

3 Funding of health expenditure in Australia

3.1 Broad trends

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

In 2005–06, government funding of health expenditure was \$58.9 billion (67.8%), with the Australian Government contributing \$37 billion (42.9%) and state, territory and local governments contributing \$22 billion (24.9%). The non-government sector (households, private health insurance and other non-government) funded the remaining \$28 billion (32.2%) (Tables 12 and 13). In current prices, from 2004–05 to 2005–06, Australian Government funding of health expenditure increased by 4.7% (\$1,675 million), state, territory and local governments funding increased by 11.9% (\$2,309 million) and non-government funding increased by 6.8% (\$1,771 million).

After allowing for inflation, real growth in Australian Government funding of health grew by an average of 4.9% a year from 1995–96 to 2005–06, state and territory government funding grew by 6.2% and non-government funding grew by 4.5% a year (Table 21).

In 2005–06, the Australian Government's total funding grew, in real terms, by 0.7%, state, territory and local governments funding grew by 7.6% and non-government funding grew by 2.9% (Table 21).

From 1995–96 to 2005–06, the relative shares of funding of total health expenditure remained fairly stable for both the government and non-government sectors (Table 13 and Figure 5). Around two-thirds of funding was provided by governments and one-third by non-government.

Table 12: Total health expenditure, current prices, by broad source of funds, 1995–96 to 2005–06 (\$ million)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1995–96	16,847	9,037	25,884	13,162	39,047
1996–97	17,354	10,357	27,711	14,405	42,116
1997–98	18,852	11,332	30,184	14,618	44,802
1998–99	21,015	11,519	32,534	15,968	48,502
1999–00	23,183	12,969	36,152	16,290	52,442
2000–01	25,849	13,567	39,417	18,871	58,287
2001–02	27,700	14,564	42,264	21,184	63,448
2002–03	29,960	16,512	46,472	22,460	68,932
2003–04 ^(b)	31,998	17,761	49,759	24,186	73,945
2004–05	35,554	19,337	54,891	26,233	81,125
2005–06	37,229	21,646	58,875	28,004	86,879

(a) Funding of expenditure has been adjusted for non-specific tax expenditures.

(b) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

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

Source: AIHW health expenditure database.

The relative shares of health expenditure funding by the different levels of government varied over the decade. The Australian Government contribution varied from a low of 41.2% in 1996–97 to a high of 44.3% in 2000–01 and ended at 42.9% in 2005–06 (Table 13). Over the same period, the contribution from state, territory and local governments fluctuated between 23.1% in 1995–96 and a high of 25.3% in 1997–98.

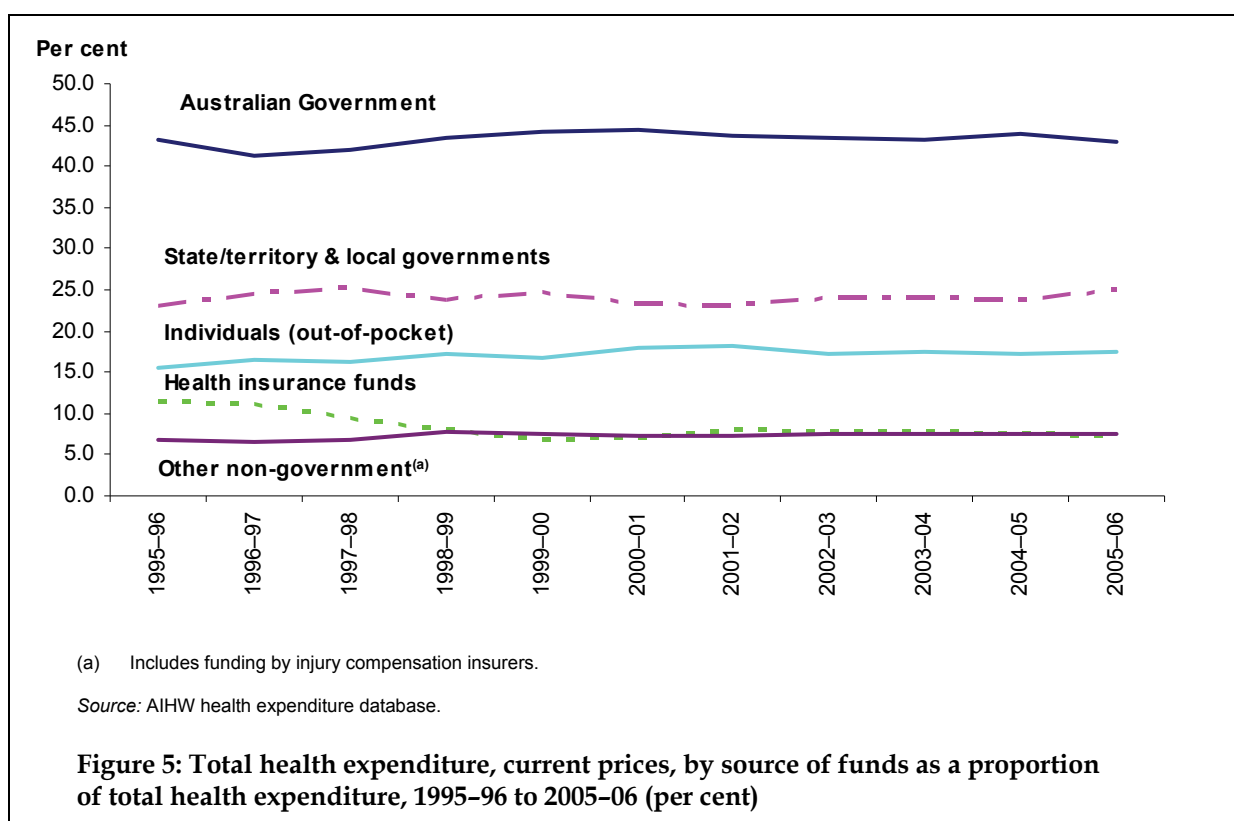
Table 13: Total health expenditure, current prices, by broad source of funds as a proportion of total health expenditure, 1995–96 to 2005–06 (per cent)

Year	Government			Non-government			Total	Total
	Australian Government ^(a)	State/territory and local	Total	Health insurance funds	Individuals ^(a)	Other non-government		
1995–96	43.1	23.1	66.3	11.3	15.6	6.8	33.7	100.0
1996–97	41.2	24.6	65.8	11.2	16.4	6.6	34.2	100.0
1997–98	42.1	25.3	67.4	9.5	16.3	6.8	32.6	100.0
1998–99	43.3	23.8	67.1	7.9	17.2	7.8	32.9	100.0
1999–00	44.2	24.7	68.9	6.9	16.7	7.5	31.1	100.0
2000–01	44.3	23.3	67.6	7.1	18.0	7.3	32.4	100.0
2001–02	43.7	23.0	66.6	8.0	18.1	7.3	33.4	100.0
2002–03	43.5	24.0	67.4	7.9	17.3	7.4	32.6	100.0
2003–04	43.3	24.0	67.3	7.8	17.4	7.5	32.7	100.0
2004–05	43.8	23.8	67.7	7.4	17.3	7.6	32.3	100.0
2005–06	42.9	24.9	67.8	7.2	17.4	7.6	32.2	100.0

(a) Funding of expenditure has been adjusted for non-specific tax expenditures.

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

Source: AIHW health expenditure database.



Health funding can also be expressed as a proportion of GDP. Over the decade from 1995-96 to 2005-06, the Australian Government increased its share from 3.3% to 3.9% of GDP. For state, territory and local governments, the proportion increased from 1.7% to 2.2%. Non-government sources increased their share of GDP from 2.5% to 2.9% (Table 14).

Table 14: Total health expenditure, current prices, by broad source of funds as a proportion of GDP, 1995-96 to 2005-06 (per cent)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1995-96	3.3	1.7	5.0	2.5	7.5
1996-97	3.2	1.9	5.1	2.6	7.7
1997-98	3.3	2.0	5.2	2.5	7.8
1998-99	3.5	1.9	5.4	2.6	8.0
1999-00	3.6	2.0	5.6	2.5	8.1
2000-01	3.8	2.0	5.7	2.7	8.5
2001-02	3.8	2.0	5.7	2.9	8.6
2002-03	3.8	2.1	5.9	2.9	8.8
2003-04	3.8	2.1	5.9	2.9	8.8
2004-05	4.0	2.2	6.1	2.9	9.0
2005-06	3.9	2.2	6.1	2.9	9.0

(a) Funding of expenditure has been adjusted for non-specific tax expenditures.

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

Sources: AIHW health expenditure database and ABS 2007a.

Total recurrent funding

In real terms, recurrent funding of health grew by an average of 4.8% a year from 1995–96 (\$48.4 billion) to 2005–06 (\$77.3 billion) (Table 20). The government sector's recurrent funding grew by 5.2% per year (from \$31.8 billion in 1995–06 to \$53.0 billion in 2005–06), while non-government recurrent funding grew by 3.9% (\$16.6 billion to \$24.3 billion) (Tables 18 and 19). These growth rates are similar to those for government (5.4%) (\$33.5 billion to \$56.6 billion) and non-government funding (4.5%) (\$17.4 billion to \$27.0 billion) of total health expenditure (Table 21).

Medications experienced the highest real growth in total recurrent funding between 1995–96 and 2005–06 (averaging 8.6% per year) (\$5.0 billion to \$11.4 billion). Private hospitals experienced a growth of 4.5% (\$4.1 billion to \$6.4 billion) whereas medical services had a growth of 2.6% (\$11.3 billion to \$14.7 billion) (Table 20).

