Health expenditure Australia 2006–07

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Preface

In the financial year 2006–07, Australia's health expenditure totalled $94.0 billion, representing 9.0% of gross domestic product (GDP)—the same percentage as the previous year and an increase of 1.3% from the 7.7% of GDP in 1996–97. Given the continual calls for more resources across the different components of the health system, it is essential to understand what is currently spent if there is to be informed discussion about where the money should be best directed.

Regular reporting of national health expenditure statistics is also vital to understanding the characteristics of Australia's health system. These statistics show the volume and proportion of economic resources allocated through the health care system to foster the health and wellbeing of the nation.

Health expenditure Australia 2006–07 continues the Australian Institute of Health and Welfare's series of reports on national health expenditures, which have been produced annually since 1986. This publication presents health expenditure data for the period 1996–97 to 2006–07, with detailed matrices at the national level and for each of the states and territories for the years 2004–05 to 2006–07. This publication and previous publications in the series are available at the Institute website: <http://www.aihw.gov.au/expenditure/health.cfm>.

Detailed time series data back to 1960–61 is available in online datacubes at: <http://www.aihw.gov.au/expenditure/datacubes/index.cfm>.

There have been some revisions to previously published estimates of health expenditure, due to receipt of additional or revised data or changes in methodology. Comparisons over time should, therefore, be based on information provided in this publication and online data, rather than by reference to earlier editions. For example, data in this report are not comparable with the data published in issues prior to 2005–06, because expenditure on high-level residential aged care, which in earlier reports was classified to health, is now classified to welfare services.

Penny Allbon
Director
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Acknowledgments

This report would not have been possible without the valued cooperation and effort of the data providers in the health authorities of the states and territories and the Australian Government. The Australian Institute of Health and Welfare (AIHW) would like to express its appreciation for their timely supply of data and their assistance with data validation. Other data providers have also been very helpful. The AIHW also wishes to thank the members of the Health Expenditure Advisory Committee who helped plan this report and provided advice on its content.

The collection and analysis of the data and the writing of this publication was done by Rebecca Bennetts, Brett Rogers, Suzie Cong, Richard Webb, Gail Brien and John Goss, with assistance from Alannah Smith, John Shelton Agar, Maneerat Pinyopusarerk and Jenny Hargreaves.

Abbreviations

ABS	Australian Bureau of Statistics
AHCAs	Australian Health Care Agreements
AIHW	Australian Institute of Health and Welfare
CPI	consumer price index
DoHA	Australian Government Department of Health and Ageing
DVA	Australian Government Department of Veterans' Affairs
GDP	gross domestic product
GFCE	Government Final Consumption Expenditure
GFS	government finance statistics
GHE	government health expenditure
HACC	Home and Community Care
HEAC	Health Expenditure Advisory Committee
HES	Household Expenditure Survey
HFCE	Household Final Consumption Expenditure
ICHA	International Classification for Health Accounts
IPD	implicit price deflator
IVF	in-vitro fertilisation
MBS	Medicare Benefits Schedule
NHA	National Health Accounts
NMDS	National Minimum Data Set
OECD	Organization for Economic Co-operation and Development
PBS	Pharmaceutical Benefits Scheme
PET	positron emission tomography
PHE	public hospital establishments
PHIAC	Private Health Insurance Administration Council
PHIIS	Private Health Insurance Incentives Scheme
PHOFAs	Public Health Outcome Funding Agreements
PPP	purchasing power parity
RPBS	Repatriation Pharmaceutical Benefits Scheme
SHA	System of Health Accounts
SPPs	Specific purpose payments for health under Section 96 of the Australian Constitution
WHO	World Health Organization

Symbols

n.a.	not available
. .	not applicable
n.e.c.	not elsewhere classified
—	nil or rounded down to zero

Executive summary

The provision of health services is an important part of the Australian economy, accounting for 9.0% of all goods and services produced in Australia in 2006–07 (Table 2.2).

This report examines expenditure on health goods and services in Australia for 1996–97 to 2006–07 at the aggregate level, as a proportion of GDP, on a per person basis, by state and territory, by comparison with other OECD and Asia-Pacific countries, and by source of funding—the Australian Government, state and territory and local governments, and the non-government sector.

What is health expenditure?

Health expenditure comprises recurrent and capital expenditure on hospitals, medical services, dental services, patient transport services, other health practitioner services, community and public health services, medications, aids and appliances, health research and the administrative systems that support these services.

In editions of *Health expenditure Australia* prior to 2005–06, the high-level care component of residential aged care was included with health, but this has been reclassified to welfare services which now includes all aspects of residential aged care.

What does Australia spend on health?

In 2006–07, total expenditure on health goods and services reached $94 billion, or $4,507 per person. This was just over $7 billion, or $286 per person, more than was spent in 2005–06, and after adjusting for inflation, represented an increase of 4.8%. Health expenditure increased in real terms every year in the preceding decade (tables 2.1 and 2.6).

Expenditure on health grew at a similar rate to spending on all other goods and services in the economy in 2006–07. As a result, the heath expenditure to GDP ratio remained at the same level as in 2005–06 (9.0%). It was also 9.0% in 2004–05. However, for the decade as a whole, average annual real growth in health expenditure was 4.9% compared with 3.6% growth in GDP, resulting in a substantial increase in the health to GDP ratio from 7.7% in 1996–97 to its current 9.0% (tables 2.2 and 2.3).

Compared with other OECD countries, Australia spent a similar proportion of GDP on health as Italy, New Zealand and Norway, more than the UK, but considerably less than the USA where health spending accounted for 15% of GDP (Table 6.1).

Who pays for health expenditure?

The majority of health expenditure in 2006–07 (69%) was funded by governments, with the Australian Government contributing $40 billion (42%), and state, territory and local governments contributing $25 billion (26%). The remaining $29 billion (31%) was funded by individuals, private health insurers, and other non-government sources (tables 3.1 and 3.2).

Australian Government funding

In 2006–07, the Australian Government provided 62% of total government health funding (Table 3.1). It did this through expenditure on its own programs such as Medicare and the Pharmaceutical Benefits Scheme ($23 billion), grants to the states and territories for health ($10 billion), rebates on private health insurance premiums ($3 billion), payments for health services for veterans and their dependants through DVA ($3 billion), and tax expenditures ($382 million) (Table 3.5).

Although the Australian Government has consistently been the largest single source of funds over the period 1996–97 to 2006–07 (ranging from 41% in 1996–97, to a peak of 44% of all funding in 2000–01), its funding share has declined in recent years and is now 42% of total health expenditure (Table 3.2). In 2006–07, expenditure by the Australian Government rose by 3.8%—below its 5.2% average annual growth for the decade (Table 3.4).

The Australian Government share of funding of public and private hospitals increased from 36% in 1996–97 to 45% in 2000–01, and then declined in every year since to 40% in 2006–07 (Table 4.4).

State, territory and local government funding

While the Australian Government provides the majority of government health funding, state and territory governments are the main providers of publicly provided health services.

The biggest area of responsibility for state and territory governments is public hospitals—$14 billion out of their own funding sources to public hospitals in 2006–07. This makes state, territory and local governments the largest provider of public hospital funding—providing 52% in 2006–07, compared with 40% by the Australian Government (33% through the Australian Health Care Agreements (AHCAs)), and 8% from non-government sources (Table 4.5). The state and territory government funding share of public hospitals was 49% in 1996–97, it was 47% in 2002–03 (the last year of the previous AHCAs), and then increased to 52% in 2006–07. Australian Government funding of public hospitals through the AHCAs was 39% in 1996–97. In 2002–03, the share was 38% and, as noted above, since then it has declined to 33% in 2006–07 (Table 4.6).

Real growth in total state, territory and local government funding for health averaged 5.8% per year between 1996–97 and 2006–07 (Table 3.4).

Non-government funding

The non-government sector funded 31% ($29 billion) of total health expenditure in 2006–07. Individual out-of-pocket payments accounted for 17% ($16 billion); private health insurance funds provided 7% ($7 billion); and other non-government sources (mainly compulsory motor vehicle third-party and workers' compensation insurers) accounted for the remaining 7% ($7 billion) (Table 3.7).

Over the decade to 2006–07, the share of funding by private health insurance has fallen to 7.3% (from 11% of health funding in 1996–97), accompanying the introduction of the Australian Government's partial funding of private health insurance from 1997 (Table 3.7).

Of the $16 billion of out-of-pocket payments in 2006–07, around one-third (34%) was spent on medications, and a further 24% was spent on dental services (Figure 3.3).

While the total proportion of health funding that was from non-government sources has declined over the decade to 2006–07 (31% in 2006–07 down from 34% in 1996–97), the share of out-of-pocket expenditure by individuals has increased. It comprised 16% of health

expenditure in 1996–97 and rose to a high of 18% in 2000–01 and 2001–02. In 2006–07 it was 17% (Table 3.7).

According to analysis of the ABS Household expenditure survey (Chapter 5), Australian households spent an average of $18 per week on health goods and services in 2003–04, the latest year for which survey data are available (Table 5.7). This represented 5% of their total expenditure (Table 5.11). The amount of this expenditure was considerably higher for people in older households (that is where the reference person designated by the household was 65 years or older)—averaging $25 per week per person compared with $17 for households with a reference person aged under 65 years. As a percentage of income, older households spend 7.2% of their income on paying for health goods and services, compared to 3.7% of income spent by younger households on health goods and services (Table 5.8).

In 2003–04, the areas of expenditure accounting for the largest share of health expenditure by households were: accident and health insurance (an average of $7 per week, or 39% of total household health expenditure); health practitioners' fees ($6 or 31%); and medicines, pharmaceutical products and therapeutic appliances ($5 or 25%) (Table 5.7).

Where does the money go?

In 2006–07, three areas dominated health expenditure. The biggest area of expenditure was hospitals, which accounted for 39% of recurrent expenditure (that is, excluding capital expenditure and capital consumption). Of the $34 billion spent on hospitals, $27 billion was for public hospital services, and $7 billion was for private hospitals. Expenditure on medical services was $17 billion (19%) and expenditure on benefit-paid pharmaceuticals and other medications was $12 billion (14%). Together, these three areas of expenditure accounted for nearly three-quarters (72%) of all recurrent spending on health (tables A3 and A9).

This proportion is representative of the pattern of expenditure over the decade to 2006–07. During this period, expenditure on the three major areas has remained within a 3 percentage point range of between 72% and 75% of recurrent expenditure (Table A9).

The fastest growing areas of expenditure in 2006–07 were patient transport services (up 16% in real terms on what was spent in 2005–06), public health (up 13%) and research (up 8%) (Table A8).

1 Background

This publication reports on health expenditure in Australia, by area of expenditure and source of funds for the period 1996–97 to 2006–07. Expenditure is analysed in terms of who provides the funding for health care and what types of services attract that funding.

Box 1: Defining health expenditure and health funding

Health expenditure

Health expenditure is reported in terms of who spends the money, rather than who ultimately provides the money for any particular expenditure. In the case of public hospital care, for example, all expenditures (that is, expenditure on accommodation, medical and surgical supplies, drugs, salaries of doctors and nurses, etc.) are incurred by the states and territories, but a considerable proportion of those expenditures are funded by transfers from the Australian Government.

Health funding

Health funding is reported in terms of who provides the funds that are used to pay for health expenditure. In the case of public hospitals, for example, the Australian Government funded 40.2% in 2006–07 and the states and territories funded 51.7%, together providing over 90% of the funding; these funds are derived ultimately from taxation and other sources of government revenue. Some other funding comes from private health insurers and from individuals who incur an out-of-pocket cost when they choose to be treated as private patients.

Australia is compared with other member countries of the Organization for Economic Co-operation and Development (OECD) as well as other countries in the Asia-Pacific region.

The tables and figures in this publication detail expenditure in terms of current and constant prices. Constant price expenditure adjusts for the effects of inflation using either the annually re-weighted chain price indexes produced by the Australian Bureau of Statistics (ABS), or either ABS or the AIHW implicit price deflators (IPDs). Because the reference year for both the chain price indexes and the IPDs is 2006–07, the constant price estimates indicate what expenditure would have been had 2006–07 prices applied in all years.

Box 2: Constant price and current price expenditure

The use of 'constant prices' is a way of comparing expenditure over time without the distorting effects of inflation. In general, the prices of most goods and services rise over time, although some goods become cheaper because of changes in technology or other factors.

'Current prices' refers to expenditure reported for any year, unadjusted for inflation.

To obtain 'constant prices', the 'current prices' for all years are adjusted to reflect the prices in a chosen reference year. This process enables more realistic comparisons of expenditure to be made over a number of years. 'Constant prices' are also referred to as 'real' expenditure, and growth in turn is referred to as 'real growth in expenditure'.

Hence, using 'constant prices' the expenditure in different years can be compared on an equal dollar-for-dollar basis, and the comparison will reflect only the changes in the amount of health goods and services purchased, not the changes in prices of these goods and services caused by inflation. The reference year used in this report is 2006–07.

In contrast, changes in current price expenditure reflect changes in prices through inflation, as well as changes in the amount of health goods and services that are produced.

Throughout this publication there are references to the general rate of inflation. These refer to changes in economy-wide prices, not just consumer prices. The general rate of inflation is calculated by the ABS using the IPD for gross domestic product (GDP).

Expenditure estimates for 1998–99 to 2005–06 that have been revised since the publication of *Health expenditure Australia 2005–06* (AIHW 2007a) are detailed in Section 7.4.

