounted for 30.7% of all general recurrent outlays on health by the Australian Government (Figure 7).

Most of the Australian Government grants to state and territory governments recorded in the general recurrent outlays on health are provided under the Australian Health Care Agreements between these two levels of government. The grants are primarily directed to expenditure in the public hospital systems of the states and territories. Other grants that are regarded as expenditure on public hospitals include grants for high-cost drugs and blood transfusion services. A proportion of the 30% rebate on private health insurance is also included as funding by the Australian Government for public hospitals. In 2000-01 payments relating to public hospital care accounted for more than one-quarter (27.3%) of total general recurrent outlays by the Australian Government.

The other two main areas for which the Australian Government provided funding are pharmaceuticals, which in 2000-01 accounted for 16.0% of general recurrent outlays, and high-level residential aged care subsidies, which accounted for 9.7%.

Tax expenditures

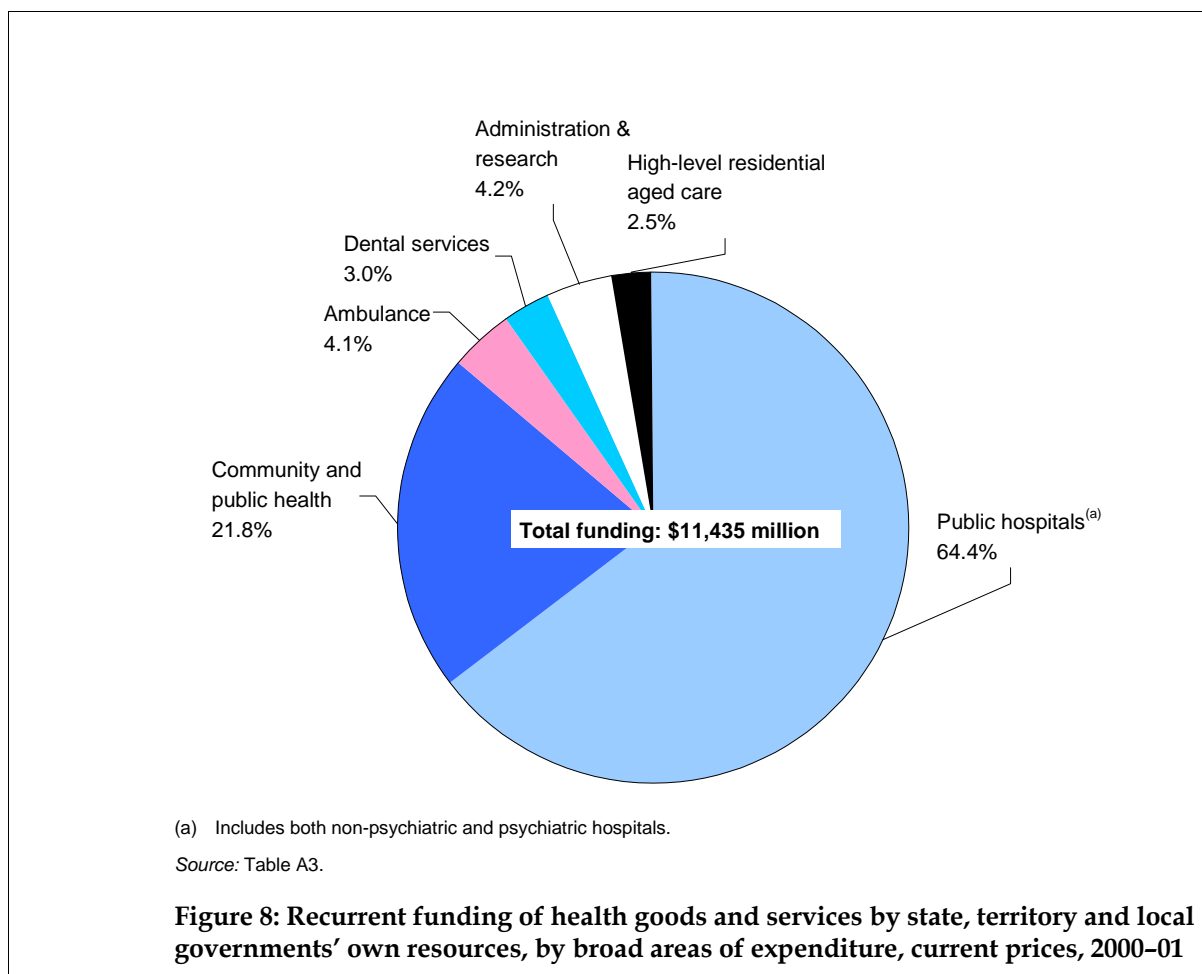
An additional and growing type of funding for health expenditure by the Australian Government is rebates claimed through the taxation system on health-related expenditures. These are referred to as tax expenditures. Two types of these rebates relate to health – general health tax rebates and rebates on health insurance premiums claimed through the taxation system. The Australian Treasury publishes data on tax expenditures each year.

