

4 Health expenditure and funding, by area of health expenditure

4.1 Recurrent expenditure on health goods and services

Recurrent health expenditure in Australia is considered under two broad categories of health goods and services – institutional services and non-institutional goods and services.

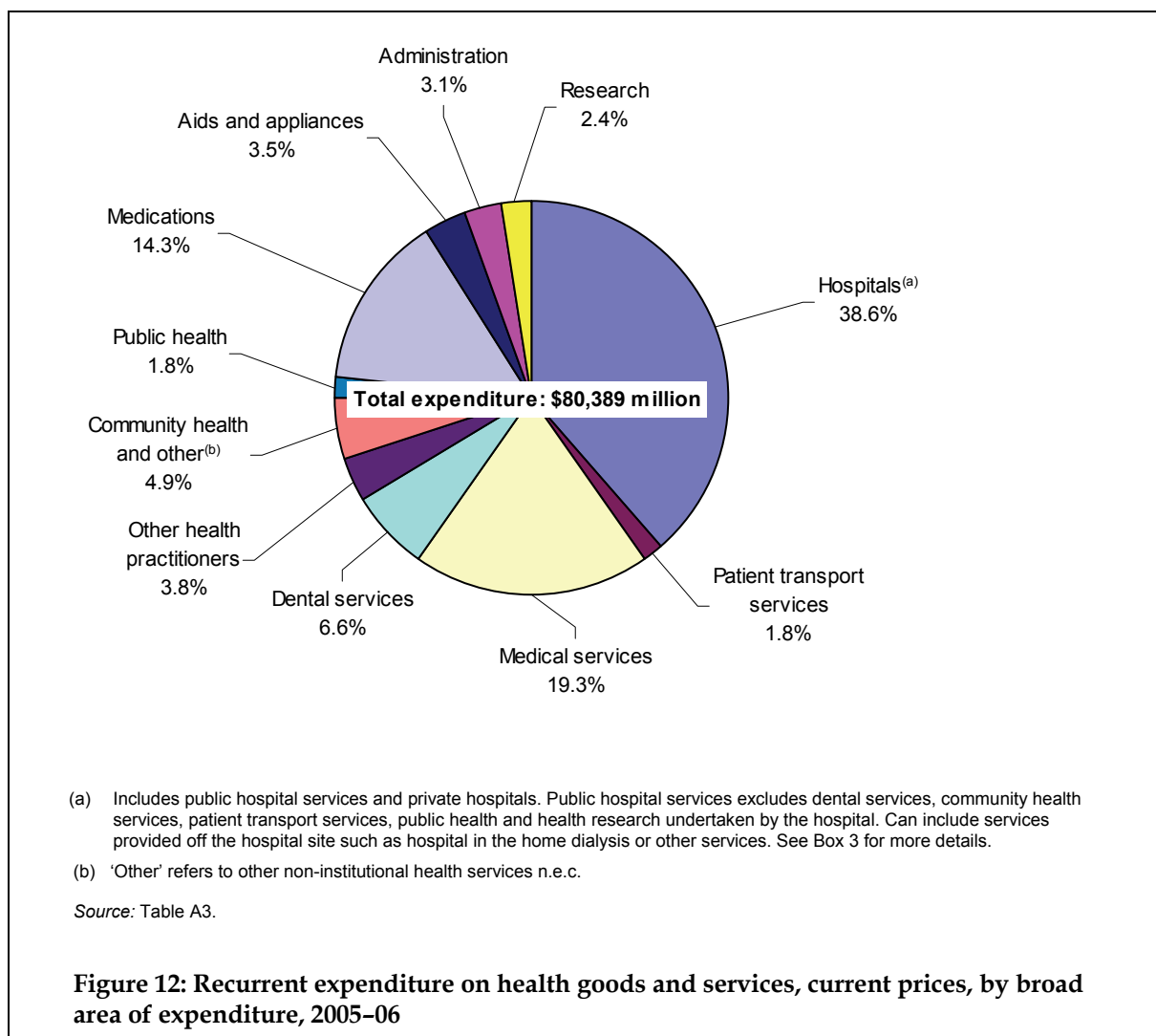
Institutional health expenditure includes:

- hospitals
- patient transport services.

Non-institutional health expenditure includes:

- ambulatory health services, such as those provided by doctors, dentists and other health practitioners
- community health services and public health services
- health goods (medications and aids and appliances) provided to patients in the community
- health-related expenditures, such as expenditure on health administration and research.

However, within these two categories of health goods and services there is substantial overlap. Hospitals are part of institutional health services and medical services are part of non-institutional health goods and services. In 2005–06, \$3,986 million was spent on salaried medical staff and visiting medical officers, but provided as part of public hospital services (AIHW 2007a). Likewise, expenditures classified as medical services include medical services provided to private patients in public and private hospitals.



Institutional health services

Hospitals

More money is spent by hospitals, as the largest providers of health services, than other health providers. In this report hospital expenditure is analysed by two categories:

- public hospitals
- private hospitals.

Public hospitals in this report include public psychiatric hospitals, which are public hospitals that cater almost exclusively for the needs of people with mental illness. In *Health expenditure Australia* reports prior to the 2005-06 report these hospitals were reported separately. However, as they comprise a relatively small component of total public hospital expenditure and the definition of public psychiatric hospitals was inconsistent from state to state, they are now included as part of total public hospitals.

Box 3: Public hospital and public hospital services expenditure

For the last three years the AIHW has been collecting expenditure data from the states and territories in a different format and data from the year 2003–04 onwards are now reported differently. Expenditure for the following services provided by public hospitals is now, where it is possible to identify this expenditure, reported separately under their respective categories:

- *community health services*
- *public health services*
- *dental services (non-admitted)*
- *patient transport services*
- *health research*

*The balance of public hospital expenditure, remaining after the above components have been removed and re-allocated to their own expenditure categories, is referred to as **'public hospital services'** expenditure.*

Not all expenditure on community and public health services, dental and patient transport services and health research provided in public hospitals can be identified separately. For example, some expenditure relating to dental programs provided in public hospitals can be identified and re-allocated to the expenditure category 'state dental services' expenditure. But some dental services provided by hospitals cannot be identified and costed so these expenditures remain as part of 'public hospital services'. Similarly, many of the community health services that are provided by public hospitals can be identified and re-allocated to the 'community health services' expenditure category. But some are not able to be identified so remain as part of 'public hospital services'.

*Prior to 2003–04, the AIHW Public Hospitals Establishments (PHE) collection data were used to derive public hospital expenditure estimates for each state and territory. The PHE data comprises expenditure on goods and services provided in hospitals, including expenditure on the components of community and public health services, dental and patient transport services and health research that are provided in public hospitals. This expenditure is referred to as **'public hospital'** expenditure.*

Impact of this change on comparability of health expenditure data

Comparisons over time of expenditure on public hospitals, public hospital services, community and public health services and dental and patient transport services can be made for the following time periods:

1. *up to and including 2002–03, and*
2. *from 2003–04 onwards.*

Health expenditure for these areas cannot be compared across 2002–03 and 2003–04, nor can they be used to compare expenditure relating to a specific year, such as 2005–06, to expenditure, or growth in expenditure, for the decade 1995–96 to 2005–06.

This change in the way data are collected does not affect the comparability over time of expenditure data on private hospitals, medical services, other health practitioners, medications and aids and appliances.

As part of the new expenditure reporting process there was not only the change to supplying information on 'public hospital services,' there was also a change in some states and territories in the allocation of central costs. So increasingly, head office and other central costs have been allocated to the functional areas rather than to the 'administration' category. This leads to quite significant increases in expenditures allocated to areas such as 'public hospital services' and 'community health services'.

Table 33: Recurrent expenditure by hospitals, constant prices^(a), by broad type of hospital, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^(b)		Private hospitals		All hospitals recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	14,881	..	4,113	..	18,993	..
1996–97	15,848	6.5	4,441	8.0	20,289	6.8
1997–98	16,758	5.7	4,560	2.7	21,318	5.1
1998–99	17,384	3.7	4,802	5.3	22,186	4.1
1999–00	17,693	1.8	4,984	3.8	22,677	2.2
2000–01	18,788	6.2	5,360	7.5	24,148	6.5
2001–02	19,083	1.6	5,591	4.3	24,675	2.2
2002–03	20,383	6.8	5,915	5.8	26,298	6.6
2003–04	21,087	3.5	6,177	4.4	27,264	3.7
2004–05	22,193	5.2	6,327	2.4	28,520	4.6
2005–06	23,409	5.5	6,410	1.3	29,819	4.6
Average annual growth rate						
1995–96 to 1997–98		6.1		5.3		5.9
1997–98 to 2002–03		4.0		5.3		4.3
1995–96 to 2005–06		4.6		4.5		4.6

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

(b) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. See Box 3 for details on distinction between 'public hospitals' and 'public hospital services'.

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

Source: AIHW health expenditure database.

Public hospitals and private hospitals

In real terms hospital expenditure – public (psychiatric and non-psychiatric) and private hospitals – grew by 4.6% and 4.5% per year, respectively, between 1995–96 and 2005–06 (Table 33).

One important influence on expenditure on hospitals is the Australian Government's policy for funding hospital services. In the case of public hospitals, funding is affected by bilateral agreements between the Australian Government and the various state and territory governments (the AHCA's). Data from the first AHCA period and the first three years of the second AHCA period are included in this publication. See Box 4 for the periods of all health service funding agreements between the Australian Government and the state and territory governments. Funding for hospitals is also influenced by the Australian Government's private health insurance initiatives, as private health insurance provides the bulk of funding for private hospitals and for private patients in public hospitals.