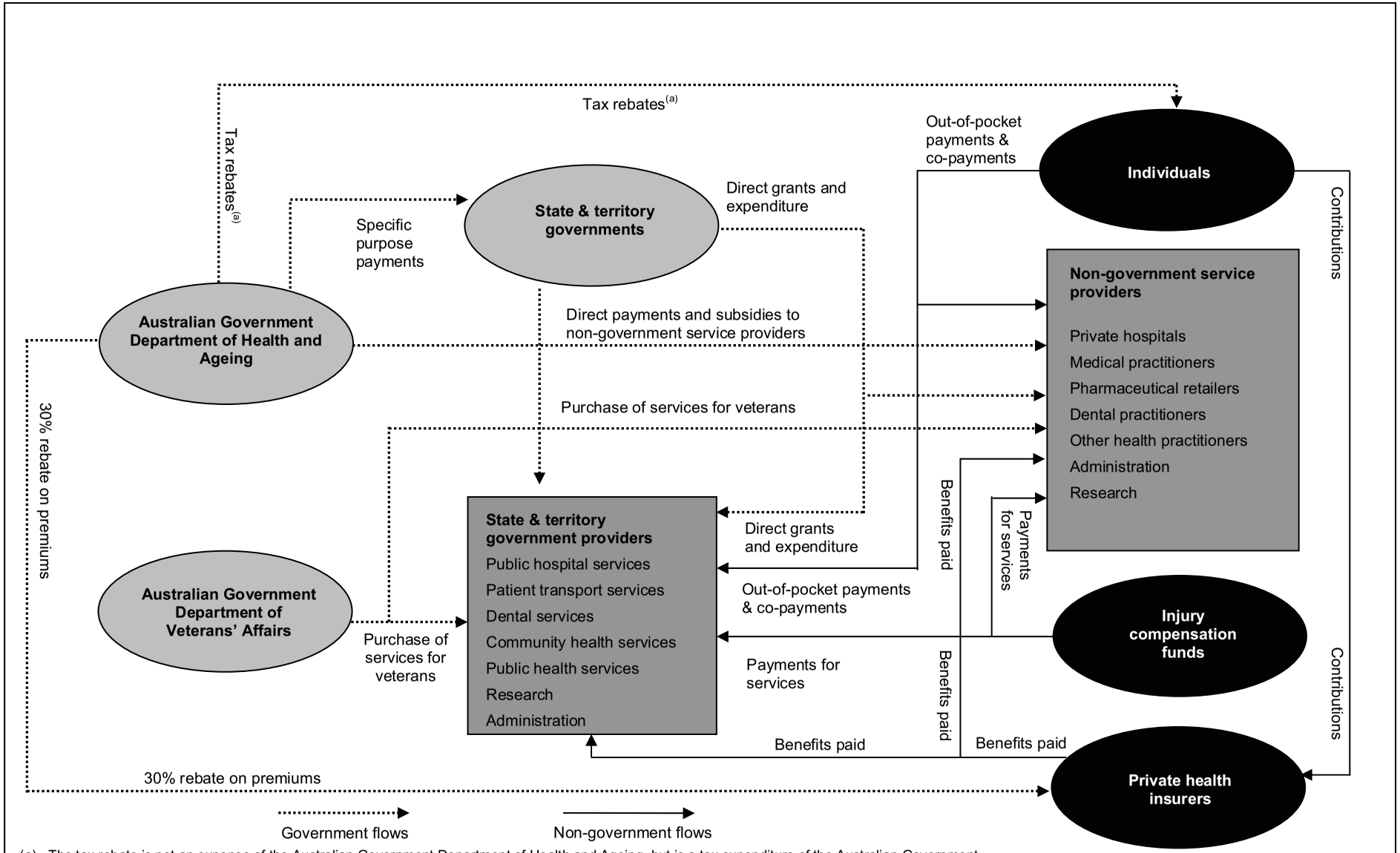
1.1 The structure of the health sector and its flow of funds

The flow of money around the Australian health care system is complex and is determined by the institutional frameworks in place, both government and non-government. Australia is a federation, governed by a national government (the Australian or Commonwealth Government) and eight state and territory governments. Both these levels of government play important roles in the provision and funding of health care. In some jurisdictions, local governments also play a role. All of these levels of government collectively are called the government sector. What remains is the non-government sector, which in the case of funding for health care comprises individuals, private health insurers and other non-government funding sources (principally workers' compensation and compulsory motor vehicle third-party insurers, but also includes funding for research from non-government sources and miscellaneous non-patient revenue received by hospitals). Figure 1.1 shows the major flows of funding between the government and non-government sectors and the providers of health goods and services.

Most non-hospital health care in Australia is delivered by non-government providers, among them private medical and dental practitioners, other health practitioners (such as physiotherapists, acupuncturists and podiatrists) and pharmaceutical retailers. Delivery of health care can occur in a diverse range of settings—hospitals, rehabilitation centres, community health centres, health clinics, ambulatory care services, the private consulting rooms of health practitioners, patients' homes or workplaces, and so on.

In summary, the following are the main features of Australia's health system (see Figure 1.1):

- Universal access to benefits for privately provided medical services under Medicare, which are funded by the Australian Government, with co-payments by users when the services are not bulk-billed.
- Eligibility for public hospital services, free at the point of service, funded jointly by the states and territories and the Australian Government.
- Private hospital activity largely funded by private health insurance, which in turn is subsidised by the Australian Government through the 30% rebates on members' contributions to private health insurance.
- The Australian Government, through its PBS and RPBS, subsidises a wide range of pharmaceuticals outside public hospitals, and also funds a wide range of services for eligible veterans.
- The Australian Government provides most of the funding for health research.
- State and territory health authorities are primarily responsible for the operations of public hospitals, mental health programs, the transport of patients, community health services, and public health services such as health promotion and illness prevention.
- Individuals primarily spend money on medications, dental services, aids and appliances, medical services, other health practitioner services and private hospitals.



(a) The tax rebate is not an expense of the Australian Government Department of Health and Ageing, but is a tax expenditure of the Australian Government.

Figure 1.1: The structure of the Australian health care system and its flow of funds

1.2 Revisions to ABS estimates

Revisions to ABS estimates of GDP and capital expenditure have affected the estimates in this publication, as in previous issues.

GDP estimates for this publication are sourced from the ABS (ABS 2008a). The current price GDP estimates in that ABS publication are the same for all years as those published in *Health expenditure Australia 2005–06* (AIHW 2007a), except for 2003–04, 2004–05 and 2005–06, which are slightly higher due to ABS revisions.

ABS estimates of capital expenditure have also been revised for 1998–99 onwards since *Health expenditure Australia 2005–06*. Refer to Section 7.4 for the effects of these revisions.

1.3 Changes to AIHW estimates

In the *Health expenditure Australia 2005–06* report, there were a number of areas of health expenditure for which there were substantial changes in the methodology used to calculate estimates of expenditure. All of these methodological changes also apply to this report and will apply for all future reports unless otherwise stated. The details of these methodological changes are briefly explained below and in more detail in Chapter 7. The areas of expenditure to which these changes relate are:

- public hospitals and public hospital services—a break in time series between 2002–03 and 2003–04 due to differences in definitions of public hospitals and public hospital services
- private hospitals—total private hospital funding sourced from the ABS which resulted in a downward revision of expenditure estimates
- individual out-of-pocket expenditure—methodology changes to produce more reliable estimates of individual expenditure on dental services, other health practitioner services, aids and appliances and patient transport services
- state and territory funding of health expenditure—domiciliary care services expenditure classified as welfare services expenditure not health expenditure
- high-level residential aged care expenditure—classified as welfare services expenditure not health expenditure.

The work of the Health Expenditure Advisory Committee (HEAC) (see Chapter 7) will, over time, further enhance the quality and comparability of health expenditure data reported in the *Health expenditure Australia* publications.

1.4 Structure of report

The first chapter of this report provides background to the structure of the Australian health sector and how money flows throughout the system. It also clarifies a number of concepts important to the understanding of this report—namely, the distinction between health funding and expenditure, and reference to expenditure in current and constant price terms.

A broad picture of total national health expenditure in 2006–07 (and back to 1996–97) is presented in Chapter 2.

Chapter 3 analyses this expenditure in terms of who ultimately provided the funding for the expenditure and reports expenditure by source of funds—the Australian Government, state and territory and local governments, and the non-government sector.

Chapter 4 contains an analysis of health expenditure and funding by area of expenditure, including expenditure on hospitals and patient transport, ambulatory health services (such as doctors, dentists and other practitioners), community and public health services, health goods (that is, medications and aids and appliances), as well as health-related expenditure on administration and research.

A one-off 'special' topic focusing on individual out-of-pocket expenditure on health, using data from the ABS Household Expenditure Survey, is provided in Chapter 5.

International comparisons, presented in Chapter 6, show how expenditure on health in Australia compares with selected OECD and Asia-Pacific countries.

Technical information on the definitions, methods and data is provided in Chapter 7 along with any revisions to previous estimates.

The Appendix includes more detailed national and state and territory health expenditure matrices, hospitals by detailed area of expenditure and source of funds, summary data on Indigenous health expenditure and expenditure by broad disease groups and information on the price indexes and deflators used in compiling constant price estimates for measuring real change in expenditure over time. Also included are expenditure data for high and low care residential aged care for the period 1999–00 to 2006–07.

2 Total health expenditure

Total expenditure on health goods and services in Australia in 2006–07 was estimated at $94.0 billion (Table 2.1). Of this, 92.9% was for recurrent expenditure and 7.1% was for capital expenditure and capital consumption (Table A3). Total health expenditure increased by 8.4% over the previous year ($7.3 billion), the same as the average for the decade 1996–97 to 2006–07.

After allowing for inflation, real growth between 2005–06 and 2006–07 was estimated at 4.8% (Table 2.1). This was 0.1 percentage points below the average for the decade 1996–97 to 2006–07 of 4.9%. In the previous year, the real growth between 2004–05 and 2005–06 was the lowest recorded over the decade (3.2%).

Table 2.1: Total health expenditure, current and constant prices[(a)], and annual growth rates, 1996–97 to 2006–07

	Amount ($ million)		Growth rate over previous year (%)	
Year	Current	Constant	Current	Constant
1996–97	42,116	58,084	. .	. .
1997–98	44,802	60,510	6.4	4.2
1998–99	48,446	63,852	8.1	5.5
1999–00	52,541	67,579	8.5	5.8
2000–01	58,415	72,353	11.2	7.1
2001–02	63,562	76,207	8.8	5.3
2002–03	69,164	80,109	8.8	5.1
2003–04	73,633	82,381	6.5	2.8
2004–05	80,892	86,924	9.9	5.5
2005–06	86,753	89,668	7.2	3.2
2006–07	94,003	94,003	8.4	4.8
Average annual growth rate				
1996–97 to 2001–02			8.6	5.6
2001–02 to 2006–07			8.1	4.3
1996–97 to 2006–07			8.4	4.9

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

Source: AIHW health expenditure database.

2.1 Health expenditure and the general level of economic activity

The ratio of Australia's health expenditure to GDP (health to GDP ratio) indicates the proportion of overall economic activity contributed by health expenditure. It is estimated that spending on health accounted for 8.98% of GDP in 2006–07—a minimal change from 8.97% in the previous year, but a substantial increase of 1.3 percentage points from 7.72% in 1996–97 (Table 2.2). The largest increase occurred in 2000–01 when the ratio grew by 0.4 percentage points. Over the decade as a whole, GDP grew at 6.7% per year but health expenditure growth was higher at 8.4% per year.

Table 2.2: Total health expenditure and GDP, current prices, and annual growth rates, 1996–97 to 2006–07

	Total health expenditure		GDP		Ratio of health expenditure to GDP (%)
Year	Amount ($ million)	Nominal growth rate (%)	Amount ($ million)	Nominal growth rate (%)	
1996–97	42,116	. .	545,698	. .	7.72
1997–98	44,802	6.4	577,373	5.8	7.76
1998–99	48,446	8.1	607,759	5.3	7.97
1999–00	52,541	8.5	645,058	6.1	8.15
2000–01	58,415	11.2	689,262	6.9	8.47
2001–02	63,562	8.8	735,714	6.7	8.64
2002–03	69,164	8.8	781,675	6.2	8.85
2003–04	73,633	6.5	841,351	7.6	8.75
2004–05	80,892	9.9	897,642	6.7	9.01
2005–06	86,753	7.2	967,454	7.8	8.97
2006–07	94,003	8.4	1,046,620	8.2	8.98
Average annual growth rate					
1996–97 to 2001–02		8.6		6.2	
2001–02 to 2006–07		8.1		7.3	
1996–97 to 2006–07		8.4		6.7	

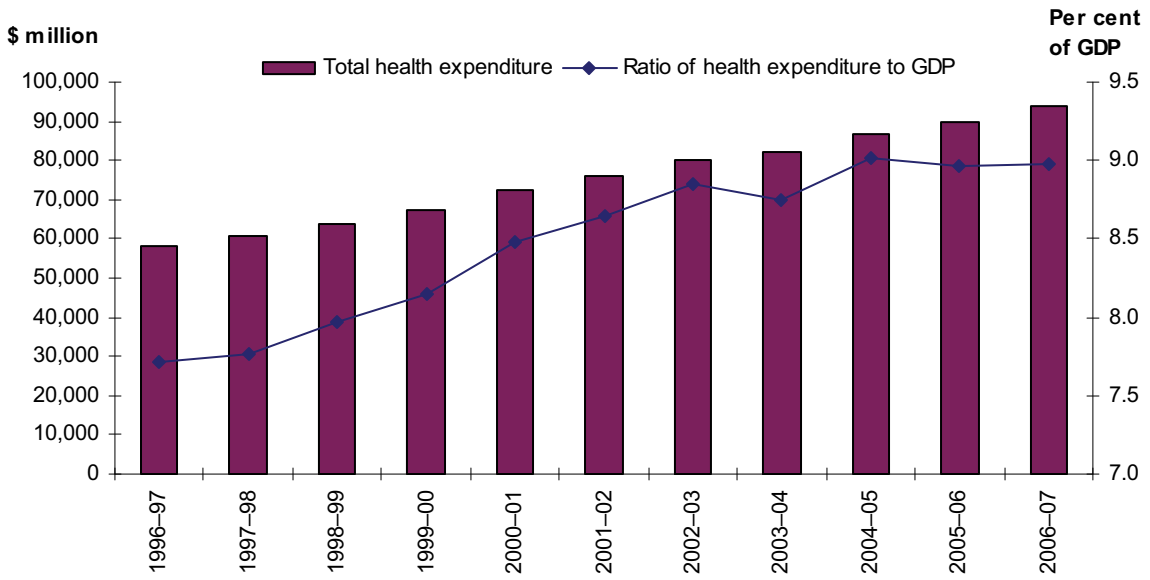
Sources: AIHW health expenditure database and ABS 2008a.

Table 2.3: Total health expenditure and GDP, constant prices[a], and annual growth rates, 1996–97 to 2006–07

	Total health expenditure		GDP	
Year	Amount ($ million)	Growth rate (%)	Amount ($ million)	Growth rate (%)
1996–97	58,084	. .	737,400	. .
1997–98	60,510	4.2	770,440	4.5
1998–99	63,852	5.5	810,343	5.2
1999–00	67,579	5.8	842,621	4.0
2000–01	72,353	7.1	858,961	1.9
2001–02	76,207	5.3	891,314	3.8
2002–03	80,109	5.1	919,411	3.2
2003–04	82,381	2.8	956,427	4.0
2004–05	86,924	5.5	983,671	2.8
2005–06	89,668	3.2	1,012,732	3.0
2006–07	94,003	4.8	1,046,620	3.3
Average annual growth rate				
1996–97 to 2001–02		5.6		3.9
2001–02 to 2006–07		4.3		3.3
1996–97 to 2006–07		4.9		3.6

(a) Constant price expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

Sources: AIHW health expenditure database and ABS 2008a.