General health tax rebates are included in the estimates of health expenditure for all years. These are rebates allowed for health expenditures that are incurred by individuals for themselves or their dependants – less any amount payable by a government, society, association or fund. Only that part of the aggregate net expenditures in excess of a threshold determined by the government can be used to calculate the rebate. In 2001–02 the threshold was \$1,250 and the total value of general health rebates was estimated at \$160 million, up from \$150 million in 2000–01 and from \$82 million in 1991–92 (Table 17).

The second type of tax expenditure comprises subsidies and rebates claimed under the *Private Health Insurance Incentives Act 1997*. From 1997–98, tax expenditures increased substantially due to the effects of the subsidies to private health insurance. Where such rebates were taken as tax rebates the taxation revenues forgone by the Australian Government were counted as tax expenditures. In its latest publication of tax expenditures, Treasury revised its estimates of tax expenditures for the 30% rebate to record nil values for the years 2000–01 and 2001–02.

State and territory governments and local government authorities

State and territory governments are the main providers of publicly provided health goods and services in Australia. Those goods and services are financed by a combination of specific-purpose grants from the Australian Government, funding by the states and territories out of their own fiscal resources and funding provided by non-government sources (usually in the form of user fees). Taken together, these sources of funding amount to two-thirds of all government expenditure on health goods and services.



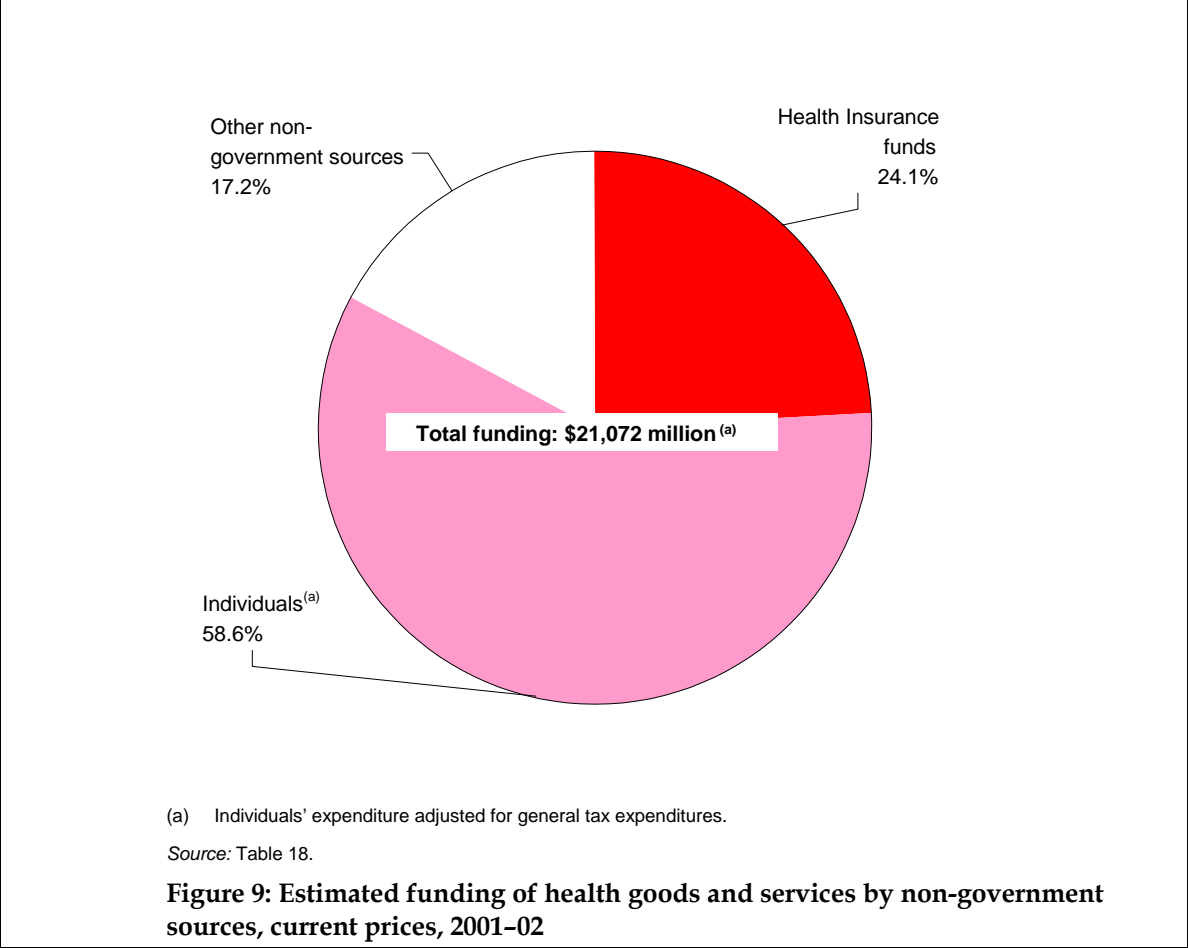
In terms of the types of health goods and services funded by the states and territories and by local government authorities, spending on public hospitals dominates, accounting for 64.4% of recurrent funding provided by those government sources in 2000-01 (Figure 8).