Between 1997 and 2000 three major incentives relating to private health insurance were introduced:

- in July 1997, the means-tested Private Health Insurance Incentives Scheme (PHIIS) subsidy
- in January 1999, a non means-tested 30% rebate on private health insurance premiums, which replaced the PHIIS subsidy
- in July 2000, the 'Lifetime Health Cover' initiatives to encourage more people to take out and maintain private insurance cover.

Box 4: Australian Government and state and territory governments' health funding agreement periods

First Medicare (Compensation) Agreement: 1984 to 30 June 1988

Second Medicare Agreement: 1 July 1988 to 30 June 1993

Third Medicare Agreement: 1 July 1993 to 30 June 1998

First Australian Health Care Agreement: 1 July 1998 to 30 June 2003

Second Australian Health Care Agreement: 1 July 2003 to 30 June 2008

Changes to 'Lifetime Health Cover' were announced in 2006 and these changes are being implemented progressively from 2007. The Australian Government is also allowing insurers to offer broader health cover products which expand hospital cover to outpatient and out-of-hospital services.

From 1997-98 to 2002-03, public hospital expenditure grew at 4.0% per year. Private hospital expenditure grew at 5.3% per year during the same period (Table 33).

The private hospital share of hospital expenditure increased from 21.7% of hospital expenditure in 1995-96 to 22.7% in 2001-02, stabilised and then declined to 21.5% in 2005-06 (calculated from Table 33).

Table 34: Funding of hospitals^(a), current prices, by broad source of funds, 1995–96 to 2005–06 (per cent)

Year	Government			Non-government			Total
	Australian Government ^(b)	State/territory and local	Total	Private health insurance funds ^(b)	Other non-government	Total	
1995–96	37.4	35.9	73.3	17.8	9.0	26.7	100.0
1996–97	35.6	38.1	73.7	17.5	8.8	26.3	100.0
1997–98	38.2	38.2	76.4	14.7	8.9	23.6	100.0
1998–99	41.9	36.0	77.9	12.3	9.8	22.1	100.0
1999–00	43.8	35.8	79.6	10.5	9.9	20.4	100.0
2000–01	45.0	34.9	79.8	10.9	9.3	20.2	100.0
2001–02	44.0	35.0	79.0	12.4	8.6	21.0	100.0
2002–03	43.5	37.5	81.1	12.0	6.9	18.9	100.0
2003–04	42.6	38.0	80.6	12.1	7.2	19.4	100.0
2004–05	42.3	38.4	80.7	11.7	7.5	19.3	100.0
2005–06	40.6	40.5	81.1	11.1	7.8	18.9	100.0

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals. See Box 3 for details on distinction between public hospitals and public hospital services.

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

Source: AIHW health expenditure database.

In 2005–06, government accounted for the majority of funding for hospitals (81.1%) (Table 34). Non-government sources contributed the remainder of the funding (18.9%). Over the decade to 2005–06, governments increased their share of funding of hospitals by 7.8 percentage points (Table 34). The Australian Government increased its share by 3.2 percentage points from 37.4% to 40.6%. The states and territories increased their share by 4.6 percentage points from 35.9% to 40.5% and the non-government funding of public and private hospitals decreased from 26.7% in 1995–96 to 18.9% in 2005–06 (Table 34).

Of this 7.8 percentage point increase in the share of government funding over the decade, 5.6 percentage points was the effect of the Australian Government private health insurance rebate scheme taking over some of the funding of private health insurance.

Public hospitals

Expenditure on public psychiatric and non-psychiatric hospitals includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken in a public hospital, in addition to expenditure on general hospital treatment provided by public hospitals (see also Box 3).

It does not include the expenditure by public hospitals on services provided by private hospitals for public patients. This expenditure is included as part of private hospital expenditure.

More than 90% of funding for public hospitals comes from governments. The Australian Government's contribution – estimated at 41.4% in 2005–06 (Table 35) – was largely in the form of SPPs under the AHCA (Table 36). The states and territories, which have the major responsibility for operating and regulating public hospitals that operate within their jurisdictions, provided 50.6% of the funding for public hospitals in 2005–06.

Between 1995–96 and 2005–06, the Australian Government share of public hospital funding decreased by 4 percentage points from 45% to 41%. State and territory government funding during this period increased by 5 percentage points from, 46% to 51% (Table 35).

The non-government contribution declined over the decade from 9.0% in 1995–96 to 8.0% in 2005–06 (Table 35). In 2005–06, non-government funding consists of funding from private health insurance (1.7%), individual out-of-pocket payments (1.1%), workers' compensation insurers and motor vehicle third-party insurers (1.1%) and other revenue (4.1%) (calculated from source table for Table 35).

Table 35: Funding of public hospitals^(a), current prices, by broad source of funds, 1995–96 to 2005–06

Year	Government						Total	
	Australian Government		State/territory		Non-government		Amount (\$m)	Share (%)
	Amount (\$m)	Share (%)	Amount (\$m)	Share (%)	Amount (\$m)	Share (%)		
1995–96	5,203	45.2	5,274	45.8	1,041	9.0	11,518	100.0
1996–97	5,332	42.7	6,080	48.7	1,068	8.6	12,480	100.0
1997–98	5,905	43.9	6,543	48.6	1,004	7.5	13,453	100.0
1998–99	6,657	46.4	6,589	45.9	1,093	7.6	14,339	100.0
1999–00	6,979	46.8	6,847	45.9	1,099	7.4	14,925	100.0
2000–01	7,497	47.3	7,100	44.8	1,249	7.9	15,846	100.0
2001–02	7,986	46.5	7,769	45.3	1,408	8.2	17,163	100.0
2002–03	8,700	45.9	8,894	46.9	1,367	7.2	18,961	100.0
2003–04 ^(b)	9,063	44.6	9,779	48.1	1,490	7.3	20,332	100.0
2004–05 ^(b)	9,735	43.9	10,731	48.4	1,726	7.8	22,193	100.0
2005–06 ^(b)	10,105	41.4	12,361	50.6	1,943	8.0	24,409	100.0

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Public hospital expenditure estimates for 2003–04 to 2005–06 are derived from Public Hospital Establishments data published in *Australian Hospital Statistics*.

Source: AIHW health expenditure database.

Table 36: Government shares of recurrent expenditure on public hospitals^(a), by level of government, current prices, 1995–96 to 2005–06 (per cent)

Year	Australian Government				Total	State/territory governments	Total government
	DVA	AHCA	Rebates of health insurance premiums	Other Australian Government ^(b)			
1995–96	4.0	41.2	..	—	45.2	45.8	91.0
1996–97	3.6	38.8	..	0.4	42.7	48.7	91.4
1997–98	3.0	37.2	0.2	3.4	43.9	48.6	92.5
1998–99	3.5	39.5	0.4	3.0	46.4	45.9	92.4
1999–00	3.4	39.7	0.6	3.1	46.8	45.9	92.6
2000–01	3.3	39.8	0.7	3.5	47.3	44.8	92.1
2001–02	3.5	38.8	0.7	3.6	46.5	45.3	91.8
2002–03	3.7	38.2	0.7	3.4	45.9	46.9	92.8
2003–04	3.7	36.9	0.7	3.3	44.6	48.1	92.7
2004–05	3.7	35.7	0.8	3.7	43.9	48.4	92.2
2005–06	2.8	34.1	0.8	3.7	41.4	50.6	92.0

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Includes DoHA direct expenditure on public hospitals, such as for blood sector payments and SPPs, excluding AHCAs, for public hospitals, for example, for highly specialised drugs, hepatitis C funding, Health program and Positron emission tomography (PET) Scanner grants.

Note: Lines separate the table according to Australian Health Care Agreement periods (see Box 4).

Source: AIHW health expenditure database.

The share of funding for public (psychiatric and non-psychiatric) hospitals met by the two major levels of government— Australian, and state and territory – fluctuates from year to year. In the last 20 years a common pattern observed over time has seen the Australian Government share of funding higher in the earlier years of the five-year health agreements (see Box 4) and lower towards the end of the period – with state and territory governments share of funding the reverse (Table 36). From the last year of the previous AHCAs to the first year of the current AHCAs the Australian Government share funded through the AHCAs fell – by 1.3 percentage points from 38.2% to 36.9%. Then it fell a further 2.8 percentage points to 34.1% in the 2 years to 2005–06. There was a corresponding increase in the share provided by the state and territory governments of 1.2 percentage points from 46.9% to 48.1% (from the last year of the previous AHCAs to the first year of the current AHCAs) and then an increase of 2.5 percentage points to 50.6% in the 2 years to 2005–06 (Table 36).