(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

Sources: Tables 2.2 and 2.3.

Figure 2.1: Total health expenditure and GDP, constant prices[a], 1996–97 to 2006–07

The health to GDP ratio can increase during a period for one or both of the following reasons:

- The level of use of health goods and services can grow at a higher rate than the growth in the use of all goods and services in the economy (a volume effect).
- Price changes in the health sector can be higher than the economy-wide price changes. This is a price effect and is called 'excess health inflation'.

These two components are shown in the last two columns of Table 2.4. The second last column is the differential real volume growth and shows the increase or decrease in the volume of health goods and services relative to the increase or decrease in the GDP volume. The last column is excess health inflation and shows the increase or decrease in the price of health goods and services compared to price changes in the economy as a whole.

In 2006–07, the ratio of health expenditure to GDP was 9.0%, similar to the previous 2 years, and with no more than half a percentage point fluctuation in the previous 5 years. The change in the health to GDP ratio from 2005–06 to 2006–07 was 0.2% (Table 2.4). This comprised a 1.4% increase in the volume of health goods and services relative to the increase in GDP volume and a 1.3% decrease in the price of health goods and services above price increases in the general economy. This slight increase in the current prices health to GDP ratio between 2005–06 and 2006–07 was therefore due to the combined effect of a relative increase in the volume of health goods and services and a decrease in the relative cost of these goods and services.

In contrast, in 2003–04 the change in the health to GDP ratio was –1.1% (Table 2.4), comprising a 1.1% decrease in the volume of health goods and services relative to the increase in GDP volume and a 0.1% increase in the price of health goods and services above price increases in the general economy.

Table 2.4: Components of growth in the health expenditure to GDP ratio, 1996–97 to 2006–07 (per cent)

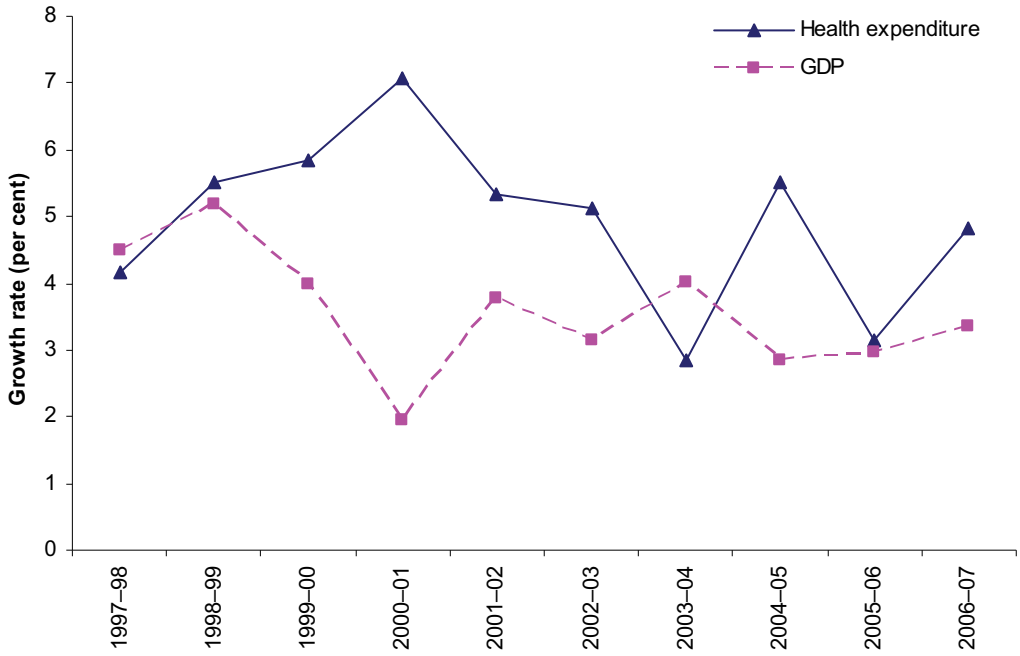
Year	Ratio of health expenditure to GDP (current prices)	Change in ratio of health expenditure to GDP	Differential real volume growth[(a)]	Excess health inflation
1996–97	7.72	. .	. .	. .
1997–98	7.76	0.5	–0.3	0.8
1998–99	7.97	2.7	0.3	2.4
1999–00	8.15	2.2	1.8	0.4
2000–01	8.47	4.0	5.0	–0.9
2001–02	8.64	1.9	1.5	0.4
2002–03	8.85	2.4	1.9	0.5
2003–04	8.75	–1.1	–1.1	0.1
2004–05	9.01	3.0	2.6	0.4
2005–06	8.97	–0.5	0.2	–0.7
2006–07	8.98	0.2	1.4	–1.3

(a) The ratio of the relative change of total health expenditure in constant prices to the relative change of GDP in constant prices, expressed in percentage terms.

Sources: AIHW health expenditure database and ABS 2008a.

In 2006–07, estimates indicate that real health and real GDP expenditure increased respectively by 4.8% and 3.3% (Table 2.3); excess health inflation was –1.3% (Table 2.5). The health expenditure growth rate for 2006–07 (4.8%) was an increase of 1.6 percentage points from growth in the previous year, and was 0.1 percentage points lower than the average annual growth rate (4.9%) over the decade (Table 2.3).

Both GDP and health expenditure grew in every year from 1996–97 to 2006–07 (Table 2.3 and Figure 2.2). Apart from 2003–04, real health expenditure has grown more strongly than real GDP in every year since 1998–99. The greatest difference in the annual rate of growth of real health expenditure and real GDP was in 2000–01 (5.2%) when the growth in real health expenditure and real GDP were 7.1% and 1.9% respectively (Table 2.3).



(a) Growth rates calculated from the preceding year to the year indicated.

(b) Constant price expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

Source: Table 2.3.

Figure 2.2: Annual growth[(a)] of health expenditure and GDP, constant prices[(b)], 1996–97 to 2006–07

Health inflation

The differences in the rate at which health prices move and the general level of inflation in the economy as a whole can have a strong influence on the health to GDP ratio. The general level of inflation is measured using the ABS implicit price deflator for GDP, and health inflation is indicated using the total health price index (Table 2.5). Australia's health inflation has tended to move ahead of the general level of inflation in most years. Between 1996–97 and 2006–07, the average rate of general inflation was 3.1% per year (Table 2.5).

Health inflation during that period averaged 3.3% per year, giving an excess health inflation rate of 0.2% per year. From 2005–06 to 2006–07, general inflation (the GDP implicit price deflator) was 4.7%—the same as the previous year and the highest it has been since 2000–01. The high level of the GDP deflator was partly due to the higher prices received for Australia's exports in this year. A better measure of the actual price increases faced by consumers (rather than the GDP deflator) is the price increase in total final consumption expenditure which was 3.2% in 2006–07 (ABS 2008a).

Table 2.5: Annual rates of health inflation, 1996–97 to 2006–07 (per cent)

Period	Health inflation[(a)]	General inflation[(b)]	Excess health inflation
1996–97 to 1997–98	2.1	1.3	0.8
1997–98 to 1998–99	2.5	0.1	2.4
1998–99 to 1999–00	2.5	2.1	0.4
1999–00 to 2000–01	3.8	4.8	–0.9
2000–01 to 2001–02	3.3	2.9	0.4
2001–02 to 2002–03	3.5	3.0	0.5
2002–03 to 2003–04	3.5	3.5	0.1
2003–04 to 2004–05	4.1	3.7	0.4
2004–05 to 2005–06	4.0	4.7	–0.7
2005–06 to 2006–07	3.4	4.7	–1.3
Average annual growth rate			
1996–97 to 2001–02	2.8	2.2	0.6
2001–02 to 2006–07	3.7	3.9	–0.2
1996–97 to 2006–07	3.3	3.1	0.2

(a) Based on the total health price index (see Glossary).

(b) Based on the implicit price deflator for GDP (see Appendix F).

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

Sources: AIHW health expenditure database and ABS 2008a.

2.2 Health expenditure per person

As the population grows, it could be anticipated that health expenditure would increase, to maintain the average level of health goods and services available to each person in the community. By examining health expenditure on a per person basis, the influence of changes in the overall size of the population is removed from the analysis.

During 2006–07, estimated per person health expenditure averaged $4,507, which was $286 more per person than in the previous year (Table 2.6). Real growth in per person health expenditure between 1996–97 and 2006–07 averaged 3.6% per year, compared with 4.9% for total national health expenditure (tables 2.6 and 2.1). The difference between these two growth rates is the result of growth in the overall size of the Australian population.

Table 2.6: Average health expenditure per person[(a)], current and constant prices[(b)], and annual growth rates, 1996–97 to 2006–07

	Amount ($)		Growth rate over previous year (%)	
Year	Current	Constant	Current	Constant
1996–97	2,286	3,153	. .	. .
1997–98	2,407	3,250	5.3	3.1
1998–99	2,574	3,393	7.0	4.4
1999–00	2,759	3,549	7.2	4.6
2000–01	3,029	3,752	9.8	5.7
2001–02	3,253	3,901	7.4	4.0
2002–03	3,497	4,051	7.5	3.8
2003–04	3,679	4,116	5.2	1.6
2004–05	3,992	4,290	8.5	4.2
2005–06	4,221	4,363	5.7	1.7
2006–07	4,507	4,507	6.8	3.3
Average annual growth rate				
1996–97 to 2001–02			7.3	4.3
2001–02 to 2006–07			6.7	2.9
1996–97 to 2006–07			7.0	3.6

(a) Based on annual mean resident population (see Appendix I).

(b) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

Source: AIHW health expenditure database.

2.3 Recurrent health expenditure in states and territories

Average recurrent health expenditure per person varies from state to state because of different socioeconomic and demographic profiles. In addition, health expenditure is influenced by the different health policy initiatives pursued by each state and territory government and the Australian Government.

Estimates of health expenditure on a state and territory basis have been done since 1996–97. Of the $87.3 billion in recurrent spending on health in 2006–07, over half (57.8%) was spent in the two most populous states, New South Wales ($29.0 billion) and Victoria ($21.5 billion) (Table 2.7).

The highest real growth in recurrent health expenditure, between 2003–04 and 2006–07, occurred in Queensland (21.1%) where real recurrent health expenditure increased from $13.7 billion in 2003–04 to $16.6 billion in 2006–07 (Table 2.8). The lowest growth occurred in South Australia (9.5%), where real recurrent health expenditure increased from $6.1 billion to $6.7 billion during that period. Growth in health expenditure is the result of extra services provided per person and population growth.

Table 2.7: Total recurrent health expenditure, current prices, for each state and territory, all sources of funds, 1996–97 to 2006–07 ($ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	13,495	9,968	7,087	3,577	3,010	1,143	703	450	39,433
1997–98	14,243	10,509	7,496	3,977	3,183	1,113	733	506	41,759
1998–99	15,751	11,111	7,957	4,147	3,508	1,136	865	523	44,998
1999–00	16,581	12,153	8,653	4,523	3,852	1,233	1,007	590	48,592
2000–01	18,106	13,833	9,788	5,103	4,183	1,339	933	632	53,917
2001–02	19,765	15,224	10,462	5,565	4,540	1,576	1,054	680	58,865
2002–03	21,266	16,664	11,413	6,283	5,066	1,505	1,176	764	64,137
Break in series									
2003–04[(a)]	23,286	17,145	12,257	6,830	5,503	1,548	1,282	845	68,696
2004–05	25,433	18,841	13,444	7,525	5,978	1,670	1,412	925	75,228
2005–06	26,988	20,064	14,892	7,948	6,351	1,810	1,493	1,025	80,573
2006–07	28,964	21,469	16,642	8,771	6,727	1,961	1,627	1,124	87,283

(a) 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.

Table 2.8: Total recurrent health expenditure, constant prices[(a)], for each state and territory, all sources of funds, and per cent change, 1996–97 to 2006–07 ($ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	19,225	13,834	9,802	4,938	4,097	1,556	993	620	55,065
1997–98	19,740	14,297	10,207	5,376	4,265	1,486	1,008	687	57,066
1998–99	21,232	14,745	10,587	5,475	4,604	1,477	1,160	693	59,974
1999–00	21,703	15,727	11,235	5,873	4,926	1,567	1,310	761	63,101
2000–01	22,822	17,173	12,274	6,381	5,168	1,647	1,177	788	67,428
2001–02	24,104	18,222	12,635	6,734	5,421	1,886	1,280	819	71,101
2002–03	24,981	19,253	13,316	7,326	5,851	1,740	1,372	889	74,729
Break in series									
2003–04[(b)]	26,222	19,150	13,743	7,680	6,141	1,732	1,442	947	77,057
2004–05	27,433	20,195	14,477	8,121	6,422	1,793	1,521	999	80,961
2005–06	27,910	20,691	15,449	8,237	6,551	1,868	1,542	1,065	83,312
2006–07	28,964	21,469	16,642	8,771	6,727	1,961	1,627	1,124	87,283
Growth rate (%)									
2003–04 to 2006–07	10.5	12.1	21.1	14.2	9.5	13.2	12.8	18.7	13.3

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(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.

Table 2.9: Average recurrent health expenditure per person[(a)], current prices, for each state and territory[(b)], all sources of funds, 1996–97 to 2006–07 ($)

Year	NSW	Vic	Qld	WA	SA	Tas	NT	Australia
1996–97	2,161	2,176	2,104	2,008	2,037	2,410	2,442	2,140
1997–98	2,258	2,276	2,190	2,199	2,143	2,353	2,685	2,243
1998–99	2,470	2,383	2,290	2,257	2,349	2,409	2,731	2,391
1999–00	2,571	2,577	2,450	2,428	2,564	2,614	3,040	2,552
2000–01	2,772	2,898	2,723	2,702	2,773	2,839	3,215	2,796
2001–02	2,992	3,149	2,850	2,907	2,994	3,336	3,423	3,013
2002–03	3,197	3,405	3,032	3,241	3,319	3,168	3,832	3,243
Break in series								
2003–04[(c)]	3,480	3,461	3,178	3,470	3,582	3,221	4,208	3,432
2004–05	3,778	3,756	3,406	3,763	3,866	3,444	4,532	3,713
2005–06	3,975	3,943	3,683	3,899	4,070	3,707	4,916	3,921
2006–07	4,225	4,156	4,025	4,212	4,267	3,988	5,282	4,185
Percentage difference to the national average								
1996–97	1.0	1.7	–1.7	–6.2	–4.8	12.6	14.1	
1997–98	0.6	1.4	–2.3	–2.0	–4.5	4.9	19.7	
1998–99	3.3	–0.3	–4.2	–5.6	–1.8	0.8	14.2	
1999–00	0.8	1.0	–4.0	–4.9	0.5	2.4	19.1	
2000–01	–0.8	3.6	–2.6	–3.3	–0.8	1.5	15.0	
2001–02	–0.7	4.5	–5.4	–3.5	–0.6	10.7	13.6	
2002–03	–1.4	5.0	–6.5	–0.1	2.4	–2.3	18.2	
2003–04	1.4	0.8	–7.4	1.1	4.4	–6.1	22.6	
2004–05	1.8	1.2	–8.3	1.4	4.1	–7.2	22.1	
2005–06	1.4	0.6	–6.1	–0.5	3.8	–5.5	25.4	
2006–07	1.0	–0.7	–3.8	0.7	2.0	–4.7	26.2	

(a) Based on annual mean resident population (see Appendix I).