In real terms, expenditure on health by state, territory and local governments increased, by an average of 4.2% per year between 1991-92 and 2001-02, the annual rate of growth having peaked at 10.8% in 1996-97 (Table 16, page 24).

3.3 Non-government funding sources

Most non-government funding for health goods and services in Australia comes from out-of-pocket expenditure by individuals. This includes situations where individuals meet the full cost of care as well as where they share the funding of goods and services with third-party payers – for example, private health insurance funds or the Australian Government. Expenditure by individuals accounted for 58.6% (\$12.4 billion) of estimated non-government funding of health goods and services during 2001-02 (Figure 9; Table 18) with the proportion of expenditure rising by 7.4 percentage points in the decade to 2001-02 (Figure 10). Private health insurance funds provided 24.1% (\$5.1 billion) in 2001-02, down from 35.1% in 1991-

92. The remaining 17.2% (\$3.6 billion) came from other non-government sources (mainly compulsory motor vehicle third party and workers' compensation insurers), which experienced a rise in their share of health funding, by 3.5 percentage points, in the decade to 2001-02.



Non-government funding, which averaged around 33% of total health expenditure, each year between 1991-92 and 1996-97 and around 31% between 1997-98 and 2000-01, was 31.7% in 2001-02 (Table 12). The fall after 1996-97 was largely due to the influence of the Australian Government's subsidy for private health insurance. The effect of that subsidy is that the benefits paid for private health goods and services used by insured people are now jointly funded by the Australian Government (through the contribution rebates) and the funds' members.

Table 18: Non-government sector funding of total health expenditure, current prices, by source of funds, 1991-92 to 2001-02

Year	Private health insurance funds ^(a)		Individuals ^(b)		Other non-government ^(c)		All non-government sources ^(b)	
	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
1991-92	3,796	35.1	5,540	51.2	1,482	13.7	10,818	100.0
1992-93	3,979	34.3	5,895	50.8	1,731	14.9	11,605	100.0
1993-94	4,075	32.8	6,272	50.4	2,092	16.8	12,440	100.0
1994-95	4,201	31.8	6,702	50.8	2,303	17.4	13,205	100.0
1995-96	4,426	32.0	6,751	48.8	2,649	19.2	13,825	100.0
1996-97	4,700	31.1	7,544	50.0	2,856	18.9	15,099	100.0
1997-98	4,271	28.1	7,964	52.4	2,961	19.5	15,196	100.0
1998-99	3,886	24.3	9,023	56.3	3,109	19.4	16,017	100.0
1999-00	3,610	21.5	9,692	57.7	3,484	20.8	16,786	100.0
2000-01	4,335	23.2	11,052	59.2	3,267	17.5	18,654	100.0
2001-02 ^(d)	5,087	24.1	12,352	58.6	3,633	17.2	21,072	100.0