Table 37: Recurrent funding of public hospitals^(a), constant prices^(b), by source of funds, and annual growth rates, 1995–96 to 2005–06

Year	Government								Total recurrent funding	
	Australian Government ^(c)		State/territory		Total		Non-government ^(c)			
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	6,723	..	6,813	..	13,536	..	1,344	..	14,881	..
1996–97	6,766	0.6	7,724	13.4	14,489	7.0	1,359	1.0	15,848	6.5
1997–98	7,354	8.7	8,152	5.5	15,506	7.0	1,252	-7.9	16,758	5.7
1998–99	8,072	9.8	7,986	-2.0	16,057	3.6	1,327	6.0	17,384	3.7
1999–00	8,274	2.5	8,115	1.6	16,389	2.1	1,304	-1.7	17,693	1.8
2000–01	8,889	7.4	8,417	3.7	17,306	5.6	1,482	13.6	18,788	6.2
2001–02	8,878	-0.1	8,638	2.6	17,516	1.2	1,567	5.8	19,083	1.6
2002–03	9,351	5.3	9,562	10.7	18,913	8.0	1,470	-6.2	20,383	6.8
2003–04	9,399	0.5	10,143	6.1	19,541	3.3	1,545	5.2	21,087	3.5
2004–05	9,735	3.6	10,731	5.8	20,466	4.7	1,726	11.7	22,193	5.2
2005–06	9,691	-0.5	11,854	10.5	21,545	5.3	1,864	7.9	23,409	5.5
Average annual growth rate										
1995–96 to 1997–98		4.6		9.4		7.0		-3.5		6.1
1997–98 to 2002–03		4.9		3.2		4.1		3.3		4.0
1995–96 to 2005–06		3.7		5.7		4.8		3.3		4.6

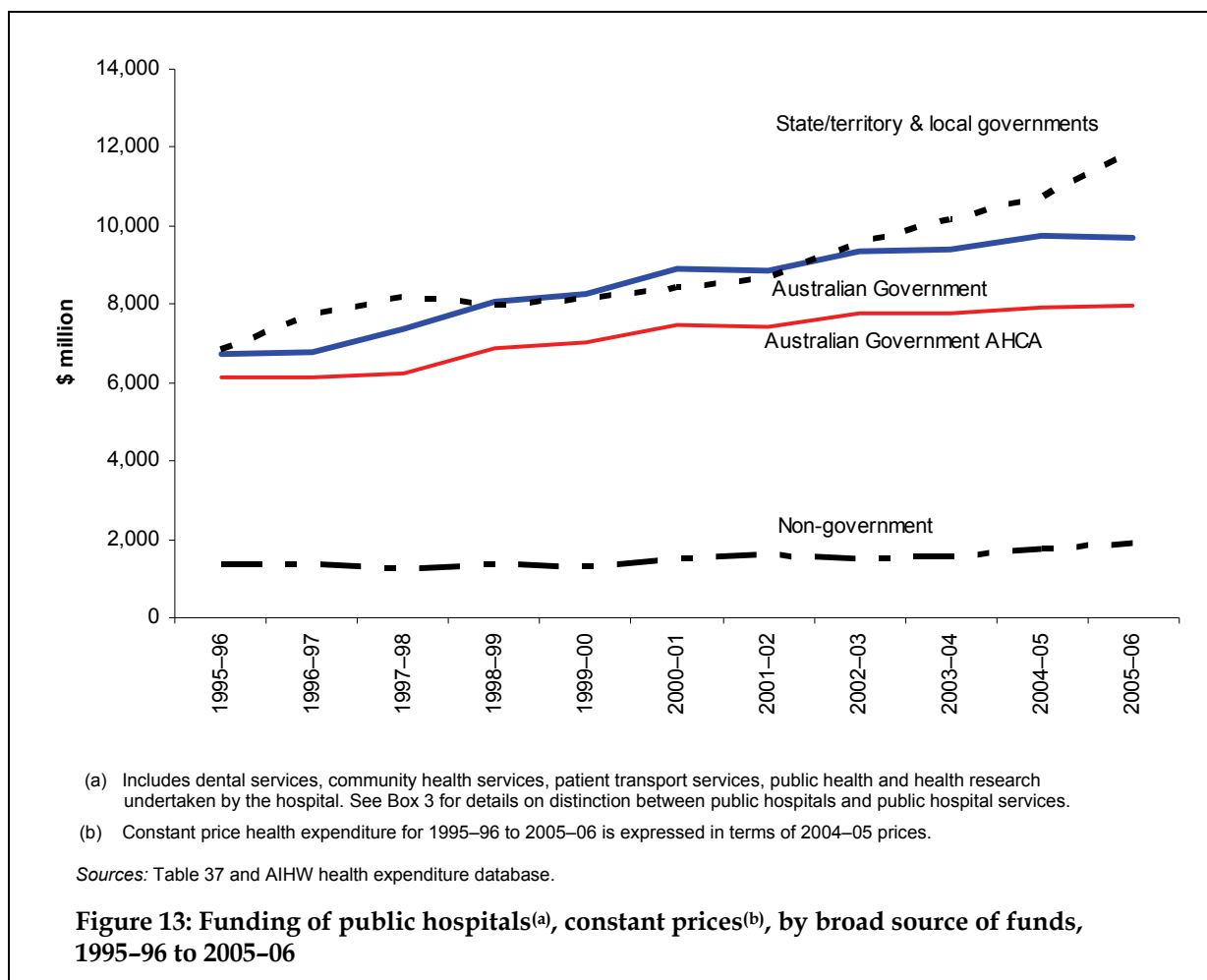
(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. See Box 3 for details on distinction between public hospitals and public hospital services.

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

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

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

Source: AIHW health expenditure database.



Public hospital services

Expenditure on public hospital services differs from expenditure on public hospitals (see Public hospital section above and Box 3). Expenditure on public hospital services comprises expenditure on services provided to a patient who is treated in either a public psychiatric or non-psychiatric hospital, but *excludes* expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

It does not include the funding by public hospitals of the contracted care provided by private hospitals for public patients. This expenditure is reported as part of private hospital expenditure.

Table 38: Funding of public hospital services ^{(a)(b)}, Australia, current prices, by source of funds, 2003–04 to 2005–06

Year	Australian Government				Total	State/ territory govern- ments	Non- govern- ment	Total
	DVA	AHCA	Rebates of health insurance premiums	Other Australian Govern- ment ^(c)				
Amount (\$ million)								
2003–04	743	7,500	147	673	9,063	10,099	1,275	20,437
2004–05	814	7,919	180	823	9,735	10,896	1,460	22,091
2005–06	685	8,321	207	893	10,105	12,374	1,840	24,319
Proportion (%)								
2003–04	3.6	36.7	0.7	3.3	44.3	49.4	6.2	100.0
2004–05	3.7	35.8	0.8	3.7	44.1	49.3	6.6	100.0
2005–06	2.8	34.2	0.8	3.7	41.6	50.9	7.6	100.0

- (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. See Box 3 for details on distinction between public hospitals and public hospital services.
- (b) Public hospital services expenditure does not include expenditure on public patients who are contracted with private hospitals as this is part of private hospital expenditure. In 2005–06, this expenditure was \$244 million (Table A3).
- (c) Includes DoHA direct expenditure on public hospital services, such as for blood sector payments and SPPs for public hospital services which are not AHCA, for example for highly specialised drugs, hepatitis C funding, Health Program and PET Scanner grants.

Source: AIHW health expenditure database.

Table 39: Funding of public hospital services ^{(a)(b)}, states and territories, current prices, by source of funds, 2003–04 to 2005–06 (\$ million)

	Australian Government				Total	State/ territory govern- ments	Non- govern- ment	Total
	DVA	AHCA ^(c)	Rebates of health insurance premiums	Other Australian Govern- ment ^(d)				
NSW								
2003–04	289	2,538	79	236	3,141	3,943	596	7,680
2004–05	326	2,651	96	288	3,361	4,288	668	8,317
2005–06	307	2,796	109	312	3,524	4,549	826	8,899
Vic								
2003–04	196	1,816	30	173	2,216	2,438	405	5,059
2004–05	221	1,918	40	218	2,396	2,617	479	5,493
2005–06	163	1,999	49	221	2,432	2,936	558	5,926
Qld								
2003–04	64	1,421	13	111	1,609	1,526	70	3,204
2004–05	80	1,515	15	139	1,749	1,536	61	3,346
2005–06	52	1,615	14	147	1,828	2,062	141	4,032
WA								
2003–04	97	731	9	63	900	895	70	1,865
2004–05	86	792	11	70	960	986	106	2,052
2005–06	58	817	14	73	963	1,141	140	2,244
SA								
2003–04	71	634	12	53	771	740	57	1,568
2004–05	75	663	14	62	814	857	61	1,732
2005–06	79	698	15	68	860	961	66	1,887
Tas								
2003–04	15	168	3.3	18	205	152	31	389
2004–05	15	178	4.2	23	220	175	29	425
2005–06	14	185	4.9	26	230	225	35	489
ACT								
2003–04	10	99	—	12	120	199	39	359
2004–05	10	104	—	14	128	214	52	395
2005–06	11	107	—	15	133	261	60	454
NT								
2003–04	0.9	93	0.3	8	102	207	6	314
2004–05	—	98	0.4	9	106	221	5	332
2005–06	—	104	0.4	^(e) 30	134	239	15	387

(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. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Public hospital services expenditure does not include expenditure on public patients who are contracted with private hospitals as this is part of private hospital expenditure. In 2005–06, this expenditure was \$244 million (Table A3).

(c) Excludes palliative care in 2004–05 (\$36 million). There is a difference of up to \$2 million for NSW, Vic, QLD and WA in 2003–04 due to a difference in the amount reported in the 2003–04 Department of Health and Ageing Annual Report (DoHA 2004) and the SPPs in the 2003–04 Treasury Final Budget Outcome (Treasury 2004).

(d) Includes DoHA direct expenditure on public hospital services, such as for blood sector payments and SPPs for public hospital services which are not AHCA, for example for highly specialised drugs, hepatitis C funding, Health Program and PET Scanner grants.

(e) Includes a \$21 million SPP for Royal Darwin Hospital.

Source: AIHW health expenditure database.