Government funding

Between 1995–96 and 2005–06, the areas that attracted the most rapid real growth in government funding were private hospitals (averaging 21.3% per year) (\$381 million to \$2.6 billion) and medications (9.1%) (\$2.6 billion to \$6.1 billion) (Table 18). The growth in government funding of private hospitals was mostly due to the Australian government introducing subsidies for private health insurance. The increased use of private hospitals by veterans funded by the Department of Veterans' Affairs (DVA) also contributed. During this period total government funding of recurrent health expenditure grew, in real terms, at a similar rate (averaging 5.2% per year) (\$31.8 billion to \$53.0 billion) to growth for total funding of recurrent health expenditure (4.8%) (\$48.4 billion to \$77.3 billion) (Tables 18 and 20).

In 2005–06, public hospital services and medical services received the highest amounts of government funding for recurrent expenditure (\$22.5 billion and \$12.2 billion respectively) (Table 15). In contrast, dental services and other health practitioners received \$995 million and \$711 million respectively.

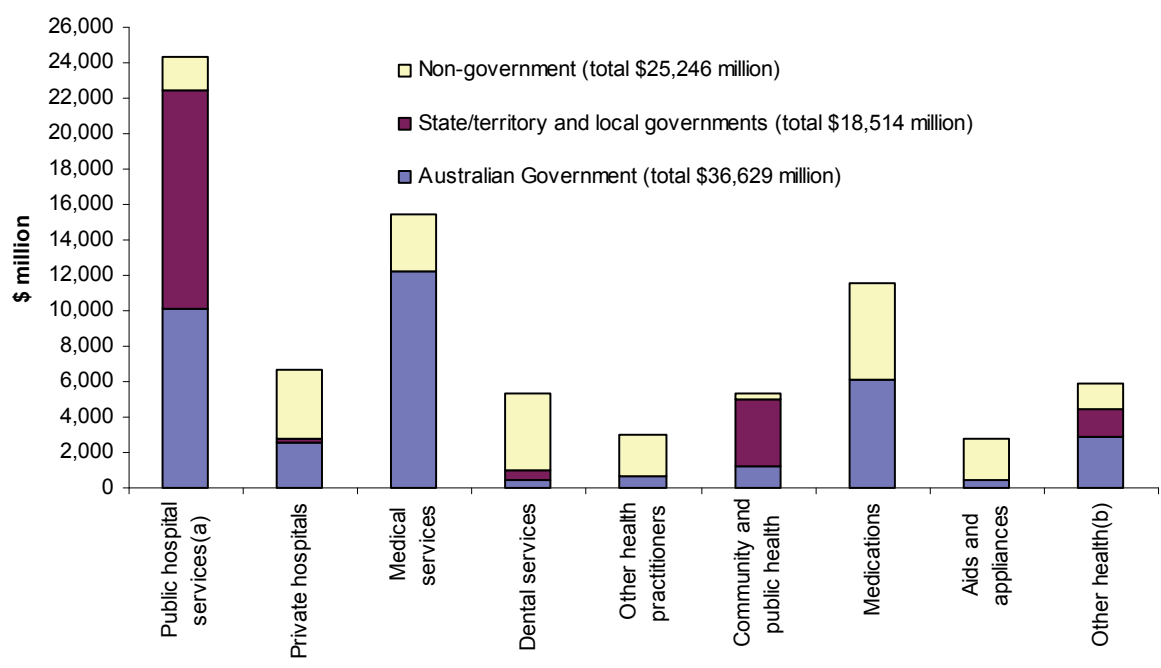
Non-government funding

The areas that attracted the fastest real growth in funding by non-government sources between 1995–96 and 2005–06 were medications, averaging 8.0% per year (\$2.4 billion to \$5.2 billion) and medical services, averaging 4.5% per year (\$2.0 billion to \$3.1 billion) (Table 19).

Non-government funding for private hospitals fluctuated over the decade with declines in some years when government funding for private hospitals increased significantly, and growth in other years – overall an average annual increase of 0.1% per year compared to an average annual increase of 4.5% per year for all funding (Tables 19 and 20).

For the decade to 2005–06, total non-government funding of recurrent health expenditure grew, in real terms, by 3.9% (\$16.6 billion to \$24.3 billion) compared with 4.8% growth (\$48.4 billion to \$77.3 billion) for total funding of recurrent health expenditure (Tables 19 and 20).

In 2005–06, medications and dental services received the highest amounts of non-government funding for recurrent expenditure (\$5.4 billion and \$4.3 billion respectively) (Table 16). Other health practitioners received \$2.3 billion.



- (a) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.
- (b) Other health comprises patient transport services, administration and research.

Source: AIHW health expenditure database.

Figure 6: Recurrent health expenditure, by area of expenditure and source of funds, current prices, 2005-06

Table 15: Government funding of recurrent health expenditure^(a), current prices, by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(b)(c)}		Private hospitals		Medical services		Dental services ^(b)		Other health practitioners ^(c)		Medications		Other health ^{(b)(e)}		Total government recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	10,477	..	295	..	6,497	..	356	..	195	..	2,515	..	3,904	..	24,239	..
1996–97	11,412	8.9	354	20.1	6,713	3.3	394	10.6	203	3.9	2,729	8.5	4,082	4.6	25,887	6.8
1997–98	12,449	9.1	630	78.0	6,977	3.9	424	7.6	227	11.7	2,802	2.7	4,498	10.2	28,007	8.2
1998–99	13,246	6.4	1,003	59.1	7,392	5.9	489	15.3	272	20.1	3,093	10.4	4,800	6.7	30,295	8.2
1999–00	13,826	4.4	1,404	39.9	7,974	7.9	640	31.0	322	18.3	3,537	14.3	5,961	24.2	33,663	11.1
2000–01	14,597	5.6	1,664	18.6	8,320	4.3	669	4.5	525	63.2	4,397	24.3	6,509	9.2	36,682	9.0
2001–02	15,755	7.9	1,783	7.1	8,958	7.7	742	10.9	563	7.1	4,728	7.5	6,938	6.6	39,466	7.6
2002–03	17,594	11.7	2,243	25.8	9,390	4.8	784	5.7	618	9.9	5,225	10.5	7,750	11.7	43,604	10.5
Break in time series																
	Public hospital services^(f)															
2003–04	19,162	..	2,357	5.1	9,965	6.1	834	..	694	9.1	5,735	9.8	8,117	..	46,843	7.4
2004–05	20,631	7.7	2,550	8.2	11,589	16.3	923	10.6	641	-4.9	6,051	5.5	9,194	13.3	51,579	10.1
2005–06	22,479	9.0	2,751	7.9	12,239	5.6	995	7.8	711	10.8	6,117	1.1	9,850	7.1	55,143	6.9
Average annual growth rate																
1995–96 to 2002–03		7.7		33.6		5.4		11.9		17.9		11.0		10.3		8.8
2003–04 to 2005–06		8.3		8.0		10.8		9.2		2.7		3.3		10.2		8.5
1995–96 to 2005–06		..		25.0		6.5		..		13.8		9.3		..		8.6

(a) Not adjusted for non-specific tax expenditures.

(b) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental and patient transport services, community and public health components of other health.

(c) Public hospital expenditure includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

(d) From 2000–01, it includes DVA funding for other health practitioners and DoHA funding of hearing services (audiology component) which was previously included in other health.

(e) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(f) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 17: Total funding of recurrent health expenditure^(a), current prices, by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(b)(c)}		Private hospitals		Medical services		Dental services ^(b)		Other health practitioners ^{(d)(e)}		Medications		Other health ^{(b)(f)}		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	11,518	..	3,183	..	7,872	..	2,373	..	1,350	..	4,657	..	5,701	..	36,654	..
1996–97	12,480	8.4	3,493	9.7	8,198	4.1	2,551	7.5	1,589	17.7	5,131	10.2	5,990	5.1	39,433	7.6
1997–98	13,453	7.8	3,659	4.7	8,537	4.1	2,591	1.6	1,500	-5.6	5,579	8.7	6,440	7.5	41,759	5.9
1998–99	14,339	6.6	3,959	8.2	9,045	5.9	2,680	3.4	1,563	4.2	6,097	9.3	7,209	11.9	44,892	7.5
1999–00	14,925	4.1	4,204	6.2	9,708	7.3	2,886	7.7	1,585	1.4	6,854	12.4	8,367	16.1	48,528	8.1
2000–01	15,846	6.2	4,521	7.6	10,204	5.1	3,452	19.6	1,903	20.1	8,138	18.7	9,746	16.5	53,810	10.9
2001–02	17,163	8.3	5,029	11.2	11,201	9.8	4,014	16.3	2,189	15.1	9,049	11.2	10,146	4.1	58,792	9.3
2002–03	18,961	10.5	5,504	9.4	12,002	7.2	4,306	7.3	2,460	12.4	9,446	4.4	11,262	11.0	63,941	8.8
Break in time series																
Public hospital services ^(g)																
2003–04	20,437	..	5,958	8.2	12,902	7.5	4,645	..	2,649	..	10,286	8.9	11,805	..	68,682	7.4
2004–05	22,091	8.1	6,327	6.2	14,646	13.5	5,064	9.0	2,792	5.4	11,166	8.6	13,111	11.1	75,196	9.5
2005–06	24,319	10.1	6,683	5.6	15,499	5.8	5,337	5.4	3,035	8.7	11,501	3.0	14,014	6.9	80,389	6.9
Average annual growth rate																
1995–96 to 2002–03		7.4		8.1		6.2		8.9		9.0		10.6		10.2		8.3
2003–04 to 2005–06		9.1		5.9		9.6		7.2		7.0		5.7		9.0		8.2
1995–96 to 2005–06		..		7.7		7.0		..		..		9.5		..		8.2

(a) Not adjusted for non-specific tax expenditures.