(a) Adjusted for private health insurance incentives subsidy and 30% premium rebates claimed through the tax system for years from 1997-98 to 1999-00.

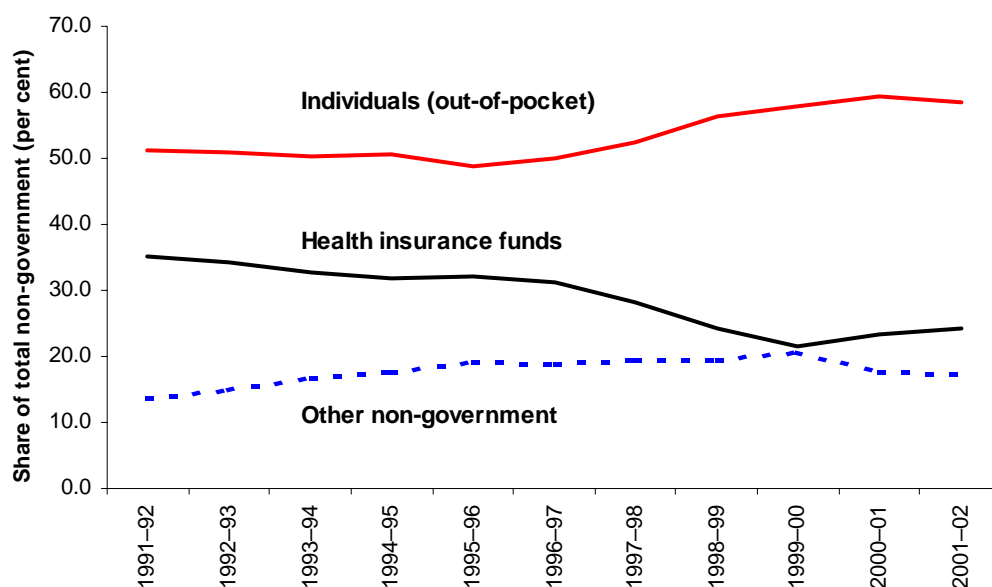
(b) Adjusted for general tax expenditures.

(c) Includes expenditure on capital formation.

(d) Based on preliminary AIHW and ABS estimates.

NB: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.



Source: Table 18

Figure 10: Non-government sector funding of total health expenditure, current prices, by source of funds, 1991-92 to 2001-02

Table 19: Non-government sector funding of total health expenditure, by source of funds, constant prices^(a), and annual growth rates, 1991–92 to 2001–02

Year	Private health insurance funds ^(b)		Individuals ^(c)		Other non-government ^(d)		All non-government sources		
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	
1991–92	5,391	..	7,471	..	1,887	..	14,749	..	
1992–93	5,583	3.6	7,885	5.5	2,158	14.4	15,626	5.9	
1993–94	5,662	1.4	8,111	2.9	2,512	16.4	16,285	4.2	
1994–95	5,702	0.7	8,236	1.5	2,712	8.0	16,650	2.2	
1995–96	5,685	-0.3	7,929	-3.7	3,056	12.7	16,671	0.1	
1996–97	5,571	-2.0	8,547	7.8	3,210	5.0	17,328	3.9	
1997–98	4,594	-17.5	8,854	3.6	3,222	0.4	16,671	-3.8	
1998–99	4,049	-11.9	9,849	11.2	3,326	3.2	17,224	3.3	
1999–00	3,590	-11.3	10,309	4.7	3,646	9.6	17,545	1.9	
2000–01	4,335	20.8	11,052	7.2	3,267	-10.4	18,654	6.3	
2001–02 ^(e)	4,854	12.0	11,921	7.9	3,505	7.3	20,281	8.7	
Average annual growth rate									
1992–93 to 1997–98		-3.8					2.3	8.4	1.3
1997–98 to 2001–02		1.4					7.7	2.1	5.0
1991–92 to 2001–02		-1.0					4.8	6.4	3.2

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Adjusted for private health insurance incentives subsidy and 30% premium rebates claimed through the tax system for years from 1997–98 to 1999–00.