Table 40: Funding of public hospital services ^{(a)(b)}, states and territories, current prices, by source of funds, 2003–04 to 2005–06 (per cent)

	Australian Government				Total	State/ territory govern- ments	Non- govern- ment	Total
	DVA	AHCA ^(c)	Rebates of health insurance premiums	Other Australian Govern- ment ^(d)				
NSW								
2003–04	3.8	33.0	1.0	3.1	40.9	51.3	7.8	100.0
2004–05	3.9	31.9	1.2	3.5	40.4	51.6	8.0	100.0
2005–06	3.5	31.4	1.2	3.5	39.6	51.1	9.3	100.0
Vic								
2003–04	3.9	35.9	0.6	3.4	43.8	48.2	8.0	100.0
2004–05	4.0	34.9	0.7	4.0	43.6	47.7	8.7	100.0
2005–06	2.7	33.7	0.8	3.7	41.0	49.5	9.4	100.0
Qld								
2003–04	2.0	44.3	0.4	3.5	50.2	47.6	2.2	100.0
2004–05	2.4	45.3	0.4	4.2	52.3	45.9	1.8	100.0
2005–06	1.3	40.1	0.4	3.6	45.3	51.1	3.5	100.0
WA								
2003–04	5.2	39.2	0.5	3.4	48.3	48.0	3.8	100.0
2004–05	4.2	38.6	0.5	3.4	46.8	48.1	5.1	100.0
2005–06	2.6	36.4	0.6	3.3	42.9	50.9	6.3	100.0
SA								
2003–04	4.5	40.5	0.8	3.4	49.2	47.2	3.6	100.0
2004–05	4.4	38.3	0.8	3.6	47.0	49.5	3.5	100.0
2005–06	4.2	37.0	0.8	3.6	45.6	50.9	3.5	100.0
Tas								
2003–04	4.0	43.3	0.9	4.6	52.8	39.2	8.1	100.0
2004–05	3.5	41.8	1.0	5.4	51.8	41.3	6.9	100.0
2005–06	2.9	37.9	1.0	5.3	47.0	45.9	7.1	100.0
ACT								
2003–04	2.7	27.6	—	3.2	33.5	55.6	10.9	100.0
2004–05	2.6	26.4	—	3.6	32.5	54.2	13.2	100.0
2005–06	2.4	23.6	—	3.4	29.4	57.5	13.2	100.0
NT								
2003–04	0.3	29.5	0.1	2.6	32.4	65.8	1.8	100.0
2004–05	—	29.3	0.1	2.6	32.0	66.6	1.4	100.0
2005–06	—	26.8	0.1	^(e) 7.7	34.6	61.7	3.8	100.0

(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. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Public hospital services expenditure does not include expenditure on public patients who are contracted with private hospitals as this is part of private hospital expenditure. In 2005–06, this expenditure was \$244 million (Table A3).

(c) Excludes palliative care in 2004–05 (\$36 million). There is a difference of up to \$2 million for NSW, Vic, QLD and WA in 2003–04 due to a difference in the amount reported in the 2003–04 Department of Health and Ageing Annual Report (DoHA 2004) and the SPPs in the 2003–04 Treasury Final Budget Outcome (Treasury 2004).

(d) Includes DoHA direct expenditure on public hospital services, such as for blood sector payments and SPPs for public hospital services which are not AHCA, for example for highly specialised drugs, Hepatitis C funding, Health Program and PET Scanner grants.

(e) Includes a \$21 million SPP for Royal Darwin Hospital.

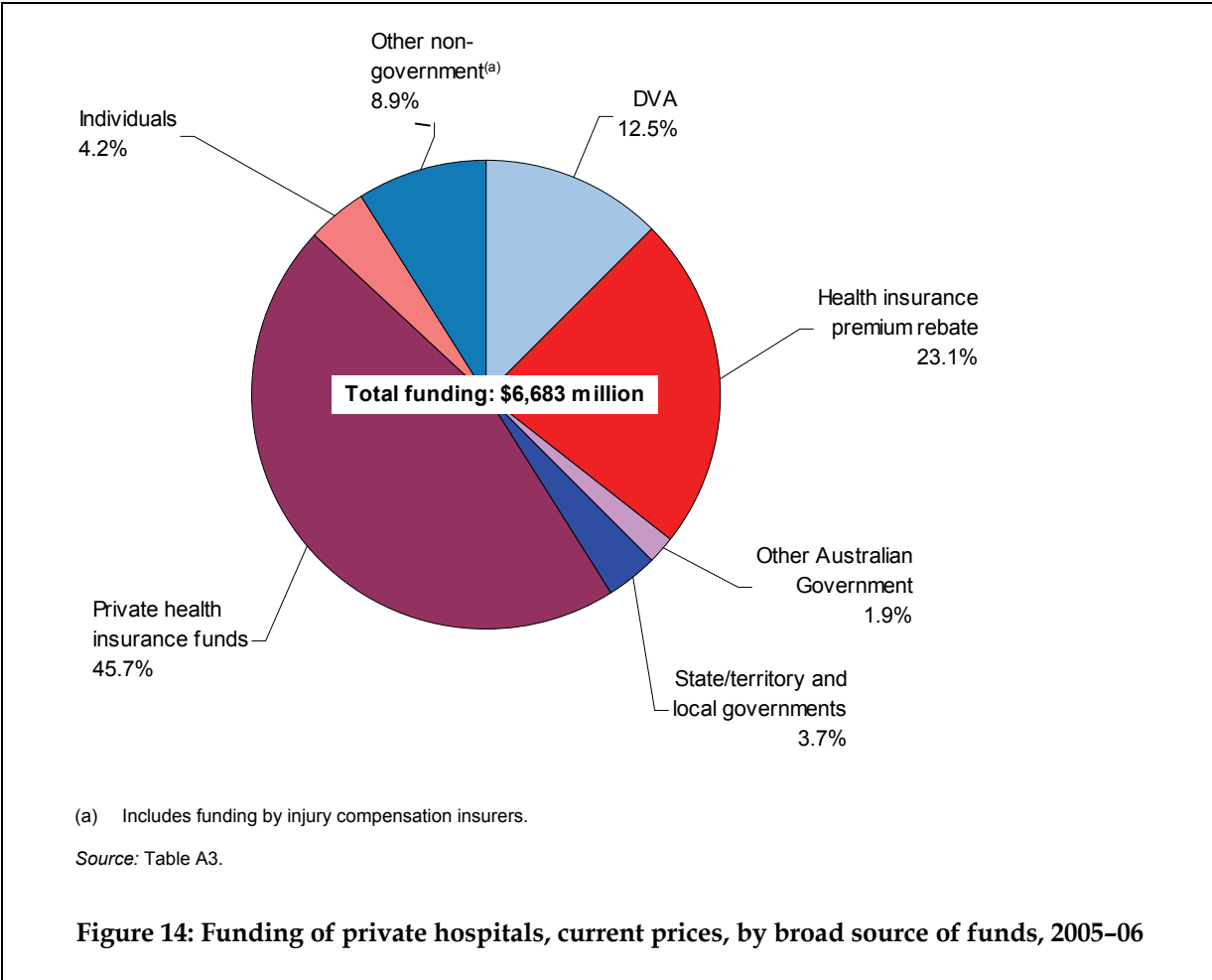
Source: AIHW health expenditure database.

In 2005-06, the Australian Government provided 41.6% (\$10,105 million) of the funding for public hospital services, a 2.7 percentage points' decrease in funding from 2003-04. The Australian Government AHCA funding in 2005-06 was 34.2% of funding for public hospital services which was a 2.5 percentage point decrease since 2003-04 (Table 38). In comparison, state and territory governments contributed 50.9% (\$12,374 million) of funding in 2005-06, an increase of 1.5 percentage points since 2003-04.

Non-government funding of public hospital services comprised 7.6% of total funding for public hospitals in 2005-06 (\$1,840 million), which was an increase of 1.4 percentage points since 2003-04.

Private hospitals

Total expenditure on private hospitals in 2005-06 was estimated at \$6,683 million (Figure 14). Two-thirds (68.8%) of this came via private health insurance funds. This comprised 45.7% out of the premiums paid by contributors and other revenues flowing to the funds, and the remaining 23.1% being indirectly funded out of the 30% rebates paid by the Australian Government in respect of contributors' premiums. In 2005-06 those rebates, in total, amounted to \$3.2 billion, and \$1.5 billion of that is estimated to have been used in the funding of private hospitals (Table 27).



Patient transport services

Patient transport services provide transport to and from health care facilities for patients receiving outpatient or admitted patient treatment. Expenditure for these services includes patient transport expenses that are provided by public hospitals (see Box 3 for more detail). Total estimated expenditure on patient transport services in 2005–06 was \$1,439 million (Table A3). In real terms, estimated expenditure increased by an average of 1.3% per year between 2003–04 and 2005–06 (calculated from the source for Table 20). In 2005–06 the proportion of patient transport expenditure that was funded by the Australian Government was 11.5%. State and territory and local governments provided 62.5% of the funding for patient transport services and non-government sources provided the remaining 26.0% (calculated from Table A3).