(b) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental services and patient transport services, community and public health components of other health.

(c) Public hospital expenditure includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

(d) Different methods were used to estimate non-government funding of other health practitioners between 1995–96 and 2002–03 as compared to 2003–04 to 2005–06, so comparisons should be done with care.

(e) From 2000–01, it includes DVA funding for other health practitioners and DoHA funding of hearing services (audiology component) which was previously included in other health.

(f) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(g) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 18: Government funding of recurrent health expenditure^(a), constant prices^(b), by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(c)(d)}		Private hospitals		Medical services		Dental services ^(e)		Other health practitioners ^(b)		Medications		Other health ^{(e)(f)}		Total government recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	13,536	..	381	..	9,361	..	538	..	302	..	2,560	..	5,141	..	31,819	..
1996–97	14,489	7.0	449	17.8	9,510	1.6	571	6.1	298	-1.2	2,773	8.3	5,303	3.2	33,393	4.9
1997–98	15,506	7.0	785	74.8	9,714	2.1	594	4.1	311	4.4	2,842	2.5	5,765	8.7	35,518	6.4
1998–99	16,057	3.6	1,216	54.9	10,026	3.2	661	11.1	363	16.8	3,116	9.6	5,978	3.7	37,417	5.3
1999–00	16,389	2.1	1,664	36.8	10,527	5.0	822	24.4	418	14.9	3,556	14.1	7,228	20.9	40,603	8.5
2000–01	17,306	5.6	1,973	18.6	10,524	—	817	-0.6	641	53.4	4,422	24.3	7,682	6.3	43,364	6.8
2001–02	17,516	1.2	1,982	0.4	10,714	1.8	861	5.4	628	-2.0	4,747	7.4	7,840	2.1	44,288	2.1
2002–03	18,913	8.0	2,409	21.5	10,657	-0.5	870	1.1	651	3.6	5,239	10.4	8,425	7.5	47,164	6.5
Break in time series																
Public hospital services ^(g)																
2003–04	19,877	..	2,443	1.4	10,738	0.8	887	..	694	6.6	5,749	9.7	8,457	..	48,845	3.6
2004–05	20,631	3.8	2,550	4.4	11,589	7.9	923	4.0	641	-7.5	6,051	5.3	9,194	8.7	51,579	5.6
2005–06	21,559	4.5	2,639	3.5	11,590	—	956	3.6	678	5.8	6,103	0.9	9,445	2.7	52,969	2.7
Average annual growth rate																
1995–96 to 2002–03	4.9			30.1		1.9		7.1		11.6		10.8		7.3		5.8
2003–04 to 2005–06	4.1			3.9		3.9		3.8		-1.1		3.0		5.7		4.1
1995–96 to 2005–06	..			21.3		2.2		..		8.4		9.1		..		5.2

(a) Not adjusted for non-specific tax expenditures.

(b) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental services and patient transport services, community and public health components of other health.

(d) Public hospital expenditure includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

(e) From 2000–01, it includes DVA funding for other health practitioners and DoHA funding of hearing services (audiology component) which was previously included in 'other health'.

(f) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(g) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 19: Non-government funding of recurrent health expenditure^(a), constant prices^(b), by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(c)(d)}		Private hospitals		Medical services		Dental services ^(e)		Other health practitioners ^(e)		Medications		Other health ^{(e)(f)}		Total non-government recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	1,344	..	3,731	..	1,981	..	3,047	..	1,785	..	2,435	..	2,289	..	16,613	..
1996–97	1,359	1.0	3,992	7.0	2,104	6.2	3,140	3.0	2,048	14.7	2,718	11.6	2,388	4.3	17,747	6.8
1997–98	1,252	-7.9	3,775	-5.4	2,173	3.3	3,035	-3.3	1,766	-13.7	3,101	14.1	2,391	0.1	17,493	-1.4
1998–99	1,327	6.0	3,586	-5.0	2,243	3.2	2,966	-2.3	1,745	-1.2	3,353	8.1	2,917	22.0	18,136	3.7
1999–00	1,304	-1.7	3,320	-7.4	2,289	2.1	2,886	-2.7	1,651	-5.4	3,671	9.5	2,864	-1.8	17,985	-0.8
2000–01	1,482	13.6	3,387	2.0	2,383	4.1	3,385	17.3	1,685	2.0	4,024	9.6	3,722	30.0	20,068	11.6
2001–02	1,567	5.8	3,609	6.6	2,683	12.6	3,796	12.1	1,816	7.8	4,623	14.9	3,611	-3.0	21,706	8.2
2002–03	1,470	-6.2	3,506	-2.9	2,965	10.5	3,910	3.0	1,939	6.8	4,436	-4.0	3,840	6.3	22,065	1.7
Break in time series																
Public hospital services ^(g)																
2003–04	1,323	..	3,734	6.5	3,166	6.8	4,054	..	2,031	..	4,677	5.4	3,810	..	22,796	3.3
2004–05	1,460	10.4	3,777	1.1	3,057	-3.4	4,141	2.1	2,151	5.9	5,115	9.4	3,917	2.8	23,617	3.6
2005–06	1,765	20.9	3,771	-0.2	3,087	1.0	4,171	0.7	2,218	3.1	5,247	2.6	4,026	2.8	24,285	2.8
Average annual growth rate																
1995–96 to 2002–03	1.3			-0.9		5.9		3.6		1.2		9.0		7.7		4.1
2003–04 to 2005–06	15.5			0.5	-1.3		1.4		4.5		5.9		2.8		3.2	
1995–96 to 2005–06	..			0.1	4.5		..		..		8.0		..		3.9	

(a) Not adjusted for non-specific tax expenditures.

(b) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental services and patient transport services, community and public health components of other health.

(d) Public hospital expenditure includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

(e) Different methods were used to estimate non-government funding of other health practitioners between 1995–96 and 2002–03 as compared to 2003–04 to 2005–06, so comparisons should be done with care.

(f) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(g) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 20: Total funding of recurrent health expenditure^(a), constant prices^(b), by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(c)(d)}		Private hospitals		Medical services		Dental services ^(c)		Other health practitioners ^{(e)(f)}		Medications		Other health ^{(e)(g)}		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	14,881	..	4,113	..	11,342	..	3,585	..	2,087	..	4,995	..	7,431	..	48,433	..
1996–97	15,848	6.5	4,441	8.0	11,614	2.4	3,710	3.5	2,346	12.4	5,491	9.9	7,691	3.5	51,140	5.6
1997–98	16,758	5.7	4,560	2.7	11,887	2.4	3,629	-2.2	2,078	-11.4	5,943	8.2	8,156	6.0	53,011	3.7
1998–99	17,384	3.7	4,802	5.3	12,268	3.2	3,626	-0.1	2,109	1.5	6,469	8.8	8,895	9.1	55,554	4.8
1999–00	17,693	1.8	4,984	3.8	12,816	4.5	3,708	2.2	2,069	-1.9	7,227	11.7	10,092	13.5	58,589	5.5
2000–01	18,788	6.2	5,360	7.5	12,907	0.7	4,202	13.3	2,325	12.4	8,446	16.9	11,404	13.0	63,432	8.3
2001–02	19,083	1.6	5,591	4.3	13,397	3.8	4,657	10.8	2,443	5.1	9,370	10.9	11,452	0.4	65,994	4.0
2002–03	20,383	6.8	5,915	5.8	13,622	1.7	4,780	2.6	2,589	6.0	9,676	3.3	12,265	7.1	69,229	4.9
Break in time series	Public hospital services^(h)															
2003–04	21,199	..	6,177	4.4	13,904	2.1	4,942	..	2,725	..	10,426	7.8	12,267	..	71,641	3.5
2004–05	22,091	4.2	6,327	2.4	14,646	5.3	5,064	2.5	2,792	2.5	11,166	7.1	13,111	6.9	75,196	5.0
2005–06	23,323	5.6	6,410	1.3	14,677	0.2	5,127	1.3	2,896	3.7	11,350	1.6	13,471	2.7	77,254	2.7
Average annual growth rate																
1995–96 to 2002–03		4.6		5.3		2.7		4.2		3.1		9.9		7.4		5.2
2003–04 to 2005–06		4.9		1.9		2.7		1.9		3.1		4.3		4.8		3.8
1995–96 to 2005–06		..		4.5		2.6		..		..		8.6		..		4.8

(a) Not adjusted for non-specific tax expenditures.

(b) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental services and patient transport services, community and public health components of other health.

(d) Public hospital expenditure includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

(e) Different methods were used to estimate non-government funding of other health practitioners between 1995–96 and 2002–03 as compared to 2003–04 to 2005–06, so comparisons should be done with care.

(f) From 2000–01, it includes DVA funding for other health practitioners and DoHA funding of hearing services (audiology component) which was previously included in 'other health'.