(c) Adjusted for tax expenditures.

(d) Includes expenditure on capital formation.

(e) Based on preliminary AIHW estimates

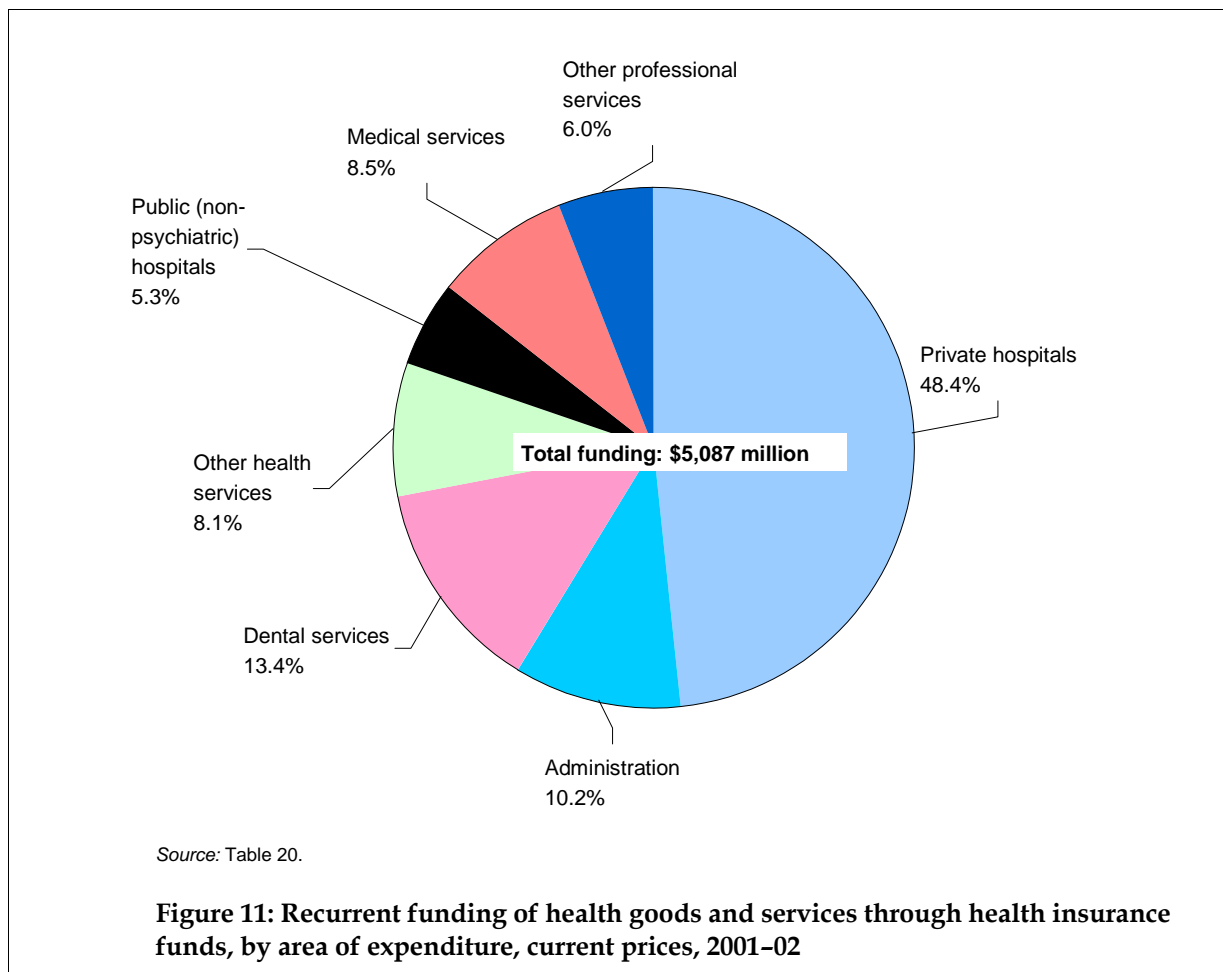
NB: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

Private health insurance

Funding by private health insurance funds is chiefly directed at private hospital services. During 2001–02 private hospitals accounted for 48.4% of the \$5.1 billion in funding provided by health insurance funds (**Error! Reference source not found.**). Other major areas of expenditure that received funding were dental services (13.4%) and administration (10.2%).