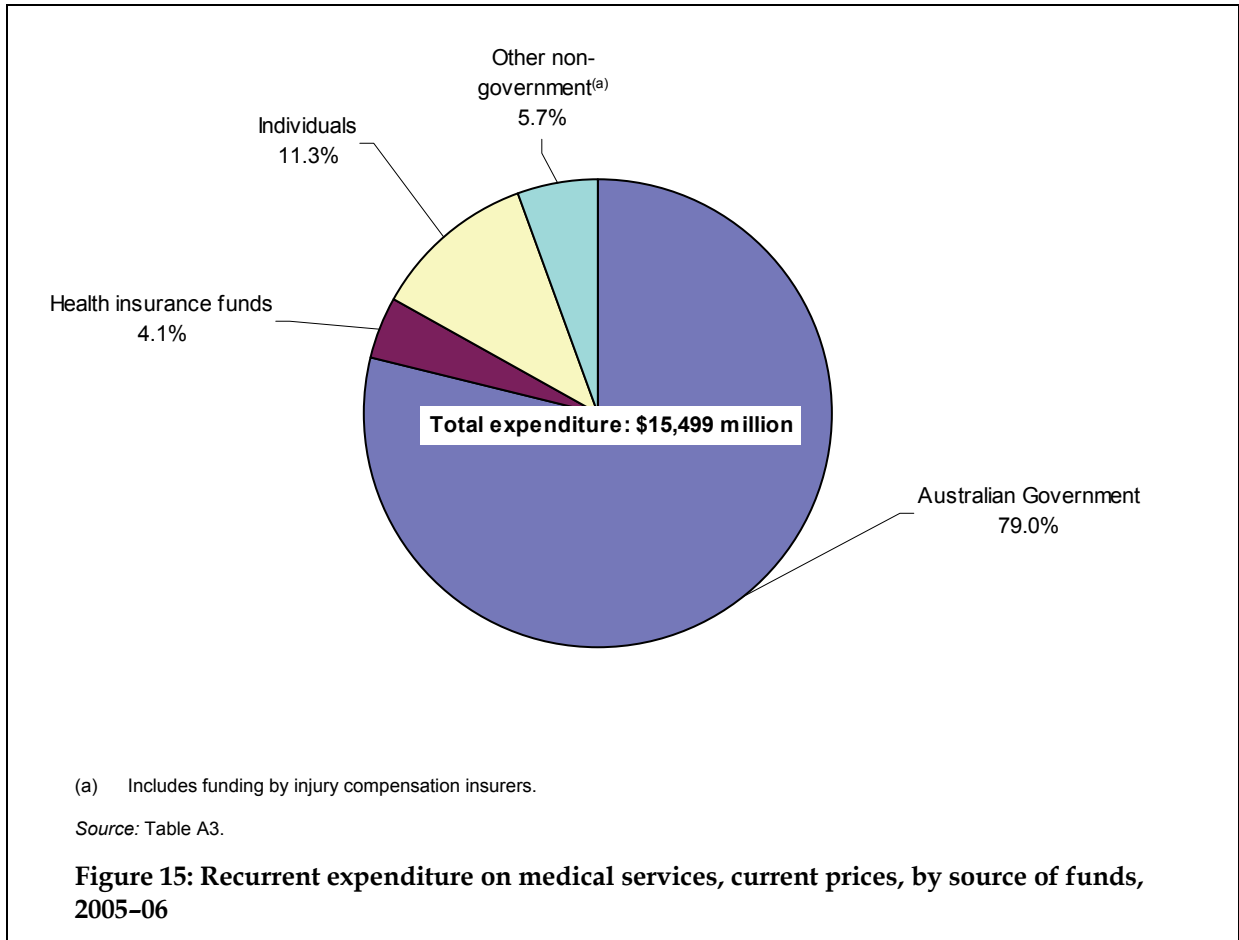
Non-institutional health goods and services

Medical services

Between 1995–96 and 2005–06, expenditure on medical services increased, in real terms, at an average of 2.6% per year (Table 41).

Almost all expenditure on medical services in Australia relates to services that are provided by practitioners on a 'fee-for-service' basis. This is reflected in the distribution of funding for medical services. Of the \$15.5 billion spent on medical services in 2005–06, 79.0% (\$12.2 billion) was funded by the Australian Government (Figure 15). This was made up almost exclusively of medical benefits paid under Medicare, with some funding from the DVA for medical services to eligible veterans and their dependants, as well as payments to general practitioners under alternative funding arrangements. Of the remaining expenditure, 11.3% was funded by individuals, 4.1% was from health insurance funds and 5.7% was other non-government funding (Figure 15).

Medical services out-of-pocket expenditure increased by 7.6% (\$123 million) in 2005–06 (Tables A2 and A3). 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 health expenditure (5.1%) (Tables 1 and 25).



Between 1995-96 and 2005-06, the Australian Government’s real expenditure on medical services grew by 2.2%, while expenditure by individuals rose by 4.2% and that of health insurance funds rose by 6.5% (Table 41).

From 1999-00, with the introduction of the ‘Lifetime Health Cover’ incentives and other measures which increased insurance coverage, real growth in funding by the health insurance funds accelerated sharply until 2003-04 when the growth rate decreased to 6.5% from 11.6% in the previous year. In 2004-05 real funding by health insurance funds declined by 0.2%, but in 2005-06 growth was 1.9% (Table 41).

Table 41: Recurrent funding of medical services, constant prices^(a), by source of funds, and annual growth rates, 1995–96 to 2005–06

Year	Australian Government ^(b)		Health insurance funds ^(b)		Individuals		Injury compensation insurers		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	9,361	..	322	..	1,091	..	569	..	11,342	..
1996–97	9,510	1.6	324	0.6	1,160	6.3	620	9.0	11,614	2.4
1997–98	9,714	2.1	292	-9.8	1,262	8.8	619	-0.1	11,887	2.4
1998–99	10,026	3.2	274	-6.0	1,318	4.4	651	5.1	12,268	3.2
1999–00	10,527	5.0	286	4.1	1,320	0.2	683	5.0	12,816	4.5
2000–01	10,524	—	361	26.4	1,365	3.4	657	-3.8	12,907	0.7
2001–02	10,714	1.8	498	38.0	1,431	4.8	754	14.8	13,397	3.8
2002–03	10,657	-0.5	556	11.6	1,616	13.0	793	5.1	13,622	1.7
2003–04	10,738	0.8	592	6.5	1,724	6.7	850	7.2	13,904	2.1
2004–05	11,589	7.9	591	-0.2	1,622	-5.9	844	-0.8	14,646	5.3
2005–06	11,590	—	602	1.9	1,653	1.9	832	-1.4	14,677	0.2
Average annual growth rate										
1995–96 to 1997–98		1.9	-4.7		7.5		4.3		2.4	
1997–98 to 2002–03		1.9	13.8		5.1		5.1		2.8	
1995–96 to 2005–06		2.2	6.5		4.2		3.9		2.6	

(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.

Note: Components may not add due to rounding.

Source: AIHW health expenditure database.

Bulk-billing influences the relative shares of funding by the Australian Government and individuals, because services that are bulk-billed do not attract any co-payment by individuals. The trends in the bulk-billing rate parallel trends in the proportion of medical services expenditure funded by individuals. So, the peak for individuals' payments in 2003–04 of 12.4% of medical services expenditure also represented the lowest bulk-billing rate in this period (Table 42).

In 1995–96, 71.1% of all medical services were bulk-billed. Bulk-billing rates continued to increase up to 1999–00 when rates peaked at 72.3% (Table 42). After this year, the overall bulk-billing rate declined to 2003–04, when 67.5% of all medical services were bulk-billed. Since then the rate has increased to 71.7% in 2005–06 (an increase of 0.6 percentage points since 1995–96) – a similar proportion to the levels of services that were bulk-billed in 1996–97.

The increase in the Australian Government proportion in 2004–05 and the decrease in the individual proportion reflects a number of factors including the Strengthening Medicare program which, from 1 January 2005, increased the benefit paid for general practitioner services from 85% to 100% of the schedule fee.

Table 42: Shares of recurrent funding for medical services, current prices, and proportion of medical services bulk-billed, 1995–96 to 2005–06 (per cent)

Year	Non-government					Total	Bulk-billing rate ^(b)
	Australian Government	Health insurance funds	Individuals ^(a)	Other ^(b)	Total		
1995–96	82.5	2.8	9.6	5.0	17.5	100.0	71.1
1996–97	81.9	2.8	10.0	5.3	18.1	100.0	71.8
1997–98	81.7	2.5	10.6	5.2	18.3	100.0	71.8
1998–99	81.7	2.2	10.7	5.3	18.3	100.0	72.0
1999–00	82.1	2.2	10.3	5.3	17.9	100.0	72.3
2000–01	81.5	2.8	10.6	5.1	18.5	100.0	71.4
2001–02	80.0	3.7	10.7	5.6	20.0	100.0	70.4
2002–03	78.2	4.1	11.9	5.8	21.8	100.0	67.8
2003–04	77.2	4.3	12.4	6.1	22.8	100.0	67.5
2004–05	79.1	4.0	11.1	5.8	20.9	100.0	70.2
2005–06	79.0	4.1	11.3	5.7	21.0	100.0	71.7

(a) Includes funding by injury compensation insurers.

(b) Bulk-billing rate for all services covered under Medicare, which is almost entirely medical services, but also includes optometrical and other selected allied health and dental services.

Source: AIHW health expenditure database.

Other health practitioners

Of the \$3.0 billion spent on other health practitioners in 2005–06, over half of the expenditure was funded by individual users of services (54.5% in 2005–06) (calculated from Table A3). Of the remaining \$1.4 billion, \$578 million (41.8%) was funded by private health insurance and Australian Government health insurance rebates.

In real terms, expenditure on other health practitioners rose at an average of 3.1% per year between 2003–04 to 2005–06 (Table A8), 0.7 percentage points lower than the growth in recurrent health expenditure (3.8%) over that period.

Medications

Medications comprise benefit-paid pharmaceuticals and other medications (pharmaceuticals and other medicines) for which no PBS or RPBS benefit was paid. Other medications include private and under co-payment prescriptions, and over-the-counter medicines such as pharmacy-only medicines, pain-killers, cough and cold medicines, vitamins and minerals, and a range of medical non-durables, such as bandages, bandaids and condoms. For more information see Table 65 and the Glossary.