(g) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(h) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 21: Total health expenditure, constant prices^(a), and annual growth rates, by broad source of funds, 1995–96 to 2005–06

Year	Government					
	Australian Government ^(b)		State/territory and local		Non-government ^(b)	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	22,114	..	11,423	..	17,411	..
1996–97	22,388	1.2	12,950	13.4	18,677	7.3
1997–98	23,926	6.9	13,897	7.3	18,443	-1.3
1998–99	25,959	8.5	13,787	-0.8	19,647	6.5
1999–00	28,023	7.9	15,199	10.2	19,565	-0.4
2000–01	30,465	8.7	15,709	3.4	21,916	12.0
2001–02	31,069	2.0	16,095	2.5	23,638	7.9
2002–03	32,402	4.3	17,682	9.9	24,251	2.6
2003–04 ^(c)	33,400	3.1	18,425	4.2	25,210	4.0
2004–05	35,554	6.4	19,337	4.9	26,233	4.1
2005–06	35,804	0.7	20,816	7.6	26,982	2.9
Average annual growth rate						
1995–96 to 1997–98		4.0		10.3		2.9
1997–98 to 2002–03		6.3		4.9		5.6
1995–96 to 2005–06		4.9		6.2		4.5
Total						
1995–96	50,948	..	33,537	..	17,411	..
1996–97	54,015	6.0	35,338	5.4	18,677	7.3
1997–98	56,266	4.2	37,823	7.0	18,443	-1.3
1998–99	59,393	5.6	39,746	5.1	19,647	6.5
1999–00	62,786	5.7	43,221	8.7	19,565	-0.4
2000–01	68,090	8.4	46,174	6.8	21,916	12.0
2001–02	70,802	4.0	47,164	2.1	23,638	7.9
2002–03	74,334	5.0	50,083	6.2	24,251	2.6
2003–04 ^(c)	77,036	3.6	51,826	3.5	25,210	4.0
2004–05	81,125	5.3	54,891	5.9	26,233	4.1
2005–06	83,601	3.1	56,620	3.1	26,982	2.9
Average annual growth rate						
1995–96 to 1997–98		5.1		6.2		2.9
1997–98 to 2002–03		5.7		5.8		5.6
1995–96 to 2005–06		5.1		5.4		4.5

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) Expenditure has been adjusted for non-specific tax expenditures.

(c) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

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

Source: AIHW health expenditure database.

3.2 Government sources of funds

In 2005–06, government funding of total health expenditure was \$58.9 billion (Table A3). The Australian Government contributed \$37.2 billion (Table 22) which was 42.9% of total funding for health by all sources of funds (Table 13 and Figure 5). State, territory and local government sources provided 24.9%.

Australian Government

In 2005–06, the Australian Government provided 63.2% of total government health funding (calculated from Table 12).

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

- payments through DVA in respect of eligible veterans and their dependants
- specific purpose payments (SPPs) to the states and territories for health purposes
- direct expenditure by the Australian Government on health programs (such as Medicare and PBS)
- rebates and subsidies under the *Private Health Insurance Act 2007* and prior Acts
- taxation expenditures.

Table 22: Funding of total health expenditure by Australian Government, current prices, by type of expenditure, 1995–96 to 2005–06 (\$ million)

Year	DVA	Grants to states	Rebates of health insurance premiums ^(a)	Direct expenditure	Non-specific tax expenditure	Total
1995–96	1,489	5,012	.	10,255	91	16,847
1996–97	1,608	4,989	.	10,644	113	17,354
1997–98	1,619	5,651	407	11,047	128	18,852
1998–99	1,904	6,201	963	11,801	145	21,015
1999–00	2,180	6,440	1,576	12,826	162	23,183
2000–01	2,371	6,996	2,031	14,278	173	25,849
2001–02	2,593	7,391	2,118	15,395	203	27,700
2002–03	2,836	8,095	2,306	16,498	225	29,960
2003–04	3,013	8,219	2,516	17,998	251	31,998
2004–05	3,162	8,840	2,827	20,435	290	35,554
2005–06	3,126	9,235	3,177	21,361	329	37,229

(a) Includes health insurance rebates claimed through the taxation system as well as rebates paid directly to health insurance funds which enable them to reduce premiums charged.

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

Source: AIHW health expenditure database.

The Department of Veterans' Affairs

DVA funding of health is through its purchase of health goods and services on behalf of eligible veterans and their dependants. In 2005–06, its funding totalled \$3,126 million (Table 23). Almost half of this (48.6%) was for hospitals (public hospital services and private hospitals).

Table 23: Department of Veterans' Affairs health expenditure, current prices, by area of expenditure, 2005–06

Area of expenditure	Amount (\$m)	Proportion (%)
Public hospital services ^(a)	684	21.9
Private hospitals	834	26.7
Patient transport services	96	3.1
Medical services	767	24.5
Dental services	86	2.7
Other health practitioners	132	4.2
Community health	2	—
Medications	468	15.0
Aids and appliances	1	—
Administration	55	1.8
Research	2	0.1
Total	3,126	100.0

(a) Public hospital services excludes dental services, community health services, patient transport, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

Source: AIHW health expenditure database.

Grants to states and territories

Most of the SPPs by the Australian Government to state and territory governments were provided under the Australian Health Care Agreements (AHCAs) between these two levels of government. The payments were primarily directed to expenditure on public hospital services in the states and territories. Another SPP that was regarded as funding of public hospitals were payments for highly specialised drugs. The 30% rebate on private health insurance was also included as funding by the Australian Government for public hospitals.

The Australian Government also provides funding to the states and territories through the Public Health Outcome Funding Agreements (PHOFAs). The PHOFAs are bilateral funding agreements between the Australian Government and each state and territory. They provide broadbanded and specific purpose funding from the Australian Government to the states and territories for a range of public health programs. The current PHOFAs cover five years, from 2004–05 to 2008–09.

Direct Australian Government expenditures

The Australian Government also funds health programs such as Medicare, the PBS, public health, research, the Aboriginal community controlled health and substance use services, and health expenditure-related capital consumption and expenditure. In 2005–06, the Australian Government funded \$21.4 billion of direct expenditure (Table 22).

Rebates of health insurance contributions (30% rebate)

There are two methods for claiming the 30% rebate on private health insurance premiums. The first involves a reduced premium being charged by the private health insurance fund (with a subsequent reimbursement to the fund by the Australian Government). The second is

where the private health insurance fund charges the full (non-rebated) premium and the person paying the full premium claims the 30% rebate directly from the Australian Government through the taxation system. This rebate was regarded as part of Australian Government expenditures from 1997–98 onwards.

During 2005–06, the total value of the 30% rebate was \$3.2 billion (Table 22). \$3.0 billion was in the form of subsidies to private health insurance funds with the balance provided in the form of rebates to individuals through the taxation system.

Non-specific tax expenditure

The only tax expenditure included here is the medical expense tax rebate. This tax concession is the tax rebate of 20 cents in the dollar that can be claimed in respect of health expenditures that exceed a prescribed threshold. In 2005–06 that threshold was \$1,500 per taxpayer. These expenditures cannot be allocated to any particular area(s) of health expenditure so are included 'below the line' in the health expenditure tables. In 2005–06, the total value of such tax expenditures was \$329 million (Tables 22 and 50).

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 SPPs from the Australian Government, funding by the states and territories out of their own fiscal resources, and funding from non-government sources (usually in the form of user fees).

In terms of the types of health goods and services funded by the states and territories and by local government authorities, spending on public hospital services dominates, accounting for 66.8% (\$12.4 billion) of recurrent funding provided by these government sources in 2005–06 (calculated from Table A3).

In real terms, funding for health by state, territory and local governments increased, by an average of 6.2% per year between 1995–96 and 2005–06. In comparison, Australian Government funding increased by 4.9% per year in this period (Table 21).

3.3 Non-government funding

Non-government funding was 32.2% (\$28 billion) of total funding in 2005–06 (Table 24). In 1997–98, non-government funding was 32.6%, a decrease of 1.6 percentage points from 1996–97. The fall after 1996–97 was largely due to Australian Government subsidies for private health insurance. The effect of that subsidy is the benefits that paid for private health goods and services used by insured people became jointly funded by the Australian Government (through the contribution rebates) and the fund contributors. Since 2001–02, the non-government share has averaged around 33.0%.

Most non-government funding for health goods and services in Australia comes from out-of-pocket payments by individuals. This includes situations where individuals meet the full cost of a service or good 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. Funding by individuals accounted for 53.9% (\$15.1 billion) of estimated non-government funding of health goods and services during 2005–06 (calculated from Table 24). This was 17.4% of total funding of health expenditure. That proportion rose by

1.8 percentage points in the decade to 2005–06. Private health insurance funds provided 7.2% of total funding of health expenditure (\$6.3 billion) in 2005–06, down from 11.3% in 1995–96. The remaining 7.6% (\$6.6 billion) came from other non-government sources (mainly compulsory motor vehicle third-party and workers' compensation insurers) (Table 24).

Over the decade to 2005–06, non-government sector funding provided by private health insurance funds decreased 4 percentage points from 11% to 7%, funding by individuals increased by 2 percentage points from 15.6% to 17.4% and funding by other non-government sources increased by 1 percentage point (Table 24).

The decrease in funding by private health insurance reflected the 30% rebate for private health insurance from the Australian Government. Private health insurance benefits that were previously funded almost entirely by private health insurance premiums were instead funded 30% by the Australian Government. In 2005–06, 4% of total health expenditure was funded by the Australian Government's 30% rebate and 7% was funded through private health insurance (calculated from Table A3).

Table 24: Non-government sector funding of total health expenditure, by source of funds, current prices, 1995–96 to 2005–06

Year	Health insurance funds ^(a)		Individuals ^(b)		Other non-government ^(c)		All non-government sources ^{(a)(b)}	
	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
1995–96	4,426	11.3	6,088	15.6	2,649	6.8	13,162	33.7
1996–97	4,700	11.2	6,910	16.4	2,795	6.6	14,405	34.2
1997–98	4,271	9.5	7,322	16.3	3,025	6.8	14,618	32.6
1998–99	3,855	7.9	8,338	17.2	3,774	7.8	15,968	32.9
1999–00	3,601	6.9	8,777	16.7	3,912	7.5	16,290	31.1
2000–01	4,123	7.1	10,511	18.0	4,237	7.3	18,871	32.4
2001–02	5,075	8.0	11,506	18.1	4,603	7.3	21,184	33.4
2002–03	5,415	7.9	11,932	17.3	5,112	7.4	22,460	32.6
2003–04 ^(d)	5,790	7.8	12,861	17.4	5,535	7.5	24,186	32.7
2004–05	6,038	7.4	14,019	17.3	6,176	7.6	26,233	32.3
2005–06	6,284	7.2	15,086	17.4	6,634	7.6	28,004	32.2

(a) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate.