The funds went from an operating profit before abnormal and extraordinary items of \$852 million in 2000–01 to a loss of \$32 million in 2001–02 (**Error! Reference source not found.**).



General benefits and administration

Gross health benefits paid through the health insurance funds in 2001-02 was \$6,318 million – up by \$970 million from \$5,348 million in 2000-01 and by \$1,849 million since 1999-00 (Table 20). A further \$718 million funded administration during 2001-02. This was almost the same level as in 1999-00, although it was down substantially from the 2000-01 level – \$843 million.

Table 20: Expenditure on health goods and services funded through health insurance funds, current prices, 1999–00 to 2001–02 (\$ million)

Area of expenditure	1999–00				2000–01				2001–02			
	Gross benefits paid	Premium rebates ^(a)		Net benefits paid	Gross benefits paid	Premium rebates ^(a)		Net benefits paid	Gross benefits paid	Premium rebates ^(a)		Net benefits paid
		Direct	Taxation			Direct ^(c)	Taxation			Direct ^(c)	Taxation	
Expenditure												
Hospitals	2,900	774	105	2,021	3,312	1,087	—	2,225	3,783	1,139	—	2,643
Public (non-psychiatric)	287	77	10	200	322	106	—	216	375	113	—	262
Private	2,612	698	94	1,821	2,990	981	—	2,009	3,407	1,026	—	2,381
Ambulance	136	36	5	95	181	59	—	121	189	57	—	132
Medical services	281	75	10	196	427	140	—	287	598	180	—	418
Other health professionals	262	70	9	183	333	109	—	224	420	126	—	293
Pharmaceuticals	43	12	2	30	53	17	—	36	64	19	—	44
Aids and appliances	210	56	8	146	268	88	—	180	318	96	—	223
Community/public health	1	—	—	—	1	—	—	—	1	—	—	—
Dental services	636	170	23	443	774	254	—	520	946	285	—	661
Total health	4,469	1,193	161	3,115	5,348	1,755	—	3,594	6,318	1,903	—	4,415
Health administration	717	191	26	500	843	277	—	566	718	207	—	511
Direct expenditure	5,186	1,385	187	3,614	6,191	2,031	—	4,160	7,036	2,110	—	4,926
Outstanding claims	91	24	3	63	220	66	—	154	42	12	—	30
Non-health ancillaries	17	5	1	12	27	8	—	19	72	20	—	52
Total expenditure	5,294	1,414	195	3,685	6,438	2,105	—	4,333	7,150	2,142	—	5,008
Revenue												
Contributions income ^(b)				3,853				5,202				5,288
Other revenue				214				226				66
<i>Total revenue</i>				4,067				5,428				5,354
Operating profit/loss before abnormals and extraordinary items				381				852				–32

(a) Premium rebate is pro-rated across all categories (including change in provisions for outstanding claims).

(b) Adjusted to remove the Australian Government reimbursement to the funds for the 30% rebate on premiums.

(a) Includes \$175m in 2000-01 and \$161m in 2001-02 by the Australian Taxation Office as rebates claimed through the taxation system, now classified as an expense item, not a revenue item.

The initial effect of the introduction of the Australian Government subsidy in 1997 was a sharp drop in net expenditure by health insurance funds in each year up to 1999-00, followed by a recovery after the introduction of the lifetime health cover arrangements in the September quarter of 2000. Net expenditure in real terms had, by 2001-02 returned to a higher level than at any time since 1996-97 (Table 21; Figure 12).