In real terms, total expenditure on medications increased by 8.6% per year from 1995–96 to 2005–06, to reach \$11.4 billion in 2005–06 (Table 20). While total medication expenditure experienced fairly consistent growth in most years between 1995–96 and 2004–05, expenditure on benefit-paid pharmaceuticals and other medications fluctuated much more from year to year (Table A8). This is partly due to the effects of the co-payment in determining what items attract benefits. The benefit-paid pharmaceuticals category includes only those items listed under the Schedule of Pharmaceutical Benefits for which benefits

were actually paid. Items that are listed on the PBS but have a price below the statutory patient co-payment are recorded in the 'other medications' category, so when the co-payment is high there is more expenditure recorded in the 'other medications' category.

Benefit-paid pharmaceuticals

In real terms, recurrent expenditure on benefit-paid pharmaceuticals grew at an average of 9.1% per year from 1995-96 to 2005-06 compared to growth in total recurrent health expenditure of 4.8% (Tables 43 and A8). The period of most rapid growth was from 1997-98 to 2002-03, when growth averaged 12.4% per year – which was shared between the Australian Government (12.9% per year) and individuals' (9.6% per year).

In 2005-06, the total amount spent on pharmaceuticals for which benefits were paid was \$7,286 million in current prices (Figure 16). This was a growth in real terms of 2.7% from the previous year (Table 43). Benefits paid by the Australian Government for PBS and RPBS items accounted for 80.6% of this expenditure and 16.1% was due to patient contributions for PBS and RPBS items. The balance (3.3%) was due to Section 100 drugs (excluding highly specialised drugs which are included in hospital expenditure) and other Australian Government Department of Health and Ageing (DoHA) administered expense items.

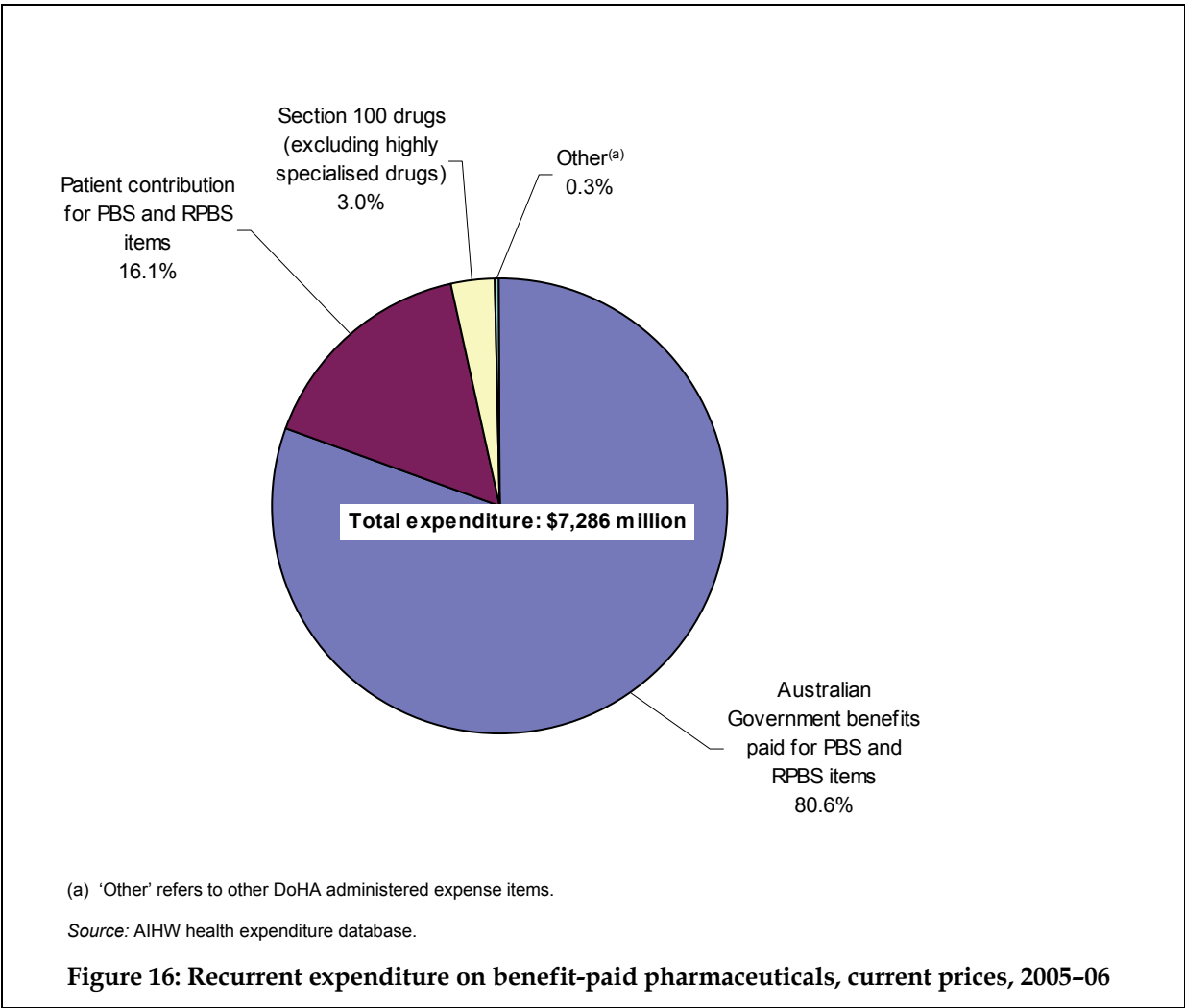


Table 43: Recurrent expenditure on benefit-paid pharmaceuticals, constant prices^(a), by source of funds, and annual growth rates, 1995–96 to 2005–06

Year	Australian Government		Individuals		Total recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	2,548	..	502	..	3,049	..
1996–97	2,760	8.3	558	11.2	3,318	8.8
1997–98	2,820	2.2	601	7.8	3,421	3.1
1998–99	3,108	10.2	631	4.9	3,739	9.3
1999–00	3,541	13.9	684	8.4	4,225	13.0
2000–01	4,333	22.4	778	13.8	5,111	21.0
2001–02	4,687	8.2	843	8.4	5,531	8.2
2002–03	5,176	10.4	952	12.9	6,129	10.8
2003–04	5,672	9.6	1,037	8.9	6,709	9.5
2004–05	5,930	4.6	1,151	10.9	7,081	5.5
2005–06	6,034	1.7	1,237	7.5	7,271	2.7
Average annual growth rate						
1995–96 to 1997–98		5.2		9.5		5.9
1997–98 to 2002–03		12.9		9.6		12.4
1995–96 to 2005–06		9.0		9.4		9.1

(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.

All other medications

In real terms, recurrent expenditure on other medication items (see Table 65 for definition) grew by an average of 7.7% between 1995–96 and 2005–06 (Table 44). Expenditure by the Australian Government from 1997–98 in this category includes a proportion of the private health insurance rebate allocated to pharmaceuticals.

The main source of funding for other medication items was individuals' out-of-pocket expenditure. The most rapid period of growth for individual out-of-pocket expenditure (19.6%) was from 1995–96 to 1997–98 (Table 44).

Table 44: Recurrent expenditure of other medications, constant prices^(a), by source of funds, and annual growth rates, 1995–96 to 2005–06

Year	Australian Government		State/territory and local governments		Health insurance funds		Individuals and other non-govt		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	—	..	13	..	52	..	1,881	..	1,946	..
1996–97	—	..	13	2.1	52	0.3	2,108	12.1	2,173	11.7
1997–98	4	..	19	44.4	36	-31.3	2,464	16.9	2,522	16.1
1998–99	8	126.0	—	..	33	-7.9	2,689	9.1	2,731	8.3
1999–00	15	84.0	—	..	34	3.8	2,953	9.8	3,003	10.0
2000–01	89	489.1	—	..	39	14.5	3,207	8.6	3,335	11.1
2001–02	57	-35.5	2	..	49	24.6	3,731	16.3	3,839	15.1
2002–03	63	10.1	—	..	56	14.2	3,428	-8.1	3,547	-7.6
2003–04	77	22.7	—	..	51	-8.4	3,589	4.7	3,717	4.8
2004–05	121 ^(b)	56.5	—	..	51	-0.2	3,913	9.0	4,085	9.9
2005–06	69	-43.0	—	..	45	-11.0	3,965	1.3	4,079	-0.2
Average annual growth rate										
1995–96 to 1997–98		..	21.4		-20.3		19.6		13.9	
1997–98 to 2002–03		77.0	..		9.2		5.9		7.1	
1995–96 to 2005–06		..	..		-1.3		7.7		7.7	