(b) Adjusted for non-specific tax expenditures.

(c) All non-government sector capital expenditure is included here, as the details of funding of non-government capital expenditure is not known. If funding was known, this capital expenditure would be spread across all funding columns.

(d) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

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

Source: AIHW health expenditure database.

Individuals

Real growth in expenditure by individuals between 1995–96 and 2005–06 was 6.0% per year, 0.9 percentage points above the real growth in total health expenditure (5.1%) (Tables 1 and 25).

Table 25: Non-government sector funding of total health expenditure, by source of funds, constant prices^(a), and annual growth rates, 1995–96 to 2005–06

Year	Private health insurance funds ^(b)		Individuals ^(c)		Other non-government ^(d)		All non-government sources ^{(b)(c)}	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	5,933	..	8,115	..	3,362	..	17,411	..
1996–97	6,162	3.9	9,018	11.1	3,497	4.0	18,677	7.3
1997–98	5,473	-11.2	9,232	2.4	3,738	6.9	18,443	-1.3
1998–99	4,808	-12.1	10,302	11.6	4,537	21.4	19,647	6.5
1999–00	4,376	-9.0	10,556	2.5	4,633	2.1	19,565	-0.4
2000–01	4,918	12.4	12,155	15.1	4,842	4.5	21,916	12.0
2001–02	5,726	16.4	12,861	5.8	5,052	4.3	23,638	7.9
2002–03	5,880	2.7	12,924	0.5	5,446	7.8	24,251	2.6
2003–04 ^(e)	6,044	2.8	13,410	3.8	5,756	5.7	25,210	4.0
2004–05	6,038	-0.1	14,019	4.5	6,176	7.3	26,233	4.1
2005–06	6,022	-0.3	14,558	3.8	6,402	3.7	26,982	2.9
Average annual growth rate								
1995–96 to 1997–98		-4.0					5.4	2.9
1997–98 to 2002–03		1.4					7.8	5.6
1995–96 to 2005–06		0.1					6.7	4.5

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate.

(c) Adjusted for non-specific tax expenditures.

(d) All non-government sector capital expenditure is included here, as the details of funding of non-government capital expenditure is not known. If funding was known, this capital expenditure would be spread across all funding columns.

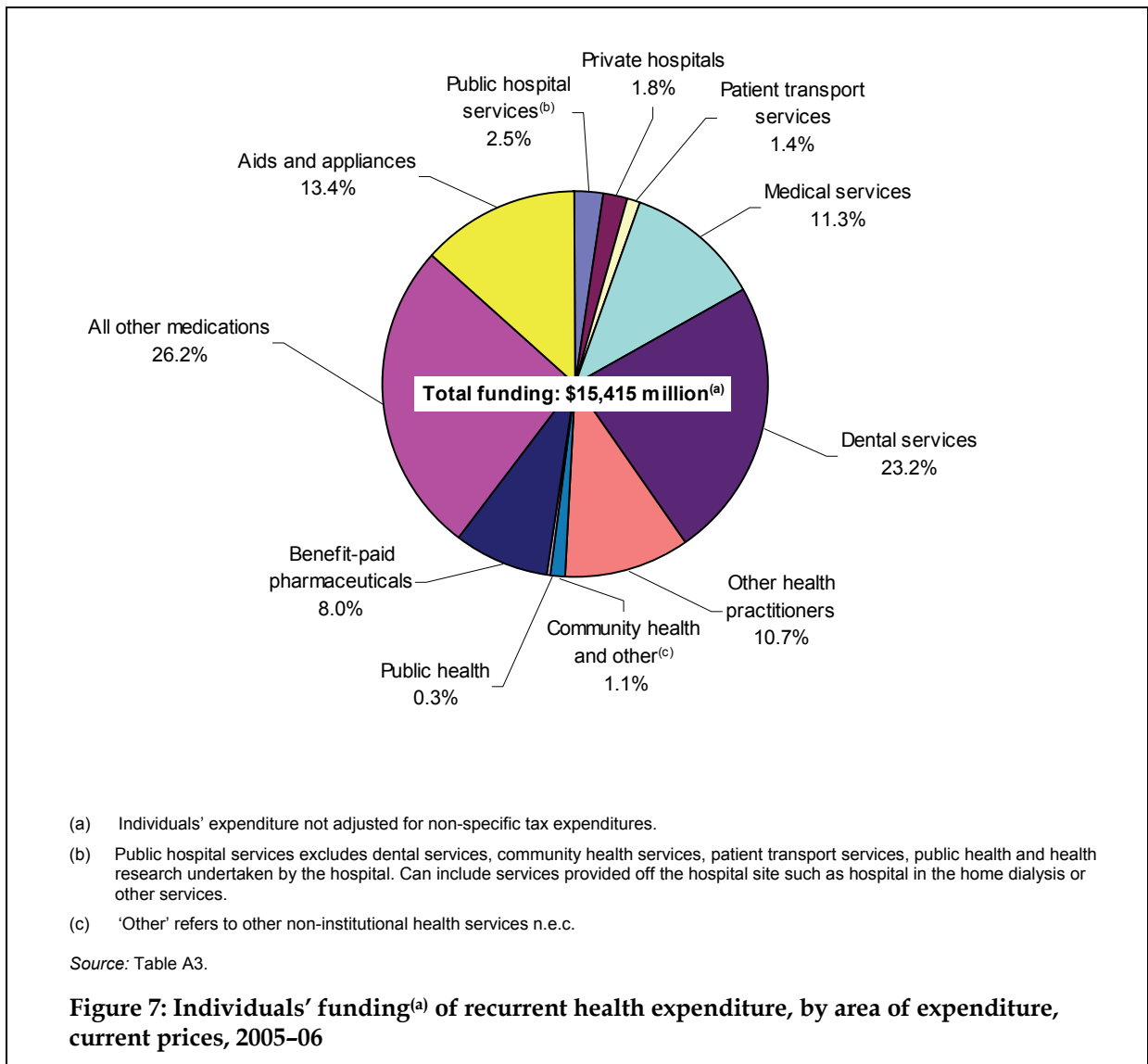
(e) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

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

Source: AIHW health expenditure database.

In 2005–06, of the estimated \$15.4 billion out-of-pocket recurrent expenditure by individuals on health goods and services (Figure 7):

- 34.2% was spent on medications
 - 8.0% on PBS and RPBS patient contributions
 - 26.2% on other medications (see Table 65 for a detailed definition)
- 23.2% on dental services
- 13.4% on aids and appliances
- 11.3% on medical services
- 10.7% on other health practitioners (such as physiotherapists, chiropractors and podiatrists, see Table 65 for full list).



In real terms, average out-of-pocket health expenditure per person grew by 4.8% per year from 1995-96 to 2005-06 (Table 26). Over this period, benefit-paid pharmaceuticals had a real growth of 8.1% per year compared to all other medications (6.5%). In contrast, average per person out-of-pocket expenditure on medical services grew at just 3.0% per year.

Table 26: Average out-of-pocket funding of recurrent health expenditure per person, constant prices^(a), and annual growth rates, by area of expenditure, 1995–96 to 2005–06

Year	Hospitals ^{(b)(c)}		Patient transport ^(b)		Medical services		Dental services ^(b)		Other health practitioners ^(d)		Community and public health ^{(b)(e)}		Benefit-paid pharmaceuticals		All other medications		Aids and appliances ^(d)		Total recurrent expenditure		
	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	
1995–96	22	..	8	..	60	..	120	..	64	..	—	..	28	..	101	..	50	..	453	..	
1996–97	31	45.1	9	6.2	63	5.0	123	2.4	78	21.3	—	..	30	9.8	112	10.8	51	2.7	498	9.9	
1997–98	24	-23.2	9	8.7	68	7.6	121	-1.3	67	-14.2	—	..	32	6.7	130	16.1	53	3.2	505	1.5	
1998–99	44	80.4	9	-1.7	70	3.3	121	0.2	62	-6.7	5	..	34	3.8	140	7.5	72	36.0	557	10.3	
1999–00	41	-5.4	10	4.7	69	-1.0	121	-0.7	59	-5.5	2	-63.4	36	7.1	151	8.3	75	4.5	565	1.4	
2000–01	46	12.4	11	12.1	71	2.1	142	17.5	58	-2.0	—	..	40	12.4	162	7.1	111	47.6	641	13.5	
2001–02	42	-9.0	12	6.3	73	3.4	153	8.3	61	6.1	—	..	43	6.9	186	14.8	99	-10.9	670	4.5	
2002–03	25	-41.0	12	3.7	82	11.6	159	3.4	65	6.4	—	..	48	11.5	168	-9.7	107	8.2	666	-0.6	
Break in time series																					
2003–04	25	..	9	..	86	5.4	164	..	70	..	9	..	52	7.6	176	4.7	92	..	683	2.6	
2004–05	23	-7.9	9	0.4	80	-7.0	168	2.4	74	6.8	8	-5.8	57	9.5	190	7.9	96	4.4	706	3.4	
2005–06	31	34.7	10	4.6	80	0.5	167	-0.5	77	3.2	10	21.9	60	6.1	190	-0.1	98	2.5	723	2.5	
Average annual growth rate																					
1995–96 to 2002–03		2.0		5.7		4.5		4.1		0.2		..		8.3		7.5		11.5		5.7	
2003–04 to 2005–06		11.4		2.4		-3.4		0.9		5.0		7.2		7.8		3.8		3.4		2.9	
1995–96 to 2005–06		..		..		3.0		..		..		..		8.1		6.5		..		4.8

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices. Not adjusted for non-specific tax expenditures.