(b) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(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).

Source: AIHW health expenditure database.

(a) Based on annual mean resident population (see Appendix I).

(b) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

Source: Table 2.9.

Figure 2.3: Average recurrent health expenditure per person[(a)], current prices, for each state and territory[(b)], 2006–07 ($)

Table 2.10: Average recurrent health expenditure per person[(a)], constant prices[(b)], for each state and territory[(c)], all sources of funds, 1996–97 to 2006–07 ($)

Year	NSW	Vic	Qld	WA	SA	Tas	NT	Australia
1996–97	3,079	3,020	2,910	2,772	2,772	3,280	3,361	2,989
1997–98	3,129	3,096	2,982	2,972	2,871	3,142	3,647	3,065
1998–99	3,330	3,162	3,047	2,980	3,082	3,131	3,620	3,187
1999–00	3,365	3,335	3,181	3,152	3,279	3,322	3,918	3,313
2000–01	3,494	3,597	3,415	3,379	3,426	3,492	4,009	3,497
2001–02	3,649	3,769	3,442	3,517	3,575	3,993	4,127	3,639
2002–03	3,755	3,934	3,538	3,779	3,833	3,664	4,459	3,779
				Break in series				
2003–04[(d)]	3,919	3,865	3,564	3,902	3,998	3,603	4,716	3,850
2004–05	4,075	4,026	3,668	4,061	4,153	3,699	4,894	3,996
2005–06	4,111	4,066	3,821	4,041	4,198	3,826	5,105	4,054
2006–07	4,225	4,156	4,025	4,212	4,267	3,988	5,282	4,185

(a) Based on annual mean resident population (see Appendix I).

(b) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(c) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(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).

Source: AIHW health expenditure database.

The per person recurrent health expenditure estimates must be treated with caution as the expenditure estimates often include costs of interstate patients, whereas the population used for the calculation is the resident population of the state.

These state-based health expenditure data include estimates of expenditure that have been funded by sources other than the state and territory governments. These include funding by the Australian Government, private health insurance funds, individuals (through out-of-pocket payments) and providers of injury compensation cover. This means that these estimates of expenditure within a state are not limited to the areas of responsibility of state and territory governments.

On a per person basis, in 2006–07, the estimated national average level of recurrent expenditure on health was $4,185 per person (current prices) (Table 2.9 and Figure 2.3). In 2006–07, expenditure in Tasmania was $3,988—4.7% below the national average. Per person health expenditure in the Northern Territory ($5,282) was 26.2% higher than the national average in 2006–07. New South Wales, Victoria and Western Australia were within 1% of the national average.

Average annual real growth in recurrent health expenditure per person over the period 2003–04 to 2006–07 was highest in Queensland (4.1%) and lowest in South Australia (2.2%). The national average for that period was 2.8% (Table 2.11).

To the greatest extent possible, the AIHW has applied consistent methods to derive estimates for the different states and territories. But there will be differences from one jurisdiction to another in the quality of the data on which these estimates are based. This means that, while some broad comparisons can be made, caution should be exercised when comparing the results for jurisdictions.

Table 2.11: Annual growth in recurrent health expenditure per person[a], constant prices[b], all sources of funding, by state and territory[c], 1996–97 to 2006–07 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	NT	Australia
1996–97 to 1997–98	1.6	2.5	2.5	7.2	3.6	–4.2	8.5	2.6
1997–98 to 1998–99	6.4	2.1	2.2	0.3	7.4	–0.4	–0.7	4.0
1998–99 to 1999–00	1.1	5.5	4.4	5.8	6.4	6.1	8.2	4.0
1999–00 to 2000–01	3.8	7.9	7.3	7.2	4.5	5.1	2.3	5.5
2000–01 to 2001–02	4.4	4.8	0.8	4.1	4.3	14.3	2.9	4.1
2001–02 to 2002–03	2.9	4.4	2.8	7.4	7.2	–8.3	8.1	3.8
2002–03 to 2003–04[d]	. .	. .	. .	. .	. .	. .	. .	. .
Break in series								
2003–04 to 2004–05	4.0	4.1	2.9	4.1	3.9	2.7	3.8	3.8
2004–05 to 2005–06	0.9	1.0	4.2	–0.5	1.1	3.4	4.3	1.5
2005–06 to 2006–07	2.8	2.2	5.3	4.2	1.6	4.2	3.5	3.2
Average annual growth rate								
1997–98 to 2002–03	3.7	4.9	3.5	4.9	6.0	3.1	4.1	4.3
2003–04 to 2006–07	2.5	2.4	4.1	2.6	2.2	3.4	3.8	2.8

(a) Based on annual mean resident population (see Appendix I).

(b) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(c) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(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).

Source: AIHW health expenditure database.

2.4 Sources of nominal growth in health expenditure

The nominal (current price) growth in health expenditure can be analysed in terms of population growth, inflation and the real increase in expenditure per person. Real increase in expenditure per person is indicative of increases in service use per person.

Two factors contribute to nominal growth in health expenditure:

- the combined effects of general inflation and excess health inflation
- changes in the quantities of services used, reflecting either population growth (less significant in Australia's case) or more intensive per capita use of services.

Underlying these two factors are the effects of changes in the population's age structure, changes in the composition and relative prices of health goods and services, changes in technology and medical practice, and general economic and social conditions.

Total health expenditure in nominal terms grew from $42.1 billion in 1996–97 to $94.0 billion in 2006–07 (Table 2.1). Of the $51.9 billion increase, 41.4% ($21.5 billion) was due to inflation, 15.6% ($8.1 billion) was from population growth and 43.0% ($22.3 billion) was due to an increase in real expenditure per person.

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 2006–07, government funding of health expenditure was $64.5 billion (68.7%), with the Australian Government contributing $39.9 billion (42.4%) and state, territory and local governments contributing $24.7 billion (26.2%) (tables 3.1 and 3.2). The non-government sector (individuals, private health insurance and other non-government) funded the remaining $29.5 billion (31.3%). In current prices, from 2005–06 to 2006–07, Australian Government funding of health expenditure increased by 7.0% ($2.6 billion), state, territory and local governments funding increased by 12.3% ($2.7 billion) and non-government funding increased by 7.0% ($1.9 billion).

After allowing for inflation, real growth in Australian Government funding of health grew by an average of 5.2% a year from 1996–97 to 2006–07, state and territory government funding grew by 5.8% and non-government funding grew by 3.9% a year (Table 3.4).

In 2006–07, the Australian Government's total funding increased, in real terms, by 3.8%, while funding by state, territory and local governments and by non-governments increased by 8.0% and 3.7% respectively (Table 3.4).

From 1996–97 to 2006–07, the relative shares of funding of total health expenditure remained fairly stable for both the government and non-government sectors (Table 3.2 and Figure 3.1). Around two-thirds of funding was provided by governments and one-third by non-government.

However, 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 42.4% in 2006–07 (Table 3.2). Over the same period, the contribution from state, territory and local governments fluctuated between a low of 23.1% in 2001–02 and a high of 26.2% in 2006–07.

Table 3.1: Total health expenditure, current prices, by broad source of funds, 1996–97 to 2006–07 ($ million)

	Government				
Year	Australian Government[(a)]	State/territory and local	Total	Non-government[(a)]	Total
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	20,965	11,514	32,479	15,968	48,446
1999–00	23,183	13,068	36,251	16,290	52,541
2000–01	25,849	13,694	39,544	18,871	58,415
2001–02	27,672	14,706	42,378	21,184	63,562
2002–03	29,960	16,746	46,706	22,458	69,164
2003–04	31,997	17,548	49,545	24,088	73,633
2004–05	35,545	19,377	54,923	25,970	80,892
2005–06	37,269	21,960	59,229	27,525	86,753
2006–07	39,882	24,658	64,540	29,463	94,003

(a) Funding of expenditure has been adjusted for non-specific tax expenditures (see Table 7.1).

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

Source: AIHW health expenditure database.

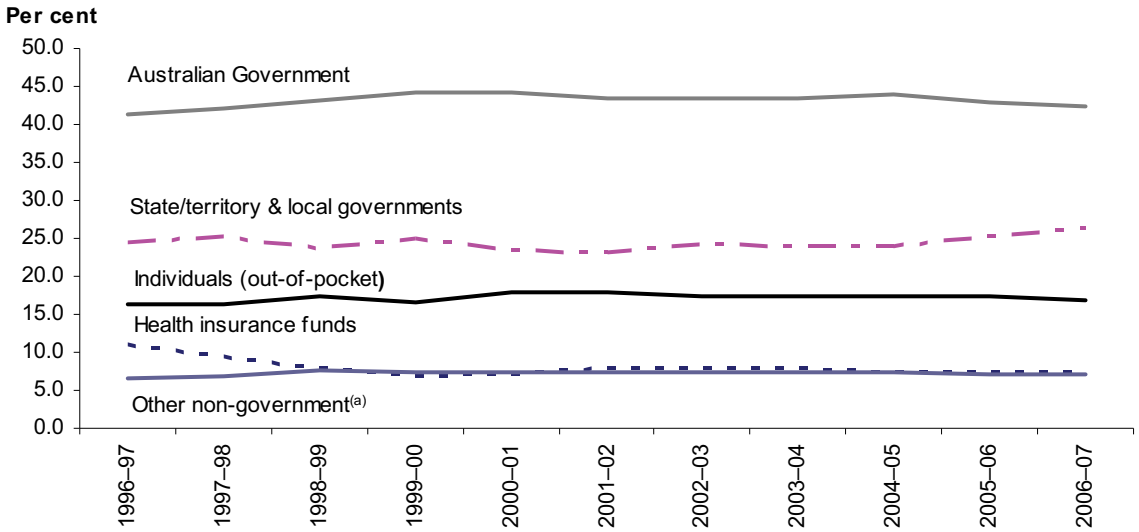
Table 3.2: Total health expenditure, current prices, by source of funds as a proportion of total health expenditure, 1996–97 to 2006–07 (per cent)

	Government			Non-government				
Year	Australian Government[(a)]	State/ territory and local	Total	Health insurance funds	Individ-uals[(a)]	Other	Total	Total
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	67.0	8.0	17.2	7.8	33.0	100.0
1999–00	44.1	24.9	69.0	6.9	16.7	7.4	31.0	100.0
2000–01	44.3	23.4	67.7	7.1	18.0	7.3	32.3	100.0
2001–02	43.5	23.1	66.7	8.0	18.0	7.3	33.3	100.0
2002–03	43.3	24.2	67.5	7.8	17.2	7.4	32.5	100.0
2003–04	43.5	23.8	67.3	7.9	17.4	7.4	32.7	100.0
2004–05	43.9	24.0	67.9	7.5	17.3	7.3	32.1	100.0
2005–06	43.0	25.3	68.3	7.2	17.3	7.1	31.7	100.0
2006–07	42.4	26.2	68.7	7.3	17.0	7.1	31.3	100.0

(a) Funding of expenditure has been adjusted for non-specific tax expenditures (see Table 7.1).

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

Source: AIHW health expenditure database.



(a) Includes funding by injury compensation insurers.

Source: AIHW health expenditure database.

Figure 3.1: Total health expenditure, current prices, by source of funds as a proportion of total health expenditure, 1996–97 to 2006–07 (per cent)

Health funding can also be expressed as a proportion of GDP. Over the decade from 1996–97 to 2006–07, the Australian Government increased its share from 3.2% to 3.8% of GDP (Table 3.3). For state, territory and local governments, the proportion increased from 1.9% to 2.4%. Non-government sources increased their share of GDP from 2.6% to 2.8%.