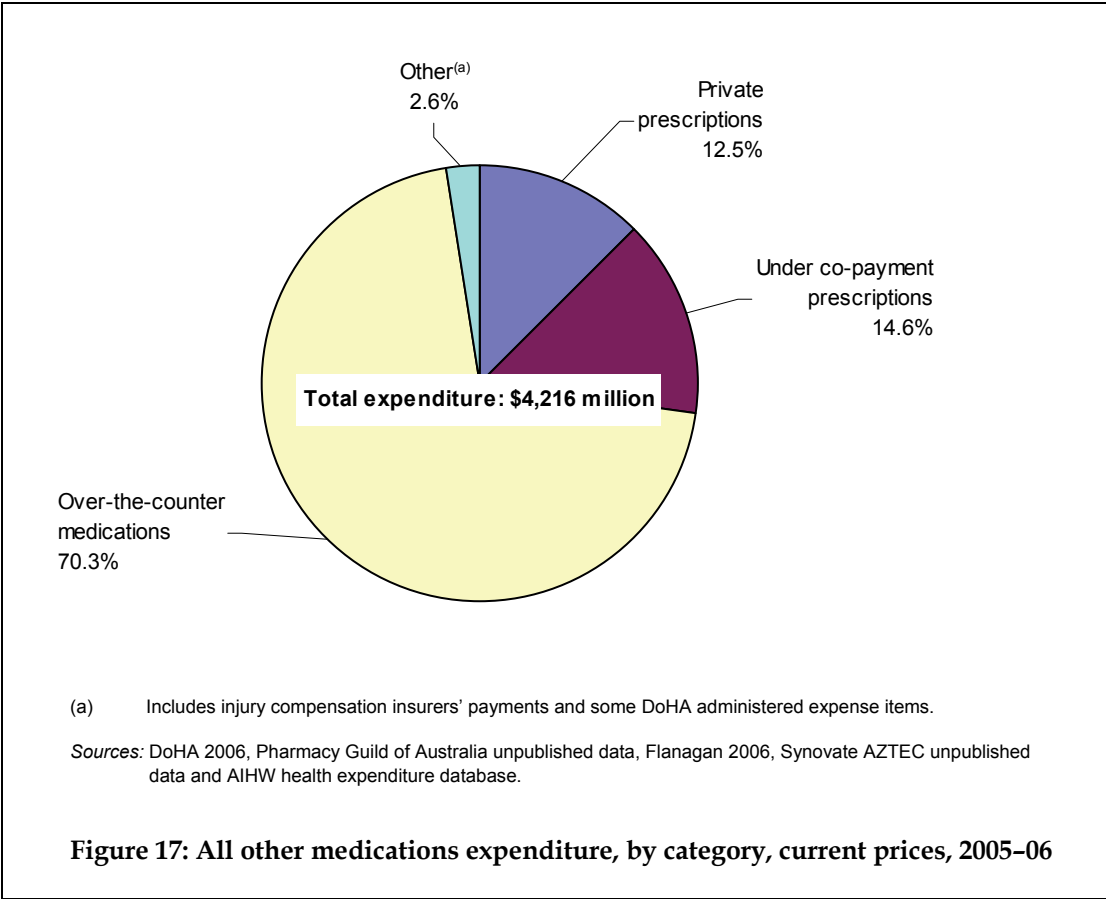
(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) The large increase was due to pharmacy restructuring grants in this year.

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

Source: AIHW health expenditure database.

In 2005–06, expenditure on all other medication items was \$4,216 million. Over-the-counter medicines accounted for the largest share of this expenditure at 70.3%. Private prescriptions accounted for 12.5%, under co-payment prescriptions for 14.6% and the remainder (2.6%) comprised funding from injury compensation insurers and other DoHA administered expense items (Figure 17).



Pharmaceutical expenditure in the community and hospitals

In 2005-06, estimated expenditure on pharmaceuticals (excluding complementary and alternative medications, and over-the-counter medications for which a prescription was not required) was \$10,551 million (Table 45). The majority of this expenditure was for benefit-paid pharmaceuticals (69.1% or \$7,286 million), most of which was funded by the Australian Government (83.0%). Individuals' out-of-pocket expenses accounted for the remaining 17.0% of benefit-paid pharmaceuticals. Expenditure on in-hospital drugs comprised \$1,658 million spent on drugs by public hospitals and \$356 million spent by private hospitals. This total (\$10,551 million) does not include expenditures incurred by the Australian Government and state and territory governments in purchasing and administering vaccines under various state, territory and national public health programs.

Table 45: Expenditure on pharmaceuticals for which a script is required, dispensed in the community and by hospitals^(a), current prices, 2005–06 (\$ million)

Provider and funder	Benefit-paid pharmaceuticals	All other pharmaceuticals		Total pharmaceuticals
		Non-hospital ^(b)	Hospital ^(c)	
Community pharmacies				
Funded by				
Australian Government DVA	468	..	..	468
Australian Government DoHA ^{(d)(e)}	5,578	71	..	5,649
Health insurance funds	..	47	..	47
Individuals	1,240	1,072	..	2,312
Injury compensation insurers and other	..	62	..	62
<i>Total pharmacies</i>	<i>7,286</i>	<i>1,252</i>	<i>..</i>	<i>8,537</i>
Public hospitals^(f)	..	..	1,658	1,658
Private hospitals^(g)	..	..	356	356
Total	7,286	1,252	2,014	10,551

(a) Excludes complementary and alternative medicines and over-the-counter medicines for which a prescription is not required.

(b) Includes private prescriptions and under co-payment prescriptions.

(c) Does not include the costs of paying hospital staff to dispense these pharmaceuticals. Dispensary costs are, however, included in the first two columns of this table.

(d) Does not include \$529 million in payments for highly specialised drugs, which are included in the public hospitals and private hospitals rows.

(e) Includes \$232 million in Section 100 payments for human growth hormones, In-vitro fertilisation (IVF) and other subsidised pharmaceuticals.

(f) Includes \$422 million in Australian Government payments to states and territories for highly specialised drugs.

(g) Includes \$107 million in Australian Government payments for highly specialised drugs.

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

Source: AIHW health expenditure database.

Expenditure on benefit-paid items under the PBS and RPBS represented almost three-quarters (69.1%) of the total expenditure on pharmaceuticals for which a prescription was required (Table 45). Expenditure on benefit-paid items has two components – the cost to government and co-payments by users.

The cost to government under the PBS (not including expenditure under the RPBS) in 2004–05 was estimated at \$5,296 million (Table 46). In 2005–06, it increased to \$5,384 million. The relative funding shares of the PBS (that were met by the Australian Government through benefits and by individuals through their co-payments) changed little until 1 January 2005, when co-payments by general patients increased from \$23.70 per prescription to \$28.60 and by concessional patients from \$3.80 to \$4.60. From 1 January 2006, co-payments increased again to \$29.50 and \$4.70 respectively.

There have also been some changes over time in the proportion of total patient contribution paid by general and concessional patients and funding under the safety net arrangements. In 2001–02, concessional patients contributed \$362 million or 44.9% of total patient contributions. By 2005–06 their proportion of the total contribution had dropped to 43.5% (\$489 million). During the same period contributions provided by the Australian Government for general and concessional patients under the safety net arrangement increased from \$926 million (22.1% of Australian Government contribution to PBS benefits) to \$1,389 million (25.8%) in 2005–06 (calculated from Table 46).

Table 46: Pharmaceutical Benefits Scheme^(a), Australian Government and patients' payments, 2001–02 to 2005–06 (\$ million)

Benefit category	2001–02	2002–03	2003–04	2004–05	2005–06
Patient contributions					
General patients	444	489	545	597	634
Concessional patients	362	370	393	444	489
<i>Total patient contributions</i>	<i>806</i>	<i>860</i>	<i>938</i>	<i>1,041</i>	<i>1,123</i>
Government benefits					
General patients—no safety net	691	751	824	851	850
General patients—safety net	148	170	191	223	216
<i>Total general patients</i>	<i>840</i>	<i>920</i>	<i>1,015</i>	<i>1,073</i>	<i>1,066</i>
Concessional patients—no safety net	2,570	2,747	2,972	3,077	3,145
Concessional patients—safety net	778	908	1,005	1,145	1,173
<i>Total concessional patients</i>	<i>3,348</i>	<i>3,655</i>	<i>3,977</i>	<i>4,223</i>	<i>4,318</i>
<i>Total cost to government</i>	<i>4,188</i>	<i>4,575</i>	<i>4,992</i>	<i>5,296</i>	<i>5,384</i>
Total cost of PBS benefit-paid items (\$ million)^(b)	4,994	5,435	5,929	6,337	6,508

(a) Does not include RPBS or 'doctors bag' pharmaceuticals.

(b) Excludes Section 100 payments for human growth hormones, IVF and other non-PBS subsidised pharmaceuticals.

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

Source: DoHA unpublished.

Aids and appliances

Expenditure on health aids and appliances grew by 6.7% per year in real terms over the period 2003–04 to 2005–06 which was 2.9 percentage points above the growth in recurrent health expenditure (3.8%) over that period. The fastest year of growth was 1999–00 to 2000–01, when it grew by 30.3% (Table A8).

In 2005–06, expenditure on aids and appliances was \$2,787 million, of which 74.3% was funded by individuals' out-of-pocket expenditure (calculated from Table A3).

Community health and other

In 2004–05, expenditure by state, territory and local governments totalled \$2.9 billion out of a total of \$3.6 billion spent on community health services (Table A2). In 2005–06, community health was estimated at \$3.9 billion, which was a growth of 9.8% from 2004–05 to 2005–06 (Tables A2 and A3).

Public health

Public health covers those programs which aim to prevent illness and injury and protect or promote the health of the whole, or specified sub-groups, of the population. While reliable estimates are not available for earlier years, since 1999–00, estimates of public health expenditure have been compiled on a consistent basis in each state and territory and for the Australian Government using a single collection protocol developed through the National Public Health Expenditure Project (AIHW 2002, 2004, 2006b, 2007b).

Over the past three years, public health expenditure was estimated at:

- 2003–04 – \$1.3 billion
- 2004–05 – \$1.4 billion
- 2005–06 – \$1.5 billion.

Over these three years the Australian Government's funding of total public health expenditure has been respectively 52.0%, 60.1% and 54.1% (calculated from Tables A1, A2 and A3). Part of this Australian Government funding was directed to state and territory governments to fund public health initiatives (24.6%, 27.4% and 24.4% respectively of total public health expenditure). State and territory own source funding of public health was 43.0%, 36.0% and 42.8% respectively.