(b) Hospitals, patient transport services, dental services and community and public health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, patient transport services, dental services and community and public health.

(c) Includes public and private hospitals. Public hospital expenditure (1995–96 to 2002–03) includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Public hospital services (2003–04 to 2005–06) excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

(d) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

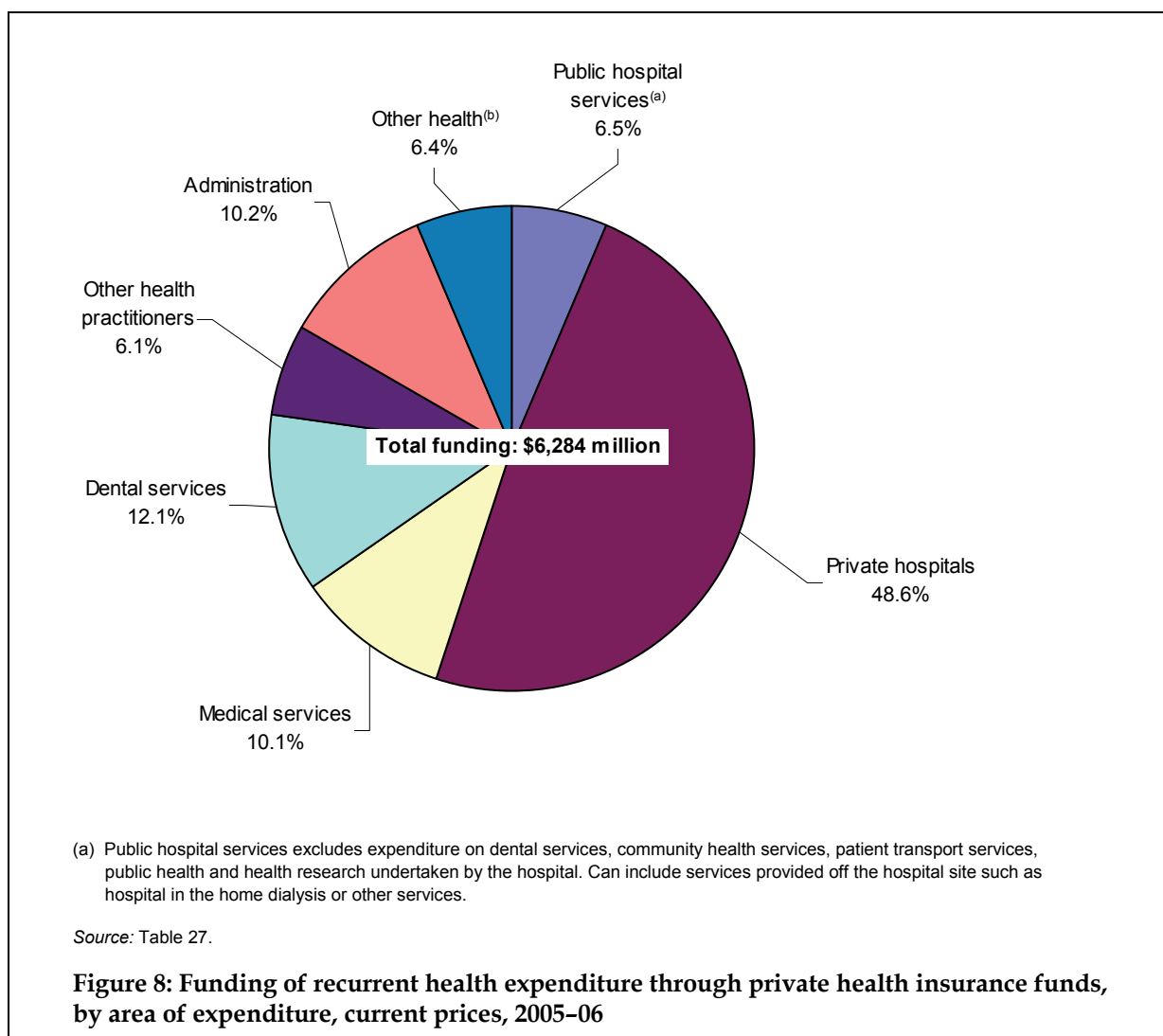
(e) For 1999–00 this also includes administration expenditure.

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

Source: AIHW health expenditure database.

Private health insurance

Funding by private health insurance is chiefly directed towards private hospitals. During 2005–06, private hospitals received 48.6% (\$3.1 billion) of the \$6.3 billion in funding provided by health insurance funds (Figure 8 and Table 27). Other major areas of expenditure that received funding were dental services (12.1% or \$760 million), administration (10.2% or \$639 million) and medical services (10.1% or \$636 million). The funding for medical services includes some of the cost of in-hospital medical services which are provided to private admitted patients in hospitals. Patient transport services and medications received the least funding from health insurance funds in 2005–06 (\$92 million and \$47 million respectively) (Table 27).



General benefits and administration

Gross health benefits paid through the health insurance funds in 2005–06 amounted to \$8,499 million – up \$526 million from \$7,973 million in 2004–05 and up \$1,044 million since 2003–04 (Table 27). A further \$962 million was used to fund administration during 2005–06; this showed a steady increase from \$852 million in 2003–04 and \$892 million in 2004–05. The

premium rebates paid by the Australian Government through the tax system or directly to private health insurance funds increased from \$2,256 million in 2003-04 to \$2,854 million in 2005-06.

The reserves of the health insurance funds overall continued to increase in 2005-06, with the operating profit before abnormals and extraordinary items rising from \$447 million in 2003-04 to \$984 million in 2005-06 (Table 28).

Table 27: Expenditure on health goods and services funded through health insurance funds, current prices, 2003–04 to 2005–06 (\$ million)

Area of expenditure	2003–04			2004–05			2005–06		
	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
Expenditure									
Hospitals	4,572	1,384	3,186	4,919	1,569	3,351	5,213	1,750	3,462
Public hospital services ^(b)	486	147	339	565	180	385	615	207	409
Private hospitals	4,086	1,237	2,848	4,354	1,388	2,966	4,598	1,544	3,054
Patient transport ^(c)	130	39	91	138	44	94	139	47	92
Medical services	789	239	550	868	277	591	957	321	636
Dental services	1,027	311	716	1,070	341	729	1,144	384	760
Other health practitioners	499	151	348	527	168	359	578	194	384
Community and public health	1	—	1	1	—	—	1	—	—
Medications	71	21	49	75	24	49	71	24	47
Aids and appliances	367	111	256	376	120	256	397	133	264
Total health benefits and levies	7,455	2,256	5,196	7,973	2,542	5,431	8,499	2,854	5,645
Health administration	852	258	594	892	284	607	962	323	639
Direct expenditure on health goods and services	8,307	2,514	5,790	8,865	2,827	6,038	9,461	3,177	6,284
Items not included in estimates on health goods and services									
Non-health ancillaries	46	14	32	16	5	11	15	5	10
Outstanding claims adjustment	62	19	43	88	28	60	98	33	65

(a) The premium rebate is pro-rated across all categories (including change in provisions for outstanding claims). The rebate includes rebates paid through the tax system as well as rebates paid to funds which directly reduce premiums.

(b) Public hospital services excludes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

(c) Includes the levy on private insurance funds in New South Wales to fund patient transport services.

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

Sources: PHIAC 2007; ATO 2006; DoHA 2004, 2005a, 2006.

Table 28: Health insurance funds reported expenses and revenues, current prices, 2003–04 to 2005–06 (\$ million)

Operating expenses and revenue of funds	2003–04	2004–05	2005–06
Expenses			
Total cost of benefits ^(a)	7,525	8,238	8,753
State levies (patient transport services)	105	110	113
Management expenses	852	892	962
Total expenses (not including provision adjustments)	8,482	9,240	9,828
Revenue			
Contributions income	8,637	9,384	10,261
Other revenue	296	373	446
Total revenue	8,932	9,757	10,706
Operating profit (loss) before abnormals and extraordinary items	447	626	984

(a) Includes adjustment to provisions for outstanding claims.

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

Sources: PHIACs, 2004 to 2006.

Table 29: Expenditure on health goods and services and administration funded through private health insurance funds, constant prices^(a), and annual growth rates, 1995–96 to 2005–06

Year	Gross payments through health insurance funds		Reimbursement through reduced premium fees by funds		Rebates through taxation system		Net payments from health insurance fund resources ^(b)	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	5,933	..	..	..	..	..	5,933	..
1996–97	6,162	3.9	..	..	..	..	6,162	3.9
1997–98	5,995	-2.7	319	..	203	..	5,473	-11.2
1998–99	6,010	0.3	979	206.8	223	10.1	4,808	-12.1
1999–00	6,289	4.6	1,681	71.8	232	3.9	4,376	-9.0
2000–01	7,340	16.7	2,213	31.6	209	-10.0	4,918	12.4
2001–02	8,115	10.6	2,196	-0.8	193	-7.4	5,726	16.4
2002–03	8,385	3.3	2,331	6.2	173	-10.4	5,880	2.7
2003–04	8,671	3.4	2,465	5.7	162	-6.6	6,044	2.8
2004–05	8,865	2.2	2,672	8.4	155	-4.1	6,038	-0.1
2005–06	9,066	2.3	2,888	8.1	156	0.7	6,022	-0.3
Average annual growth rate								
1995–96 to 1997–98		0.5		..		..		-4.0
1997–98 to 2002–03		6.9		48.9		-3.1		1.4
1995–96 to 2005–06		4.3		..		..		0.1

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) Is equal to the gross payments through health insurance funds less the sum of the reimbursement through reduced premiums and the rebates claimed through the taxation system.