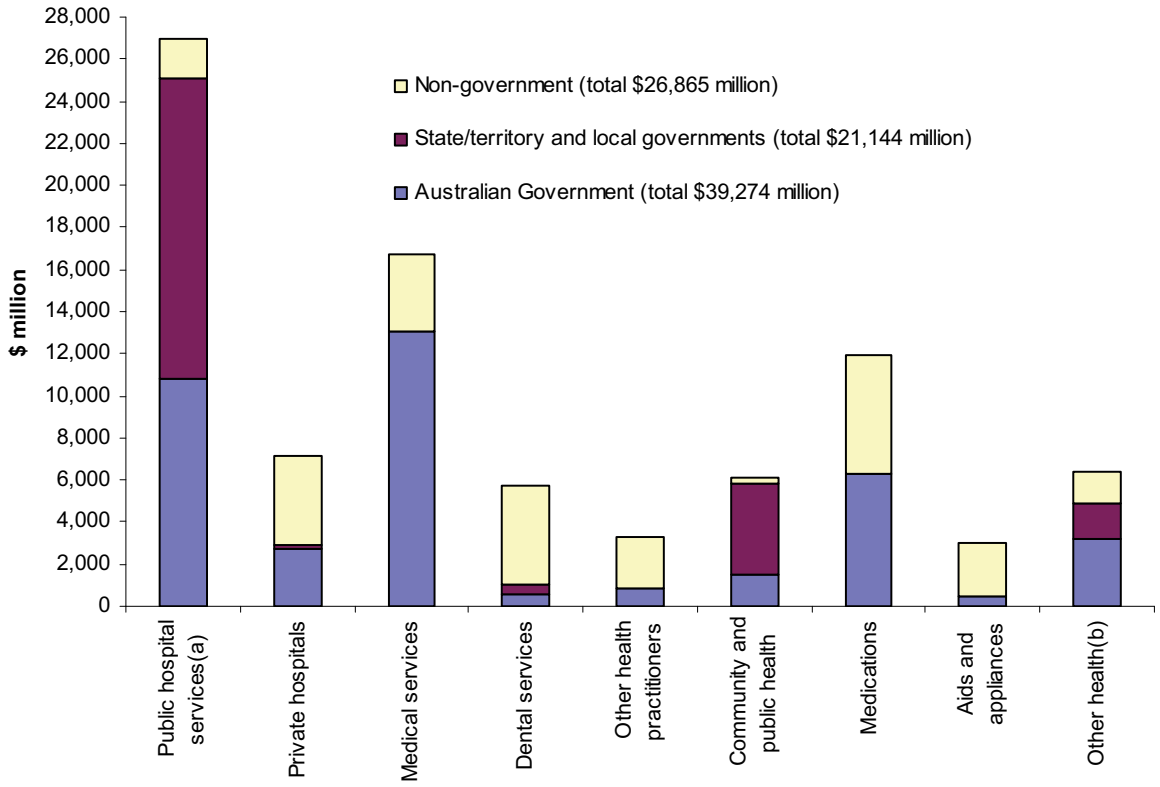
Table 3.3: Total health expenditure, current prices, by broad source of funds as a proportion of GDP, 1996–97 to 2006–07 (per cent)

	Government				
Year	Australian Government[(a)]	State/territory and local	Total	Non-government[(a)]	Total
1996–97	3.2	1.9	5.1	2.6	7.72
1997–98	3.3	2.0	5.2	2.5	7.76
1998–99	3.4	1.9	5.3	2.6	7.97
1999–00	3.6	2.0	5.6	2.5	8.15
2000–01	3.8	2.0	5.7	2.7	8.47
2001–02	3.8	2.0	5.8	2.9	8.64
2002–03	3.8	2.1	6.0	2.9	8.85
2003–04	3.8	2.1	5.9	2.9	8.75
2004–05	4.0	2.2	6.1	2.9	9.01
2005–06	3.9	2.3	6.1	2.8	8.97
2006–07	3.8	2.4	6.2	2.8	8.98

(a) Funding of expenditure has been adjusted for non-specific tax expenditures (see Table 7.1).

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

Sources: AIHW health expenditure database and ABS 2008a.



(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 4).

(b) Other health comprises patient transport services, administration and research.

Source: Table A3.

Figure 3.2: Recurrent health expenditure, by area of expenditure and source of funds, current prices, 2006–07

Table 3.4: Total health expenditure, constant prices[a], and annual growth rates, by broad source of funds, 1996–97 to 2006–07

	Government									
	Australian Government[b]		State/territory and local		Total		Non-government[b]		Total	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1996–97	24,048	. .	13,987	. .	38,034	. .	20,050	. .	58,084	. .
1997–98	25,708	6.9	15,006	7.3	40,714	7.0	19,796	–1.3	60,510	4.2
1998–99	27,850	8.3	14,932	–0.5	42,782	5.1	21,070	6.4	63,852	5.5
1999–00	30,092	8.1	16,530	10.7	46,623	9.0	20,956	–0.5	67,579	5.8
2000–01	32,280	7.3	16,803	1.7	49,083	5.3	23,269	11.0	72,353	7.1
2001–02	33,303	3.2	17,578	4.6	50,881	3.7	25,326	8.8	76,207	5.3
2002–03	34,755	4.4	19,393	10.3	54,149	6.4	25,961	2.5	80,109	5.1
2003–04	35,767	2.9	19,706	1.6	55,473	2.4	26,908	3.6	82,381	2.8
2004–05	38,097	6.5	20,994	6.5	59,091	6.5	27,834	3.4	86,924	5.5
2005–06	38,412	0.8	22,838	8.8	61,250	3.7	28,418	2.1	89,668	3.2
2006–07	39,882	3.8	24,658	8.0	64,540	5.4	29,463	3.7	94,003	4.8
Average annual growth rate										
1996–97 to 2001–02		6.7		4.7		6.0		4.8		5.6
2001–02 to 2006–07		3.7		7.0		4.9		3.1		4.3
1996–97 to 2006–07		5.2		5.8		5.4		3.9		4.9

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(b) Funding of expenditure has been adjusted for non-specific tax expenditures (see Table 7.1).

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

Source: AIHW health expenditure database.

3.2 Government sources of funds

In 2006–07, government funding of total health expenditure was $64.5 billion (Table 3.1). The Australian Government contributed $39.9 billion (Table 3.5) which was 42.4% of total funding for health by all sources of funds (Table 3.2 and Figure 3.1). State, territory and local government sources provided 26.2% ($24.7 billion).

Australian Government

In 2006–07, the Australian Government provided 61.8% of total government health funding (calculated from Table 3.1).

The Australian Government's contribution to funding for health (calculated from Table 3.5) includes:

- direct expenditure by the Australian Government on health programs (such as MBS and PBS) (57.3%)
- specific purpose payments (SPPs) to the states and territories for health purposes (24.8%)
- rebates and subsidies under the *Private Health Insurance Act 2007* (8.7%)
- payments through the Australian Government Department of Veterans' Affairs (DVA) in respect of eligible veterans and their dependants (8.3%)
- taxation expenditures (1.0%).

Table 3.5: Funding of total health expenditure by Australian Government, current prices, by type of expenditure, 1996–97 to 2006–07 ($ million)

Year	DVA	Grants to states	Rebates of health insurance premiums[(a)]	Direct expenditure	Non-specific tax expenditure[(b)]	Total
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	11,751	145	20,965
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	15,367	203	27,672
2002–03	2,836	8,095	2,306	16,498	225	29,960
2003–04	3,013	8,219	2,516	17,998	250	31,997
2004–05	3,152	8,840	2,827	20,435	291	35,545
2005–06	3,126	9,233	3,177	21,401	332	37,269
2006–07	3,301	9,894	3,453	22,852	382	39,882

(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 to individuals for health insurance policies.

(b) Comprises medical expenses tax rebate. See Table 7.1 for full definition.

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 2006–07, its funding totalled $3.3 billion (Table 3.6). Almost half of this (48.9%) was for hospitals (public hospital services and private hospitals).

Table 3.6: Department of Veterans' Affairs (DVA) health expenditure, current prices, by area of expenditure, 2006–07

Area of expenditure	Amount ($m)	Proportion (%)
Public hospital services[(a)]	770	23.3
Private hospitals	844	25.6
Patient transport services	116	3.5
Medical services	803	24.3
Dental services	103	3.1
Other health practitioners	153	4.6
Community health	1	—
Medications	454	13.7
Aids and appliances	2	0.1
Administration	53	1.6
Research	2	0.1
Total	**3,301**	**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 (see Box 4).

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 public hospitals were payments for highly specialised drugs.

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 5 years, from 2004–05 to 2008–09.

Direct Australian Government expenditures

The Australian Government also funds health programs such as MBS, the PBS, public health, research, the Aboriginal community controlled health and substance use services, and health expenditure-related capital consumption and capital expenditure. In 2006–07, the Australian Government funded $22.9 billion of direct expenditure (Table 3.5).

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 has been available since 1998 and is regarded as funding by the Australian Government.

During 2006–07, the total value of the 30% rebate was $3.5 billion (Table 3.5). The majority of this ($3.3 billion) was in the form of subsidies through private health insurance funds, with the balance provided in the form of rebates to individuals through the taxation system (Table 3.12).

Non-specific tax expenditure

The only tax expenditure included here is the medical expenses 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 2006–07 that threshold was $1,500 per taxpayer. These expenditures cannot be allocated to any particular area(s) of health expenditure so are not included in the estimates of recurrent health expenditure (that is, recurrent expenditure excludes capital expenditure and capital consumption, and non-specific tax expenditure). In 2006–07, the total value of such tax expenditures was $382 million (Table 3.5).

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 67.8% ($14.3 billion) of recurrent funding provided by these government sources in 2006–07 (calculated from Table A3).

In real terms, funding for health by state, territory and local governments increased, by an average of 5.8% per year between 1996–97 and 2006–07. In comparison, Australian Government funding increased by 5.2% per year in this period (Table 3.4).

3.3 Non-government funding

Non-government funding was 31.3% ($29.5 billion) of total funding in 2006–07 (Table 3.7). 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 this subsidy is that benefits that paid for private health goods and services used by insured people become jointly funded by the Australian Government (through the contribution rebates) and the fund contributors. Since 2001–02, the non-government share has averaged around 32% with an average annual real growth in funding from 2001–02 to 2006–07 of 3.1% (tables 3.7 and 3.8).

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 54.1% ($16.0 billion) of estimated non-government funding of health goods and services during 2006–07 (calculated from Table 3.7). This was 17.0% of total funding of health expenditure. Private health insurance funds provided 7.3% of total funding of health expenditure ($6.8 billion) in 2006–07. The remaining 7.1% ($6.7 billion) came from other non-government sources (mainly compulsory motor vehicle third-party and workers' compensation insurers) (Table 3.7).

Over the decade to 2006–07, the proportion of total health funding provided by private health insurance funds decreased 3.9 percentage points from 11.2% to 7.3%, funding by individuals increased by 0.6 percentage points from 16.4% to 17.0% and funding by other non-government sources increased by 0.5 percentage points (Table 3.7). These differences are reflected in the real growth over the decade in funding from these sources with an annual average increase of 0.3% for private health insurance funds, 5.2% for individuals and 6.0% for other non-government (Table 3.8).

The decrease in the funding share 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 partly funded by the Australian Government. In 2006–07, 3.7% of total health expenditure was funded by the Australian Government's 30%/35%/40% rebate and 7.3% was funded through private health insurance (calculated from Table A3) (See pages 31–35, 47 for details of changes in private health insurance funding since 1997).

Table 3.7: Non-government sector funding of total health expenditure, by source of funds, current prices, 1996–97 to 2006–07

	Private health insurance funds[a]		Individuals[b]		Other non-government[c]		All non-government sources[a][b]	
Year	Amount ($m)	Proportion (%)	Amount ($m)	Proportion (%)	Amount ($m)	Proportion (%)	Amount ($m)	Proportion (%)
1996–97	4,700	11.2	6,910	16.4	2,795	6.6	14,405	34.2
1997–98	4,271	9.5	7,321	16.3	3,026	6.8	14,618	32.6
1998–99	3,855	8.0	8,355	17.2	3,758	7.8	15,968	33.0
1999–00	3,601	6.9	8,777	16.7	3,912	7.4	16,290	31.0
2000–01	4,123	7.1	10,511	18.0	4,237	7.3	18,871	32.3
2001–02	5,075	8.0	11,443	18.0	4,666	7.3	21,184	33.3
2002–03	5,415	7.8	11,930	17.2	5,112	7.4	22,458	32.5
2003–04	5,790	7.9	12,817	17.4	5,480	7.4	24,088	32.7
2004–05	6,038	7.5	14,008	17.3	5,923	7.3	25,970	32.1
2005–06	6,284	7.2	15,048	17.3	6,193	7.1	27,525	31.7
2006–07	6,836	7.3	15,953	17.0	6,673	7.1	29,463	31.3

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

(b) Individuals' expenditure not adjusted for 'reimbursement' through 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.

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

Source: AIHW health expenditure database.

Individuals

Real growth in expenditure by individuals between 1996–97 and 2006–07 was 5.2% per year, 0.3 percentage points above the real growth in total health expenditure (4.9%) (tables 2.1 and 3.8).

Table 3.8: Non-government sector funding of total health expenditure, by source of funds, constant prices[a], and annual growth rates, 1996–97 to 2006–07

	Private health insurance funds[b]		Individuals[c]		Other non-government[d]		All non-government sources[b][c]	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1996–97	6,666	. .	9,648	. .	3,736	. .	20,050	. .
1997–98	5,922	–11.2	9,867	2.3	4,007	7.2	19,796	–1.3
1998–99	5,207	–12.1	11,033	11.8	4,831	20.6	21,070	6.4
1999–00	4,733	–9.1	11,275	2.2	4,948	2.4	20,956	–0.5
2000–01	5,230	10.5	12,937	14.7	5,102	3.1	23,269	11.0
2001–02	6,207	18.7	13,657	5.6	5,463	7.1	25,326	8.8
2002–03	6,376	2.7	13,791	1.0	5,795	6.1	25,961	2.5
2003–04	6,549	2.7	14,275	3.5	6,085	5.0	26,908	3.6
2004–05	6,549	—	14,950	4.7	6,334	4.1	27,834	3.4
2005–06	6,531	–0.3	15,496	3.6	6,391	0.9	28,418	2.1
2006–07	6,836	4.7	15,953	3.0	6,673	4.4	29,463	3.7
Average annual growth rate								
1996–97 to 2001–02		–1.4		7.2		7.9		4.8
2001–02 to 2006–07		1.9		3.2		4.1		3.1
1996–97 to 2006–07		0.3		5.2		6.0		3.9

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

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

(c) Individuals' expenditure not adjusted for 'reimbursement' through non-specific tax expenditures.

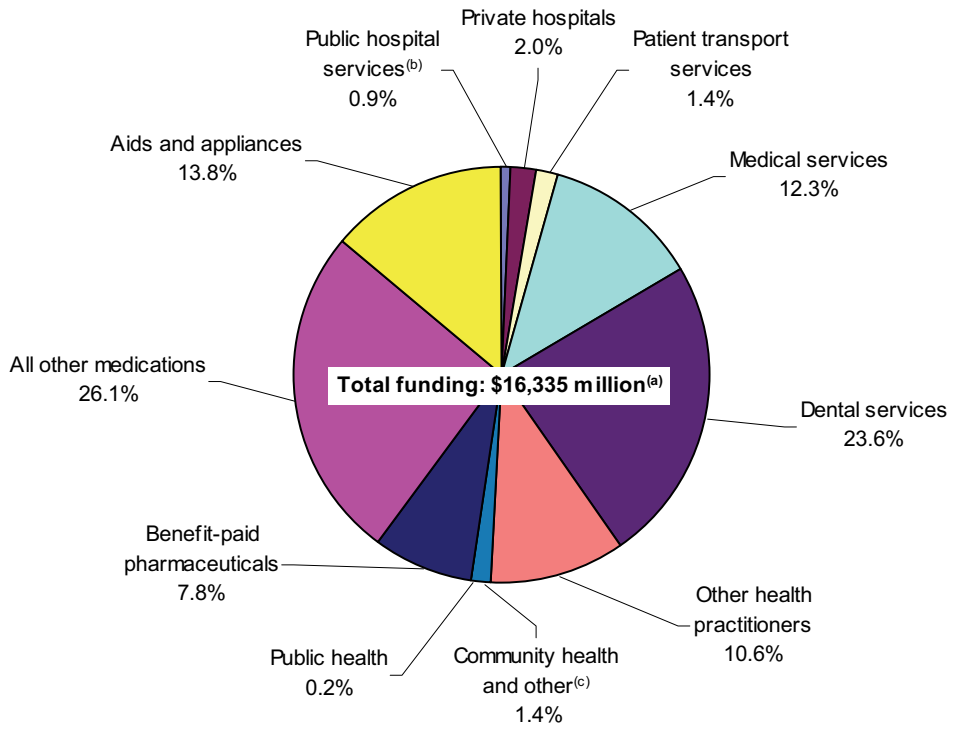
(d) All non-government sector capital expenditure is included here, as the details of funding of non-government capital expenditure are not known. If funding was known, this capital expenditure would be spread across all funding columns.