Dental services

Individuals funded 66.9% of the \$5.3 billion spent on dental services in 2005–06 (Table A3). For the period 2003–04 to 2005–06, real growth in dental services expenditure averaged 1.9% per year – 1.9 percentage points below the annual real growth in total recurrent health expenditure of 3.8% (Table A8). In nominal terms, average annual growth for dental services expenditure was 7.2% during this period, 1.0 percentage points lower than the growth for total recurrent health expenditure of 8.2% (Table A7).

Research

Total estimated expenditure on health research in 2005–06 was \$1,915 million (Table A3). In real terms, estimated expenditure grew at an average of 8.0% per year between 1995–96 and 2005–06 (Table 47). Two-thirds (66.6%) of the expenditure on health research in 2005–06 was funded by the Australian Government, 11.9% by state and territory and local governments and a further 21.5% was funded by non-government sources (calculated from Table 47).

Table 47: Recurrent funding for health research, constant prices^(a), and annual growth rates, by broad source of funds, 1995–96 to 2005–06

Year	Government						Total recurrent funding	
	Australian Government		State/territory and local		Non-government		Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)		
1995–96	592	..	113	..	145	..	850	..
1996–97	607	2.6	134	18.7	156	7.2	897	5.5
1997–98	555	-8.5	124	-7.4	168	7.7	847	-5.5
1998–99	641	15.5	117	-5.6	153	-8.9	911	7.6
1999–00	702	9.5	139	18.8	241	57.9	1,083	18.8
2000–01	879	25.2	169	21.0	291	20.5	1,339	23.6
2001–02	929	5.6	177	5.0	311	7.0	1,417	5.9
2002–03	1,005	8.1	164	-7.3	329	5.6	1,497	5.6
2003–04	1,023	1.8	180	9.5	340	3.4	1,542	3.0
2004–05	1,133	10.8	208	15.6	374	10.1	1,715	11.2
2005–06	1,221	7.8	219	5.6	394	5.3	1,834	7.0
Average annual growth rate								
1995–96 to 1997–98		-3.1		4.9		7.5		-0.2
1997–98 to 2002–03		12.6		5.7		14.4		12.1
1995–96 to 2005–06		7.5		6.8		10.5		8.0

(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.

4.2 Capital expenditure

Because investments in health facilities and equipment involve large outlays, and the lives of such facilities and equipment can be very long (up to 50 years is not uncommon for buildings), capital expenditure can fluctuate greatly from year to year (Table 48 and Figure 18). It is, therefore, meaningless to look at average growth rates over a relatively short period such as 10 years. Capital expenditure on health facilities and investments in 2005–06 was \$5,053 million (in 2004–05 prices), 6.0% of total health expenditure (Table A6).

Australian Government funding of capital is often by way of grants and subsidies to other levels of government or to non-government organisations.

State, territory and local governments, in contrast, devote much of their resources to new and replacement capital for government service providers (for example, hospitals and community health facilities). There were particularly high levels of capital expenditure in Queensland towards the end of the 1990s as some of the state's very old or run-down capital stock was replaced.

Typically, capital expenditure by the non-government sector accounts for around 60% of all capital expenditure in any year (Table 48). Non-government capital investment is largely in private hospitals, but also includes other types of facilities.

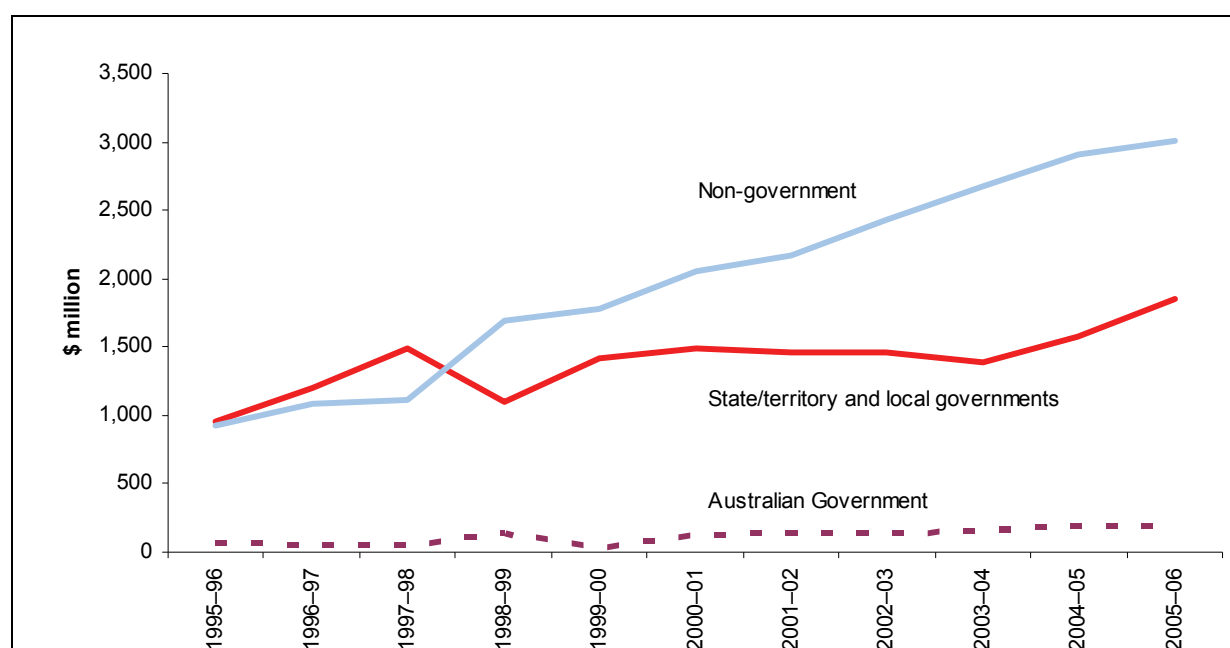
Table 48: Capital expenditure, constant prices^(a), by source of funds, 1995–96 to 2005–06 (\$ million)

Year	Government		Non-government	Total
	Australian Government	State/territory and local		
1995–96	53	950	919	1,921
1996–97	42	1,198	1,079	2,318
1997–98	49	1,488	1,116	2,653
1998–99	125	1,102	1,693	2,920
1999–00	30	1,412	1,778	3,221
2000–01	111	1,491	2,052	3,654
2001–02	136	1,457	2,163	3,756
2002–03	128	1,454	2,431	4,013
2003–04	147	1,386	2,676	4,209
2004–05	191	1,571	2,906	4,669
2005–06	184	1,857	3,012	5,053

(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.



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

Source: Table 48.

Figure 18: Capital expenditure, constant prices^(a), by broad source of funds, 1995–96 to 2005–06

4.3 Capital consumption by governments

Capital consumption is otherwise known as depreciation and represents the amount of fixed capital used up each year. The AIHW sources the data for government capital consumption from ABS government finance statistics (GFS). Within the National Health Accounts (NHA) tables, government capital consumption is separately reported to recurrent expenditure and sits alongside capital expenditure. Together capital expenditure, government capital consumption and recurrent expenditure add to total health expenditure. Ideally government capital consumption would be split by area of expenditure and reported as part of recurrent expenditure. But data are not yet available to do this, so until they are, government capital consumption will continue to be reported separately as one overall number.

Capital consumption (depreciation) by governments, in real terms, was estimated at \$1,294 million in 2005–06 (Table 49). This was an increase, in real terms, of 2.7% from 2004–05.

Table 49: Capital consumption by governments, current and constant prices^(a), and annual growth rates, 1999–00 to 2005–06

Year	Current prices	Constant prices	Real growth (%)
	\$ million	\$ million	
1999–00	942	977	..
2000–01	984	1,004	2.7
2001–02	1,029	1,053	4.9
2002–03	1,073	1,092	3.7
2003–04	1,160	1,186	8.6
2004–05	1,260	1,260	6.2
2005–06	1,323	1,294	2.7

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

Source: AIHW health expenditure database.

4.4 Medical expenses tax rebate

The medical expenses tax rebate becomes available to individuals to claim through the taxation system if they have out-of-pocket medical expenses over a specified limit in an income year. For the 2005–06 income year the tax rebate was 20 cents for each \$1 by which a taxpayer's net medical expenses exceeded \$1,500 (the threshold). Net medical expenses are the medical expenses that have been paid less any refunds that have been received, or could be received, from Medicare or a private health fund.

This tax rebate applies in regard to a wide range of health expenditures, not just expenses associated with doctors as its name might suggest. It is currently the only component of the category 'non-specific tax expenditure'. As the name indicates, 'non-specific tax expenditures' are those tax expenditures that cannot be specifically allocated to the various areas of health expenditure.

The medical expenses tax rebate in real terms was estimated at \$315 million in 2005–06. This was an increase in real terms of 8.8% from 2004–05. The average annual real increase over the decade from 1995–96 was 10.0% (Table 50).

Table 50: Non-specific tax expenditure, current and constant^(a) prices, and annual growth rates, 1995–96 to 2005–06

Year	Current prices	Constant prices	Real growth (%)
	\$ million	\$ million	
1995–96	91	121	..
1996–97	113	149	22.4
1997–98	128	166	11.9
1998–99	145	182	9.7
1999–00	162	199	8.9
2000–01	173	205	3.0
2001–02	203	231	13.0
2002–03	225	245	6.1
2003–04	251	262	6.8
2004–05	290	290	10.7
2005–06	329	315	8.8
Average annual growth rate			
1995–96 to 2005–06			10.0

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

Source: AIHW health expenditure database.