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

Source: AIHW health expenditure database.

After the introduction of the Australian Government Private Health Insurance Incentives Scheme subsidy in 1997 there was a sharp drop in net funding by health insurance funds in each year up to 1999–00, followed by an increase after the introduction of the lifetime health cover arrangements in the September quarter of 2000. Net expenditure in real terms rose from \$5,726 million in 2001–02 to \$6,044 million in 2003–04. It then dropped to \$6,022 million in 2005–06 which the private health insurance rebates rose to a high of \$2,888 million in that year (Table 29 and Figure 9).

The government rebates for private health insurance are assumed to impact on funding of health in the year in which the rebates are paid. Thus the build-up in reserves due to the operating profit of \$984 million in 2005–06 (Table 28) is effectively paid for entirely out of health insurance fund resources and not from government rebates. This is the reason for the fall in net payments in 2005–06 from health insurance fund resources for health services of 0.3% (Table 29).

In 2005–06, it was estimated that health insurance funds spent on average \$684 per person covered on health (in 2004–05 prices). Fund contributors in South Australia on average attracted the highest amount per person covered (\$772) while people in the Northern Territory attracted the least per person covered (\$367). When comparing average annual growth rates in constant prices over the period 1996–97 to 2005–06, all states and territories recorded reductions in the amount spent through health insurance. Fund contributors in the Northern Territory had the greatest decline in their per person expenditure of 4.9% per year (Table 30).

Table 30: Average health expenditure funded by health insurance per person^(a) covered, constant prices^(b), by state and territory^(c), 1996–97 to 2005–06 (\$)

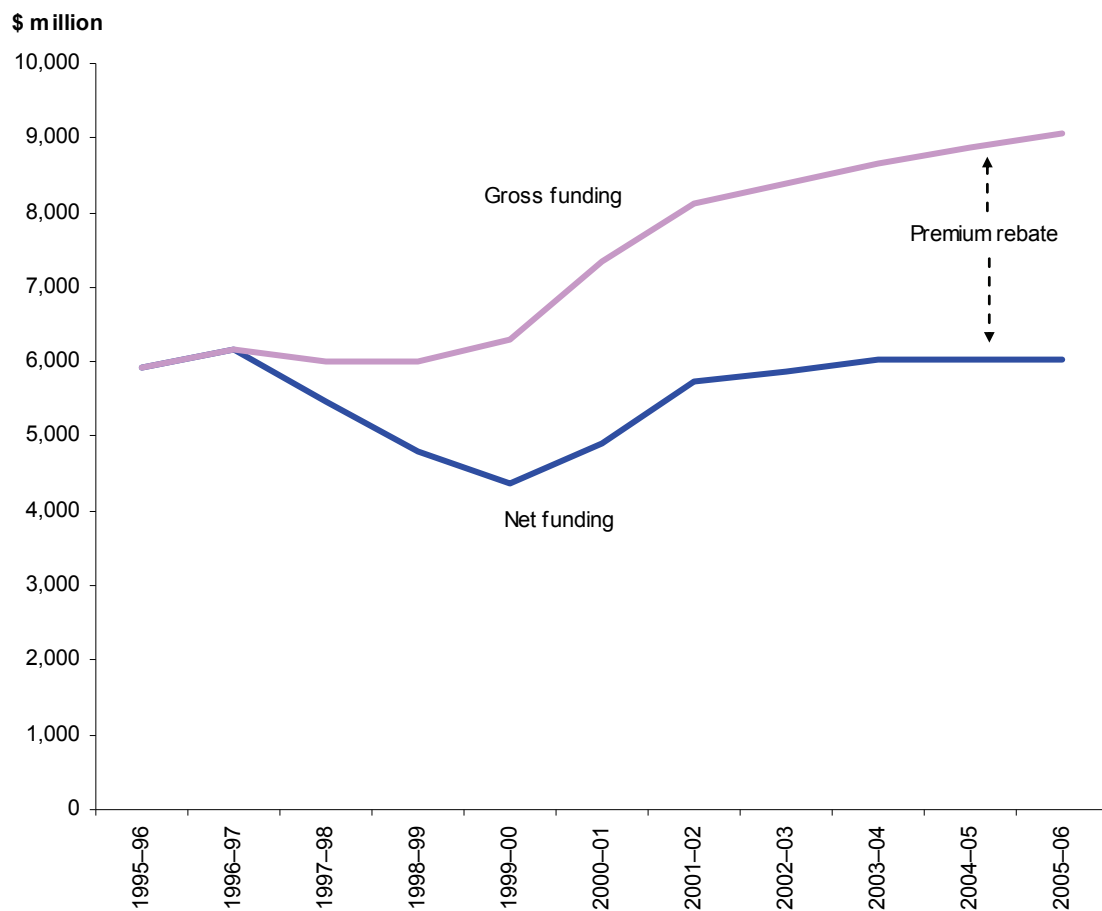
Year	NSW & ACT ^(c)	Vic	Qld	WA	SA	Tas	NT	Australia
1996–97	1,005	1,030	1,013	952	1,190	1,008	580	1,019
1997–98	921	951	936	888	1,078	903	525	936
1998–99	824	845	846	811	968	800	499	840
1999–00	635	679	672	684	775	646	399	667
2000–01	547	540	579	581	650	614	344	563
2001–02	631	628	685	676	765	707	419	655
2002–03	638	662	722	689	794	725	373	677
2003–04	666	681	751	699	795	753	392	698
2004–05	665	677	748	693	785	723	368	694
2005–06	649	684	733	664	772	729	367	684
Average annual growth rate								
1996–97 to 1997–98	-8.4	-7.7	-7.6	-6.8	-9.4	-10.4	-9.4	-8.1
1997–98 to 2002–03	-7.1	-7.0	-5.0	-5.0	-5.9	-4.3	-6.6	-6.3
1996–97 to 2005–06	-4.8	-4.5	-3.5	-3.9	-4.7	-3.5	-4.9	-4.3

(a) Based on persons registered with health insurance funds in each state and territory.

(b) Constant price health expenditure for 1996–97 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Health insurance funding for ACT and NSW residents cannot be reliably separated so are presented as combined.

Source: AIHW health expenditure database.



(a) Constant price health expenditure for 1995-96 to 2005-06 is expressed in terms of 2004-05 prices.

Note: Up to 1996-97 there was no government subsidy for health insurance premiums so gross payments through the funds equalled net payments from health insurance funds' resources.