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

Source: AIHW health expenditure database.

In 2006–07, of the estimated $16.3 billion out-of-pocket recurrent expenditure by individuals on health goods and services (Figure 3.3):

- 33.9% was spent on medications
  - 7.8% on PBS and RPBS patient contributions
  - 26.1% on other medications (see Table 7.1 for a detailed definition)
- 23.6% on dental services
- 13.8% on aids and appliances
- 12.3% on medical services
- 10.6% on other health practitioners (such as physiotherapists, chiropractors and podiatrists, see Table 7.1 for full list).



(a) Individuals' expenditure not adjusted for 'reimbursement' through non-specific tax expenditures.

(b) 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.

(c) 'Other' refers to other non-institutional health services n.e.c.

Source: Table A3.

Figure 3.3: Individuals' funding(a) of recurrent health expenditure, by area of expenditure, current prices, 2006–07

In real terms, average out-of-pocket health expenditure per person grew by 3.9% per year from 1996–97 to 2006–07 (Table 3.9). Over this period, benefit-paid pharmaceuticals had a real growth of 7.2% per year compared to 5.6% for all other medications. In contrast, average per person out-of-pocket expenditure on medical services grew at 3.4% per year.

Table 3.9: Average out-of-pocket funding of recurrent health expenditure per person, constant prices[a], and annual growth rates, by area of expenditure, 1996–97 to 2006–07

	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	
Year	Amount ($)	Growth (%)	Amount ($)	Growth (%)	Amount ($)	Growth (%)	Amount ($)	Growth (%)	Amount ($)	Growth (%)	Amount ($)	Growth (%)	Amount ($)	Growth (%)	Amount ($)	Growth (%)	Amount ($)	Growth (%)	Amount ($)	Growth (%)
1996–97	34	. .	9	. .	69	. .	135	. .	84	. .	—	. .	30	. .	118	. .	54	. .	532	. .
1997–98	26	–23.0	10	9.1	74	7.7	133	–1.3	72	–14.3	—	. .	32	6.7	137	16.1	55	3.2	540	1.4
1998–99	48	85.6	10	–1.5	76	3.3	133	0.3	67	–6.6	5	. .	34	3.8	147	7.5	75	35.9	597	10.6
1999–00	45	–7.5	11	4.7	76	–0.9	132	–0.8	63	–5.6	2	–54.1	36	7.3	160	8.4	79	4.6	603	1.1
2000–01	49	8.8	11	8.6	77	2.1	155	17.5	62	–2.0	—	. .	41	12.3	171	7.1	116	47.5	682	13.1
2001–02	42	–13.9	13	10.0	80	3.4	168	8.4	66	6.2	—	. .	43	7.1	197	14.9	104	–10.9	712	4.3
2002–03	27	–35.5	13	3.7	89	11.6	174	3.3	70	6.5	—	. .	48	11.6	178	–9.7	112	8.0	711	–0.1
Break in time series																				
2003–04	24	. .	10	. .	94	5.4	181	. .	75	. .	10	. .	52	7.5	186	4.7	96	. .	727	2.3
2004–05	23	–4.7	10	0.5	87	–7.0	185	2.7	80	7.2	9	–4.3	57	9.6	201	7.9	101	4.7	754	3.6
2005–06	29	27.6	11	4.6	88	0.5	185	–0.3	83	3.2	11	21.3	60	6.0	201	—	104	2.7	771	2.3
2006–07	23	–22.3	11	6.2	96	9.8	185	0.1	83	0.2	12	5.3	61	1.3	204	1.8	108	4.1	783	1.6
Average annual growth rate																				
1996–97 to 2002–03		–3.7		5.7		4.5		4.3		–2.9		. .		8.1		7.0		13.0		4.9
2003–04 to 2006–07		–1.9		3.7		0.8		0.8		3.5		6.9		5.6		3.2		3.8		2.5
1996–97 to 2006–07		. .		. .		3.4		. .		. .		. .		7.2		5.6		. .		3.9

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(b) Hospitals, patient transport services, dental services and community and public health services are omitted from the 1996–97 to 2006–07 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 services.

(c) Includes public and private hospitals. Public hospitals (1996–97 to 2002–03) includes dental services, community health services, patient transport services, public health services and health research undertaken by the hospital. Public hospital services (2003–04 to 2006–07) excludes dental services, community health services, patient transport services, public health services 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 4).

(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).

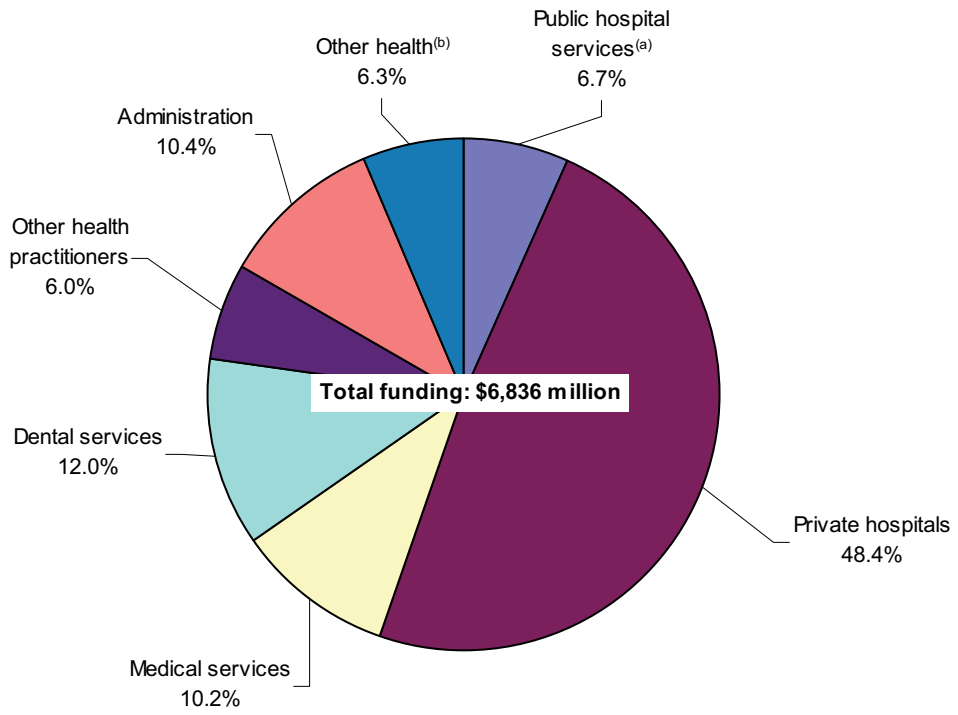
(e) For 1999–00 this also includes administration expenditure.

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

Source: AIHW health expenditure database.

Private health insurance

Private health insurance benefits are chiefly directed towards private hospitals. During 2006–07, private hospitals received 48.4% ($3.3 billion) of the $6.8 billion in funding provided by health insurance funds (Figure 3.4 and Table 3.10). Other major areas of expenditure that received funding were dental services (12.0% or $0.8 billion), administration (10.4% or $0.7 billion) and medical services (10.2% or $0.7 billion). 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 2006–07 ($101 million and $44 million respectively) (Table 3.10).



(a) 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 (see Box 4).

(b) Other health comprises patient transport services, medications and aids and appliances.

Source: Table 3.10.

Figure 3.4: Funding of recurrent health expenditure through private health insurance funds, by area of expenditure, current prices, 2006–07

General benefits and administration

Gross health benefits paid through the health insurance funds in 2006–07 amounted to $9.2 billion—up $0.7 billion from $8.5 billion in 2005–06 and up $1.2 billion since 2004–05 (Table 3.10). A further $1.1 billion was used to fund administration during 2006–07; this showed an increase from $1.0 billion in 2005–06, and $0.9 billion in 2004–05. The premium rebates paid by the Australian Government through the tax system or directly to private health insurance funds increased from $2.5 billion in 2004–05 to $3.1 billion in 2006–07 (Table 3.10). The reserves of the health insurance funds overall continued to increase in 2006–07, with the operating profit before abnormals and extraordinary items rising from $0.6 billion in 2004–05 to $1.3 billion in 2006–07 (Table 3.11).

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 (see Box 3). Net expenditure in real terms rose from $6.2 billion in 2001–02 to $6.5 billion in 2003–04. It then increased to $6.8 billion in 2006–07 while the private health insurance rebates rose to a high of $3.5 billion in that year (Table 3.12 and Figure 3.5).

Box 3: Private health insurance changes

Treatment of rebates on private health insurance premiums in the expenditure estimates

Before 1997, all health benefits paid by the funds, plus their administration costs, were regarded as health funding by the funds. The introduction of the Private Health Insurance Incentives Scheme and its replacement non-means-tested 30% rebate meant that some of the money the funds use to pay for health benefits and administration now comes from the Australian Government. In compiling its estimates, the AIHW allocates the premium rebates paid by the Australian Government across all the expenses incurred by the funds each year – these include benefit payments related to health goods and services; benefit payments for non-health goods and services (such as funeral benefits, domestic assistance and so on); management expenses; and adjustment to provisions for outstanding and future potential claims. But only that part of the rebate that can be attributed to benefits for health goods and services and to management expenses is reported as part of total health expenditure (see Table 3.10). This amount is deducted from the gross benefits and management expenses paid by the health insurance funds in the calculation of net health funding by private health insurance funds.

Table 3.10: Expenditure on health goods and services funded through health insurance funds, current prices, 2004–05 to 2006–07 ($ million)

Area of expenditure	2004–05			2005–06			2006–07		
	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	4,919	1,569	3,351	5,213	1,750	3,462	5,674	1,904	3,770
Public hospital services[b]	565	180	385	615	207	409	695	233	461
Private hospitals	4,354	1,388	2,966	4,598	1,544	3,054	4,980	1,671	3,309
Patient transport[c]	138	44	94	139	47	92	152	51	101
Medical services	868	277	591	957	321	636	1,047	351	696
Dental services	1,070	341	729	1,144	384	760	1,234	414	820
Other health practitioners	527	168	359	578	194	384	615	206	409
Community and public health	1	—	—	1	—	—	1	—	—
Medications	75	24	49	71	24	47	67	22	44
Aids and appliances	376	120	256	397	133	264	431	145	286
Total health benefits and levies	**7,973**	**2,542**	**5,431**	**8,499**	**2,854**	**5,645**	**9,221**	**3,095**	**6,127**
Health administration	892	284	607	962	323	639	1,068	358	709
Direct expenditure on health goods and services	**8,865**	**2,827**	**6,038**	**9,461**	**3,177**	**6,284**	**10,289**	**3,453**	**6,836**
Items not included in estimates on health goods and services									
Non-health ancillaries	16	5	11	15	5	10	19	7	13
Outstanding claims adjustment	88	28	60	98	33	65	123	41	81

(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 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 4).

(c) Includes an Ambulance Service Levy that is payable by all private insurance funds with members in New South Wales and the Australian Capital Territory to offset the cost of this service.

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

Sources: DoHA 2005a, 2006, 2007; ATO 2006, 2007; PHIAC 2008.

Table 3.11: Health insurance funds reported expenses and revenues, current prices, 2004–05 to 2006–07 ($ million)

Operating expenses and revenue of funds	2004–05	2005–06	2006–07
Expenses			
Total cost of benefits[(a)]	8,128	8,640	9,306
State levies (patient transport services)	110	113	126
Management expenses[(b)]	892	962	1,068
Total expenses	**9,130**	**9,715**	**10,500**
Revenue			
Contributions income	9,384	10,261	11,127
Other revenue	373	446	672
Total revenue	**9,757**	**10,706**	**11,799**
Operating profit (loss) before abnormals and extraordinary items	626	984	1,288

(a) Includes accrual adjustment to provisions for outstanding claims and non-health ancillaries' benefits.

(b) Excludes 'Other expenses'.

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

Sources: PHIAC, 2005 to 2007.