Table 21: Expenditure on health goods and services and administration through private health insurance funds, constant prices^(a), and annual growth rates, 1991-92 to 2001-02

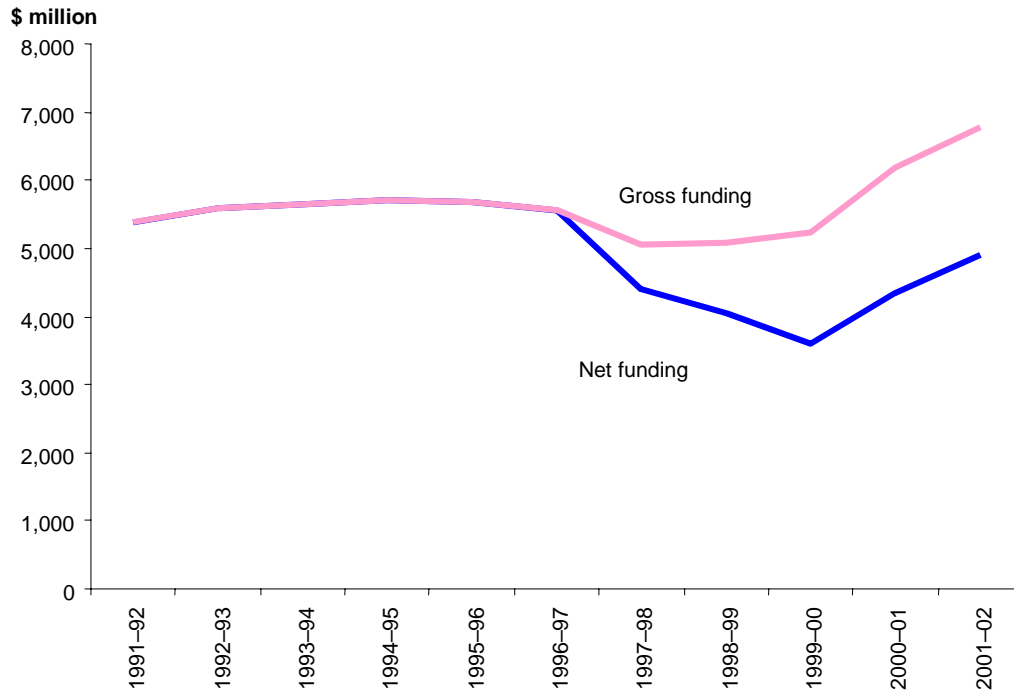
Year	Gross payments through health insurance funds		Reimbursement for rebates allowed by funds		Rebates through taxation system ^(b)		Net payments from health insurance funds resources	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1991-92	5,391	..	..	..	..	..	5,391	..
1992-93	5,583	3.6	..	..	..	..	5,583	3.6
1993-94	5,662	1.4	..	..	..	..	5,662	1.4
1994-95	5,702	0.7	..	..	..	..	5,702	0.7
1995-96	5,685	-0.3	..	..	..	..	5,685	-0.3
1996-97	5,571	-2.0	..	..	..	..	5,571	-2.0
1997-98	5,044	-0.5	454	..	177	..	4,413	-20.8
1998-99	5,088	0.9	849	86.9	194	10.0	4,045	-8.3
1999-00	5,248	3.1	1,455	71.4	197	1.2	3,596	-11.1
2000-01	6,191	18.0	1,856	27.6	175	-11.0	4,160	15.7
2001-02	6,715	8.5	1,860	0.2	153	-12.4	4,701	13.0
Average annual growth rate								
1992-93 to 1997-98		-2.0		..				-4.6
1997-98 to 2001-02		7.4		42.5		-3.5		1.6
1991-92 to 2001-02		2.2		..		..		-1.4

(a) Constant price health expenditure for 1991-92 to 2001-02 is expressed in chain volume measures, referenced to the year 2000-01.

(b) From 2000-01 no longer a tax expenditure but a payment through the tax system.

NB: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.



(a) Constant price health expenditure for 1991-92 to 2001-02 is expressed in chain volume measures, referenced to the year 2000-01.

Note: Up to 1996-97, gross expenditure equals net expenditure.

Source: Table 21.

Figure 12: Funding of health goods and services by private health insurance funds, constant prices^(a), 1991-92 to 2001-02