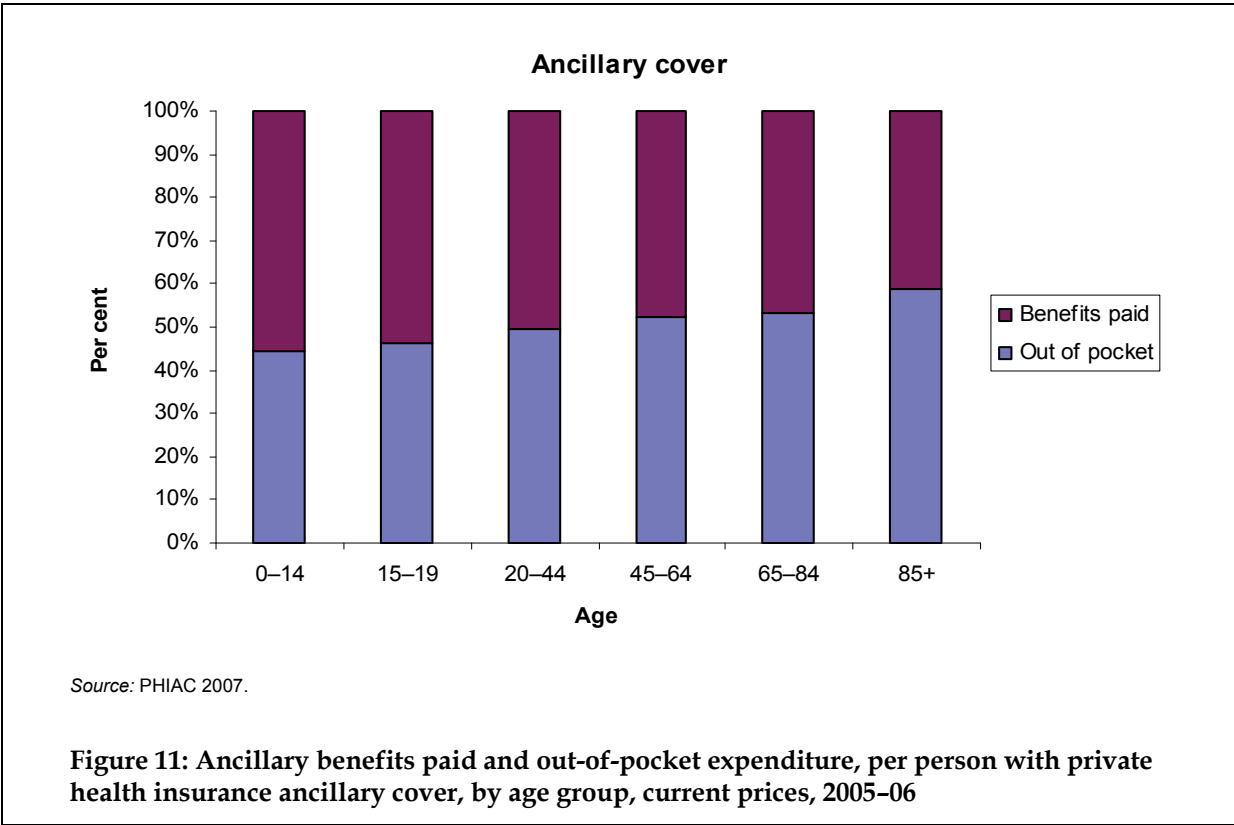
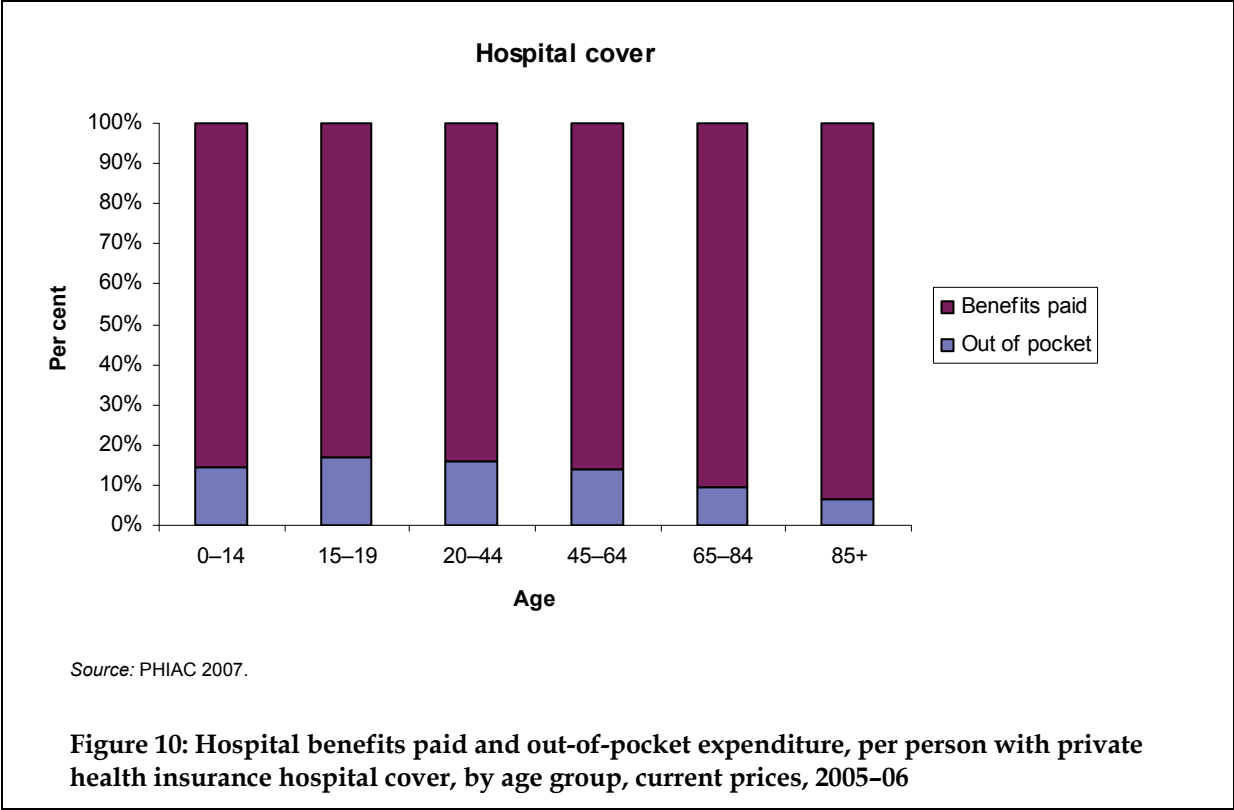
Source: Table 29.

Figure 9: Funding of recurrent health expenditure through private health insurance, constant prices^(a), 1995-96 to 2005-06

People with private health insurance cover typically incur some level of out-of-pocket expenditure. In 2005-06, the proportion of the total cost of a hospital service (whether it was a private patient service in a public hospital or a private hospital), that was paid by patients with hospital cover was highest for those in the younger age groups and lowest for those in the older age groups (Figure 10). For patients aged 0-14 years the average proportion paid per person was 14.7% and this dropped to 6.5% for those aged 85 years or more.

The proportion of the total cost of an ancillary service that was paid by patients with ancillary cover was higher than for hospital services – around half the total cost depending on the age of the patient (Figure 11). In contrast to the proportion paid for hospital services, the proportion of the cost of ancillary services increased with the age of the patient.

For patients aged 0–14 years the average proportion paid per person was 44.5% and this increased to 59.0% for patients aged 85 years or more.



In 2005–06 the total cost of a service increased as the age of the patient increased. For example, the average fee charged for a hospital service to patients with hospital cover was \$142 for a patient aged 0–14 years and \$3,691 for a patient aged 85 years or more (Table 31). At the same time, the proportion of the total cost of a hospital service that was paid by patients with hospital cover decreased as their age increased – for patients aged 0–14 years the average proportion paid per person was 14.7% and this decreased to 6.5% for patients aged 85 years or more (Figure 10). However, because of the increase in hospital service costs for older patients, the out-of-pocket costs paid by persons aged 45 years or more with hospital cover were higher than for those aged less than 45 years. For example, average out-of-pocket costs for hospital services paid by patients with hospital cover were \$21 per person for those aged 0–14 years and \$239 for persons aged 85 years or more with hospital cover (Table 31).

The average out-of-pocket costs paid for hospital services by females aged between 15 and 64 years with private health insurance were higher than those paid by males in the same age groups with similar types of insurance cover. For the older age groups (65 years or more) out-of-pocket expenditures paid by males were higher than for females. Out-of-pocket costs paid by females ranged from \$18 per person with insurance in the 0–14 years age group to \$218 for those aged 85 years or more (\$23 and \$296 per person respectively for males) (Table 31).

The greatest difference between the sexes in out-of-pocket expenditure on hospital services for patients with hospital cover was in the age category 20–44 years. Females in this category spent, on average, more than twice the rate of males (\$113 and \$50 respectively). This reflects the higher outlays on hospital services faced by women in their child-bearing years.

The average per person out-of-pocket expenditure for ancillary services paid by female patients with ancillary cover was higher than that paid by their male counterparts at all ages except the 85 years and over age group. The difference was greatest in the age category 45–64 years, with an average per person amount paid for an ancillary service by male patients of \$331 and by female patients of \$440. The average amount paid for ancillary services by females with ancillary cover ranged from \$118 per person in the 0–14 years age group to \$440 for those aged 45–64 years, after which it decreased to \$380 for those aged 85 years or more. For ancillary services for male patients with ancillary cover, out-of-pocket expenditure increased with age, ranging from \$103 per person in the 0–14 years age group to \$405 for those aged 85 years or more (Table 31).

Table 31: Fees charged, benefits paid and out-of-pocket expenditure, per person with private health insurance hospital cover and/or ancillary cover, by age group and sex, current prices, 2005–06 (\$)

	Age group					
	0–14	15–19	20–44	45–64	65–84	85+
Hospital benefits paid, fees charged and out-of pocket expenditure						
Males						
Out of pocket	23	33	50	109	273	296
Benefits paid	132	154	220	700	2,475	3,748
<i>Fees charged</i>	155	188	270	809	2,748	4,044
Females						
Out of pocket	18	36	113	115	211	218
Benefits paid	111	180	623	710	2,121	3,345
<i>Fees charged</i>	129	216	735	825	2,332	3,564
All persons						
Out of pocket	21	35	83	112	240	239
Benefits paid	122	167	434	705	2,286	3,452
<i>Fees charged</i>	142	201	517	817	2,526	3,691
Ancillary benefits paid, fees charged and out-of pocket expenditure						
Males						
Out of pocket	103	155	186	331	396	405
Benefits paid	132	182	191	309	347	286
<i>Fees charged</i>	235	337	377	641	743	691
Females						
Out of pocket	118	189	261	440	423	380
Benefits paid	142	215	263	398	376	262
<i>Fees charged</i>	260	405	524	839	799	642
All persons						
Out of pocket	110	172	226	387	410	387
Benefits paid	137	198	230	355	362	269
<i>Fees charged</i>	247	370	456	742	772	655

Source: PHIAC 2007.

Injury compensation insurers

In 2005–06, injury compensation insurers funded \$1,935 million of expenditure on health goods and services – \$1,206 million by workers’ compensation insurers and \$729 million by motor vehicle third-party insurers (AIHW health expenditure database).

Over the period 1995–96 to 2005–06, expenditure by workers’ compensation insurers rose on average by 2.3% per year while the annual increase over this decade was 4.3% for motor vehicle third-party insurers (Table 32).

Expenditure on health funded by workers’ compensation and motor vehicle third-party insurers is included in the ‘other non-government’ source of funds category in the main health expenditure tables.

Table 32: Expenditure by injury compensation insurers, constant prices^(a), and annual growth rates, 1995–96 to 2005–06

Year	Workers' compensation insurers		Motor vehicle accident third-party insurers		Total injury compensation insurers	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	911	..	459	..	1,370	..
1996–97	915	0.5	516	12.4	1,431	4.5
1997–98	906	-1.1	495	-4.1	1,401	-2.2
1998–99	977	7.9	575	16.2	1,552	10.8
1999–00	995	1.9	581	1.0	1,576	1.6
2000–01	996	0.1	535	-7.8	1,532	-2.8
2001–02	1,007	1.1	682	27.3	1,689	10.3
2002–03	1,085	7.8	690	1.2	1,776	5.1
2003–04	1,156	6.5	630	-8.8	1,786	0.6
2004–05	1,126	-2.6	706	12.1	1,832	2.6
2005–06	1,148	1.9	697	-1.2	1,845	0.7
Average annual growth rate						
1995–96 to 1997–98		-0.3			3.8	1.1
1997–98 to 2002–03		3.7			6.9	4.9
1995–96 to 2005–06		2.3			4.3	3.0

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

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

Source: AIHW health expenditure database.