Table 3.12: Expenditure on health goods and services and administration funded through private health insurance funds, constant prices[(a)], and annual growth rates, 1996–97 to 2006–07

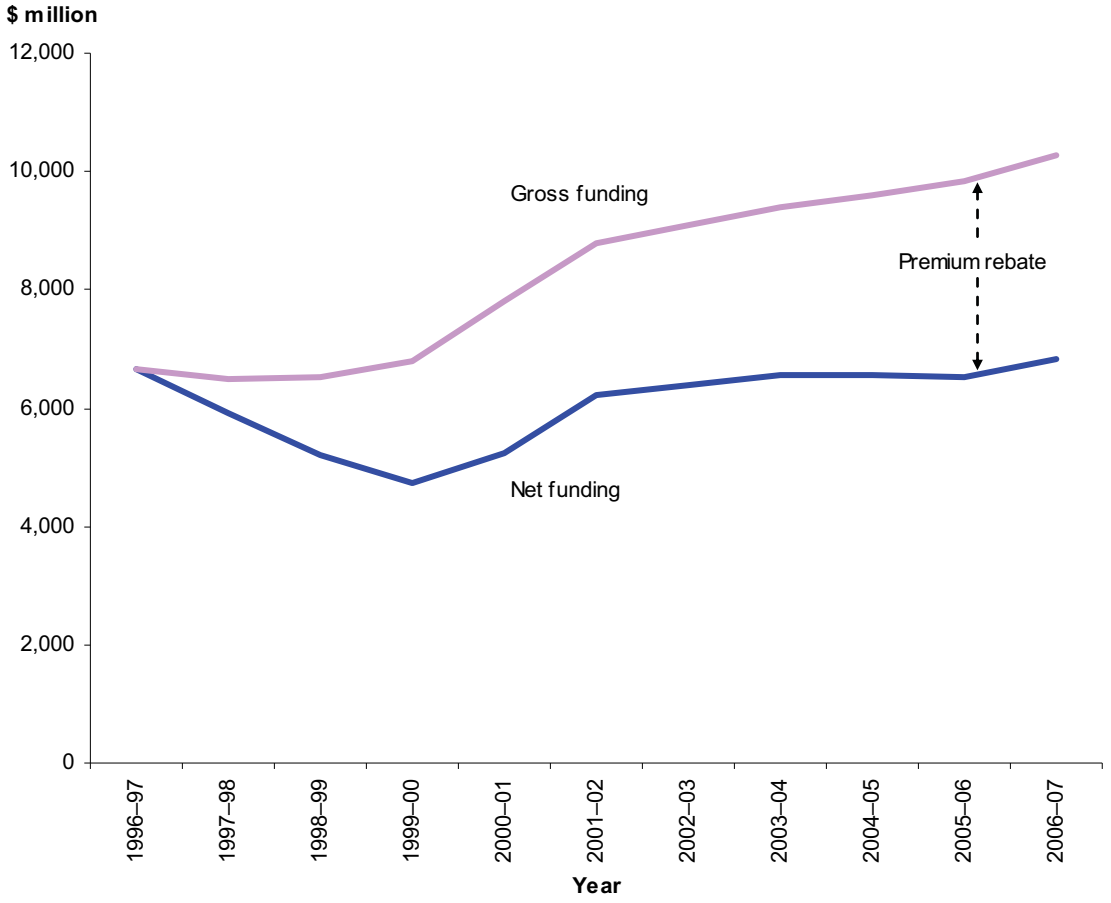
	Gross payments through health insurance funds		Reimbursement through reduced premium fees by funds		Rebates through taxation system		Net payments from health insurance fund resources[(b)]	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1996–97	6,666	. .	. .	. .	. .	. .	6,666	. .
1997–98	6,487	–2.7	345	. .	220	. .	5,922	–11.2
1998–99	6,508	0.3	1,060	206.9	242	10.2	5,207	–12.1
1999–00	6,803	4.5	1,819	71.6	251	3.7	4,733	–9.1
2000–01	7,806	14.7	2,354	29.4	222	–11.5	5,230	10.5
2001–02	8,797	12.7	2,381	1.1	210	–5.6	6,207	18.7
2002–03	9,091	3.3	2,528	6.2	188	–10.4	6,376	2.7
2003–04	9,395	3.3	2,671	5.7	175	–6.7	6,549	2.7
2004–05	9,616	2.4	2,898	8.5	168	–4.0	6,549	—
2005–06	9,833	2.3	3,133	8.1	169	0.7	6,531	–0.3
2006–07	10,289	4.6	3,277	4.6	177	4.2	6,836	4.7
Average annual growth rate								
1996–97 to 2001–02		5.7		. .		. .		–1.4
2001–02 to 2006–07		3.2		6.6		–3.4		1.9
1996–97 to 2006–07		4.4		. .		. .		0.3

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 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.



(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 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 3.12.

Figure 3.5: Funding of recurrent health expenditure through private health insurance, constant prices[(a)], 1996–97 to 2006–07

In 2006–07, it was estimated that private health insurance funded, on average, $757 per person with private health insurance coverage (in 2006–07 prices) (Table 3.13). Those living in South Australia received the highest amount per person covered ($849), while people in the Northern Territory received the least per person covered ($403). A comparison of average annual growth rates in constant prices over the period 1996–97 to 2006–07 shows that all states and territories recorded reductions in the amount funded per person with health insurance cover. Those in the Northern Territory had the greatest decline in their per person expenditure: 4.3% per year compared with 3.7% for Australia as a whole.

Table 3.13: Average health expenditure funded by private health insurance, per person[(a)] covered, constant prices[(b)], by state and territory[(c)], 1996–97 to 2006–07 ($)

Year	NSW & ACT[(c)]	Vic	Qld	WA	SA	Tas	NT	Australia
1996–97	1,109	1,087	1,092	1,025	1,288	1,098	629	1,102
1997–98	1,009	1,013	1,016	955	1,162	979	572	1,013
1998–99	900	903	920	873	1,047	868	542	909
1999–00	692	725	728	741	835	695	432	721
2000–01	587	565	617	620	690	649	367	598
2001–02	690	671	745	735	825	762	453	711
2002–03	696	710	787	748	856	783	405	734
2003–04	723	734	816	759	857	816	425	757
2004–05	723	731	813	752	850	783	398	753
2005–06	704	740	797	721	836	790	399	741
2006–07	731	754	802	720	849	793	403	757
Average annual growth rate								
1996–97 to 2001–02	–9.0	–9.2	–7.4	–6.4	–8.5	–7.0	–6.4	–8.4
2001–02 to 2006–07	1.2	2.3	1.5	–0.4	0.6	0.8	–2.3	1.3
1996–97 to 2006–07	–4.1	–3.6	–3.0	–3.5	–4.1	–3.2	–4.3	–3.7

(a) Based on the number of persons with health insurance cover residing in each state and territory.

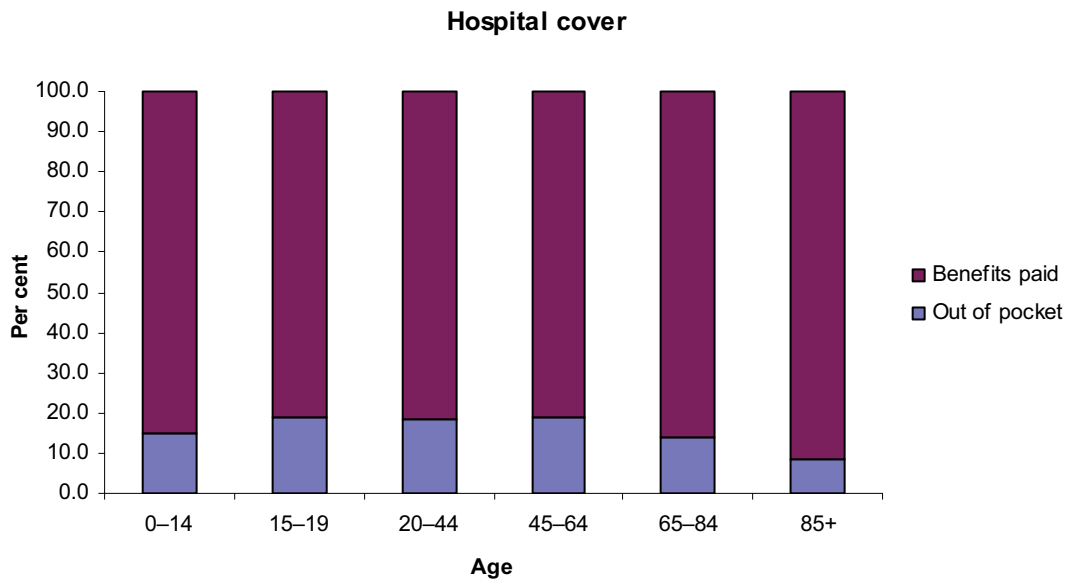
(b) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

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

Source: AIHW health expenditure database.

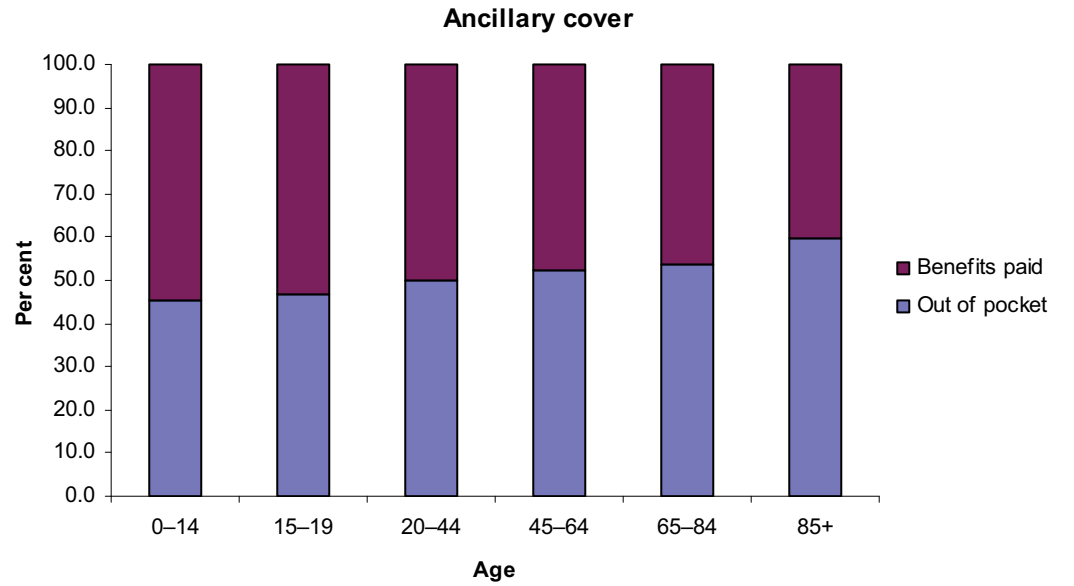
People with private health insurance cover typically incur some level of out-of-pocket expenditure. In 2006–07, the proportion of the total cost of a hospital service (whether it was a private patient service in a public hospital or a private hospital), that was paid by patients with hospital cover was highest for those aged 15–19 years and lowest for those aged 85 years or more (Figure 3.6). For patients aged 15–19 years the average proportion paid per person was 19.1% and this dropped to 8.5% 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 3.7). 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 15–19 years the average proportion paid per person was 46.8% and this increased to 59.8% for patients aged 85 years or more.



Source: PHIAC 2008.

Figure 3.6: Hospital benefits paid and out-of-pocket expenditure, per person with private health insurance hospital cover, by age group, current prices, 2006–07



Source: PHIAC 2008.

Figure 3.7: Ancillary benefits paid and out-of-pocket expenditure, per person with private health insurance ancillary cover, by age group, current prices, 2006–07

In 2006–07, the total average cost of hospital services increased as the age of the patient increased. For example, the average fee charged for hospital services for patients with hospital cover was $150 per person covered aged 0–14 years and $3,743 per person covered aged 85 years or more (Table 3.14). At the same time, the proportion of the costs of hospital services that was paid by patients with hospital cover—15.0% for patients aged 0–14 years and this decreased to 8.5% for patients aged 85 years or more (Figure 3.6). 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 people with hospital cover were $23 per person for those aged 0–14 years and $318 for persons aged 85 years or more with hospital cover (Table 3.14).

The average out-of-pocket costs paid for hospital services by females aged between 20 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 $20 per person with insurance in the 0–14 years age group to $316 for those aged 65–84 years ($25 and $398 per person respectively for males) (Table 3.14).

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 ($130 and $59 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 females 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 males of $343 and by females of $450. The average amount paid for ancillary services by females with ancillary cover ranged from $123 per person in the 0–14 years age group to $450 for those aged 45–64 years, after which it decreased to $364 for those aged 85 years or more. For ancillary services for males with ancillary cover, out-of pocket expenditure increased with age, ranging from $106 per person in the 0–14 years age group to $433 for those aged 85 years or more (Table 3.14).

Table 3.14: 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, 2006–07 ($)

	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	25	42	59	156	398	376
Benefits paid	137	162	209	665	2,362	3,738
Fees charged	*162*	*204*	*268*	*821*	*2,760*	*4,113*
Females						
Out of pocket	20	41	130	163	316	297
Benefits paid	117	188	615	691	2,046	3,311
Fees charged	*136*	*229*	*745*	*853*	*2,362*	*3,608*
All persons						
Out of pocket	23	41	97	159	355	318
Benefits paid	127	175	424	678	2,195	3,425
Fees charged	*150*	*216*	*521*	*838*	*2,549*	*3,743*
	Ancillary benefits paid, fees charged and out-of pocket expenditure					
Males						
Out of pocket	106	161	189	343	403	433
Benefits paid	134	188	193	314	344	275
Fees charged	*241*	*349*	*382*	*657*	*748*	*708*
Females						
Out of pocket	123	198	267	450	422	364
Benefits paid	143	221	266	402	372	251
Fees charged	*267*	*419*	*533*	*852*	*793*	*615*
All persons						
Out of pocket	115	179	231	398	413	383
Benefits paid	139	204	232	360	359	258
Fees charged	*253*	*383*	*463*	*757*	*772*	*640*

Source: PHIAC 2008.

Injury compensation insurers

In 2006–07, injury compensation insurers funded $2,033 million of expenditure on health goods and services—$1,242 million by workers' compensation insurers and $791 million by motor vehicle third-party insurers (Table 3.15).

Over the period 1996–97 to 2006–07, real expenditure by workers' compensation insurers rose on average by 2.3% per year while the annual real increase over this decade was 3.5% for motor vehicle third-party insurers (Table 3.15).

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 3.15: Expenditure by injury compensation insurers, constant prices[(a)], and annual growth rates, 1996–97 to 2006–07

	Workers' compensation insurers		Motor vehicle accident third-party insurers		Total injury compensation insurers	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1996–97	990	. .	559	. .	1,549	. .
1997–98	980	–1.1	535	–4.2	1,515	–2.2
1998–99	1,055	7.7	622	16.2	1,677	10.7
1999–00	1,076	2.0	628	1.0	1,704	1.6
2000–01	1,070	–0.6	571	–9.1	1,640	–3.7
2001–02	1,088	1.7	738	29.3	1,826	11.3
2002–03	1,172	7.8	748	1.3	1,920	5.2
2003–04	1,251	6.7	682	–8.8	1,933	0.7
2004–05	1,218	–2.6	743	9.0	1,961	1.5
2005–06	1,249	2.5	754	1.6	2,003	2.1
2006–07	1,242	–0.5	791	4.8	2,033	1.5
Average annual growth rate						
1996–97 to 2001–02		1.9		5.7		3.3
2001–02 to 2006–07		2.7		1.4		2.2
1996–97 to 2006–07		2.3		3.5		2.8

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

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

Source: AIHW health expenditure database.

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:

- health services provided by doctors, dentists and other health practitioners such as physiotherapists and podiatrists
- 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 2006–07, $4,494 million was spent on salaried medical staff and visiting medical officers, but provided as part of public hospital services (AIHW 2008a). Likewise, expenditures classified as medical services include MBS medical services provided to private patients in public and private hospitals.

Total recurrent funding

Total recurrent expenditure was $87.3 billion in 2006–07, 30.9% of which was for public hospital services. Medical services accounted for 19.1% and medications 13.7% (Table 4.1 and Figure 4.1).

In real terms, recurrent funding of health grew by an average of 4.7% a year from 1996–97 ($55.1 billion) to 2006–07 ($87.3 billion) (Table 4.2).

The areas of expenditure (excluding other health) had the following real growth rates in 2006–07:

- public hospital services—up 6.2% ($1.6 billion)
- other health practitioners (such as physiotherapists, chiropractors and podiatrists, see Table 7.1 for full list)—up 5.7% ($0.2 billion)
- medical services up 4.5% ($0.7 billion)
- medications up 2.8% ($0.3 billion)

- private hospitals up 2.3% ($0.2 billion)
- dental services up 1.3% ($74 million).

In other health, expenditure for patient transport services grew in real terms by 16.3% in 2006–07, followed by research at 8.2%, public health at 12.5%, community health and other at 7.5%, and aids and appliances by 5.7% (Table A8).

Sources of growth in real health expenditure

Expenditure on hospitals accounted for the largest proportion of real growth in recurrent health expenditure between 2003–04 and 2006–07 (42.9%)—public hospital services (38.9%) and private hospitals (4.0%). Expenditure on medical services accounted for 15.3% of the growth, and medications accounted for 12.7% (calculated from Table 4.2). Over this time period, most of the growth in medications expenditure occurred in 2004–05 (7.1% growth on the previous year) (Table 4.2). Together, these three areas of expenditure accounted for 70.9% of the growth in expenditure during the last 3 years (calculated from Table 4.2). The combined expenditure of these three areas as a percentage of GDP rose in real terms from 5.8% in 2003–04 to 6.0% in 2006–07 (calculated from tables 2.3 and 4.2).

Research showed the highest real growth in total recurrent funding between 1996–97 and 2006–07 (averaging 9.1% per year) (Table A8). Medications had an average annual real growth of 7.8% ($5.6 billion to $12.0 billion), whereas medical services had an average annual real growth of 2.8% ($12.6 billion to $16.7 billion) (Table 4.2).

Table 4.1: Total funding of recurrent health expenditure[a], current prices, by area of expenditure, and annual growth rates, 1996–97 to 2006–07

	Public hospitals[b][c]		Private hospitals		Medical services		Dental services[b]		Other health practitioners[d]		Medications		Other health[b][e]		Total recurrent funding	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1996–97	12,480	. .	3,493	. .	8,198	. .	2,551	. .	1,589	. .	5,131	. .	5,990	. .	39,433	. .
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	7,315	13.6	44,998	7.8
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	8,431	15.3	48,592	8.0
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	9,853	16.9	53,917	11.0
2001–02	17,163	8.3	5,029	11.2	11,201	9.8	4,014	16.3	2,189	15.1	9,051	11.2	10,217	3.7	58,865	9.2
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	11,457	12.1	64,137	9.0
Break in time series	**Public hospital services[f]**															
2003–04	20,437	. .	5,958	8.2	12,902	7.5	4,653	. .	2,652	. .	10,286	8.9	11,807	. .	68,696	7.1
2004–05	22,091	8.1	6,327	6.2	14,645	13.5	5,080	9.2	2,801	5.6	11,166	8.6	13,118	11.1	75,228	9.5
2005–06	24,441	10.6	6,683	5.6	15,492	5.8	5,363	5.6	3,038	8.5	11,531	3.3	14,024	6.9	80,573	7.1
2006–07	26,964	10.3	7,101	6.3	16,701	7.8	5,737	7.0	3,276	7.8	11,957	3.7	15,547	10.9	87,283	8.3
Average annual growth rate																
1996–97 to 2002–03		7.2		7.9		6.6		9.1		7.6		10.7		11.4		8.4
2003–04 to 2006–07		9.7		6.0		9.0		7.2		7.3		5.1		9.6		8.3
1996–97 to 2006–07		. .		7.4		7.4		. .		. .		8.8		. .		8.3

(a) Funding of expenditure has been adjusted for non-specific tax expenditures (see Table 7.1).

(b) Public hospitals, dental services and other health are omitted from the 1996–97 to 2006–07 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 (see Box 4).

(c) Public hospital expenditure includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital (see Box 4).

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

(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 (see Box 4).

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

Source: AIHW health expenditure database.

Table 4.2: Total funding of recurrent health expenditure[a], constant prices[b], by area of expenditure, and annual growth rates, 1996–97 to 2006–07

Year	Public hospitals[c][d]		Private hospitals		Medical services		Dental services[c]		Other health practitioners[e]		Medications		Other health[c][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 (%)
1996–97	17,196	. .	4,797	. .	12,643	. .	4,075	. .	2,509	. .	5,622	. .	8,223	. .	55,065	. .
1997–98	18,160	5.6	4,933	2.8	12,946	2.4	3,984	–2.2	2,220	–11.5	6,094	8.4	8,729	6.2	57,066	3.6
1998–99	18,846	3.8	5,196	5.3	13,357	3.2	3,984	0.0	2,256	1.7	6,633	8.8	9,701	11.1	59,974	5.1
1999–00	19,171	1.7	5,396	3.8	13,956	4.5	4,070	2.2	2,211	–2.0	7,414	11.8	10,883	12.2	63,101	5.2
2000–01	19,702	2.8	5,617	4.1	14,059	0.7	4,614	13.4	2,485	12.4	8,651	16.7	12,301	13.0	67,428	6.9
2001–02	20,683	5.0	6,058	7.8	14,586	3.8	5,114	10.8	2,613	5.1	9,612	11.1	12,435	1.1	71,101	5.4
2002–03	22,081	6.8	6,408	5.8	14,837	1.7	5,245	2.6	2,770	6.0	9,903	3.0	13,485	8.4	74,729	5.1
Break in time series	**Public hospital services[g]**															
2003–04	22,983	. .	6,695	4.5	15,141	2.1	5,436	. .	2,918	. .	10,658	7.6	13,225	. .	77,057	3.1
2004–05	23,937	4.2	6,856	2.4	15,949	5.3	5,582	2.7	2,995	2.7	11,419	7.1	14,223	7.5	80,961	5.1
2005–06	25,392	6.1	6,943	1.3	15,976	0.2	5,663	1.5	3,100	3.5	11,635	1.9	14,604	2.7	83,312	2.9
2006–07	26,964	6.2	7,101	2.3	16,701	4.5	5,737	1.3	3,276	5.7	11,957	2.8	15,547	6.5	87,283	4.8
Average annual growth rate																
1996–97 to 2002–03		4.3		4.9		2.7		4.3		1.7		9.9		8.6		5.2
2003–04 to 2006–07		5.5		2.0		3.3		1.8		3.9		3.9		5.5		4.2
1996–97 to 2006–07		. .		4.0		2.8		. .		. .		7.8		. .		4.7

(a) Funding of expenditure has been adjusted for non-specific tax expenditures (see Table 7.1).

(b) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(c) Public hospitals, dental services and other health are omitted from the 1996–97 to 2006–07 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 (see Box 4).

(d) Public hospital expenditure includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital (see Box 4).

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

(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 (see Box 4).

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

Source: AIHW health expenditure database.

Box 4: Public hospital and public hospital services expenditure

For the last 4 years the AIHW has been collecting expenditure data from the state and territory health authorities 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 reallocated to their own expenditure categories is referred to as ***'public hospital services'*** *expenditure.*

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 component 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. The time series data in tables 4.3 to 4.7 and Figure 4.2 are based on* ***'public hospital'*** *expenditure data to enable valid comparisons across the decade.*

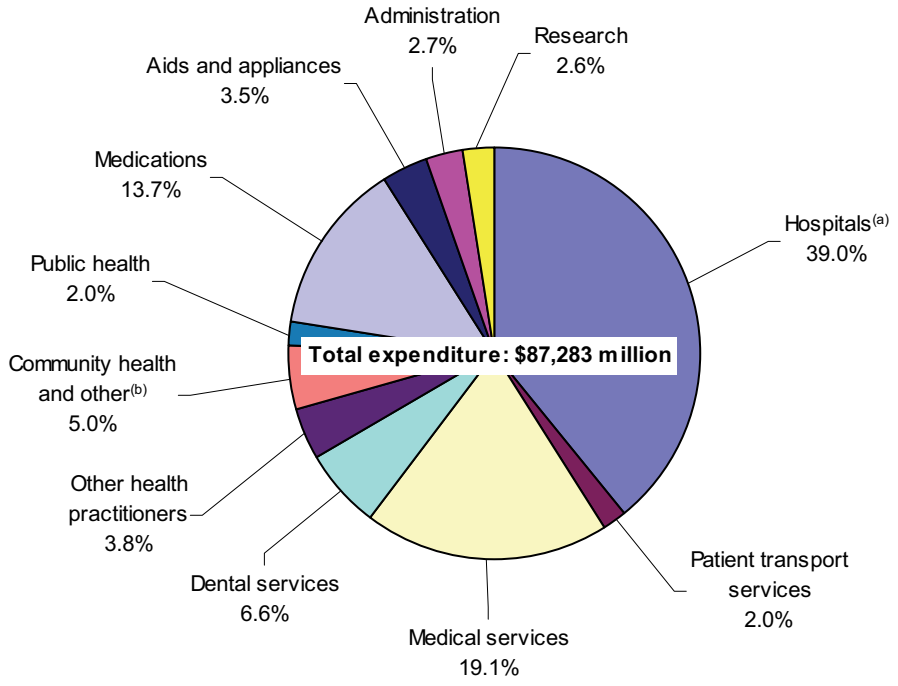
As part of the new expenditure reporting process, some states and territories were able to allocate head office and central costs to functional areas, like public hospital services, instead of the 'administration' category. As a result, although the public hospital services category now excludes expenditure on certain services that can be reported in other categories, expenditure on 'public hospital services' may be higher than would otherwise have been reported 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:

- *up to and including 2002–03*
- *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 2006–07, to expenditure, or growth in expenditure, for the decade 1996–97 to 2006–07.



(a) Includes public hospital services and private hospitals. 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 4).

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

Source: Table A3.

Figure 4.1: Recurrent expenditure on health goods and services, current prices, by broad area of expenditure, 2006–07

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.

In real terms hospital expenditure—public (psychiatric and non-psychiatric) and private hospitals—grew by 4.5% and 4.0% per year, respectively, between 1996–97 and 2006–07 (Table 4.3).

One important influence on hospital expenditure is the Australian Government's policy for funding hospital services. In the case of public hospitals, funding is affected by bilateral health care agreements between the Australian Government and the various state and territory governments (the AHCAs). Data from the first AHCA period and the first 4 years of the second AHCA period are included in this publication. See Box 5 for the periods of 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 5: 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 2009

Changes to 'Lifetime Health Cover' were announced in 2006 and these changes have been implemented progressively from 2007. In addition, the Private Health Insurance Act that came into effect on 1 April 2007 allows insurers to offer broader health cover products which expand hospital cover to outpatient and out-of-hospital services.

From 1 April 2005, the Private Health Insurance Rebate increased to 35% for people aged 65 to 69 years and to 40% for people aged 70 years and older. It remained at 30% for those aged less than 65.

From 1996–97 to 2001–02, real public hospital expenditure grew at 3.8% per year. Private hospital expenditure grew in real terms at 4.8% per year during the same period (Table 4.3).

The private hospital share of hospital expenditure increased from 21.8% of hospital expenditure in 1996–97 to 22.7% in 2001–02, it then stabilised followed by a decline to 21.0% in 2006–07 (calculated from Table 4.3).

Table 4.3: Recurrent expenditure on public hospitals and private hospitals, constant prices[a] and annual growth rates, 1996–97 to 2006–07

	Public hospitals[b]		Private hospitals		All hospitals recurrent expenditure	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1996–97	17,196	. .	4,797	. .	21,993	. .
1997–98	18,160	5.6	4,933	2.8	23,093	5.0
1998–99	18,846	3.8	5,196	5.3	24,042	4.1
1999–00	19,171	1.7	5,396	3.8	24,567	2.2
2000–01	19,702	2.8	5,617	4.1	25,319	3.1
2001–02	20,683	5.0	6,058	7.8	26,740	5.6
2002–03	22,081	6.8	6,408	5.8	28,488	6.5
2003–04	22,851	3.5	6,695	4.5	29,546	3.7
2004–05	24,039	5.2	6,856	2.4	30,895	4.6
2005–06	25,358	5.5	6,943	1.3	32,301	4.5
2006–07	26,782	5.6	7,101	2.3	33,883	4.9
Average annual growth rate						
1996–97 to 2001–02		3.8		4.8		4.0
2001–02 to 2006–07		5.3		3.2		4.8
1996–97 to 2006–07		4.5		4.0		4.4

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(b) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital (see Box 4).

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

Source: AIHW health expenditure database.

In 2006–07, governments provided for the majority of funding for hospitals (81.3%) (Table 4.4). Non-government sources contributed the remainder of the funding (18.7%). Over the decade to 2006–07, governments increased their share of funding of hospitals by 7.6 percentage points. The Australian Government increased its share by 4.1 percentage points from 35.6% to 39.7%. The states and territories increased their share by 3.5 percentage points from 38.1% to 41.6% and the non-government funding share of public and private hospitals decreased from 26.3% in 1996–97 to 18.7% in 2006–07.

Of this 7.6 percentage point increase in the share of government funding of hospitals 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.

Table 4.4: Funding of public hospitals[a] and private hospitals, current prices, by broad source of funds, 1996–97 to 2006–07 (per cent)

	Government			Non-government			
Year	Australian Government[b]	State/territory and local	Total	Private health insurance funds[b]	Other non-government	Total	Total
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	38.5	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
2006–07	39.7	41.6	81.3	11.1	7.6	18.7	100.0

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals (see Box 4).

(b) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate (see Box 3).

Source: AIHW health expenditure database.

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.

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 40.2% in 2006–07—was largely in the form of SPPs under the AHCAs. The states and territories, which have the major responsibility for operating and regulating public hospitals that operate within their jurisdictions, provided 51.7% of the funding for public hospitals in 2006–07 (Table 4.5).

Between 1996–97 and 2006–07, the Australian Government share of public hospital funding decreased by 2.5 percentage points from 42.7% to 40.2%. State and territory government funding during this period increased by 3.0 percentage points from 48.7% to 51.7%.

The non-government contribution varied over the decade from a high of 8.6% in 1996–97 to a low of 7.2% in 2002–03. In 2006–07 it was 8.1% and consisted of funding from private health insurance, individual out-of-pocket payments, workers' compensation insurers and motor vehicle third-party insurance and other revenue.

Table 4.5: Funding of public hospitals[a], current prices, by broad source of funds, 1996–97 to 2006–07

	Government							
	Australian Government		State/territory		Non-government		Total	
Year	Amount ($m)	Share (%)	Amount ($m)	Share (%)	Amount ($m)	Share (%)	Amount ($m)	Share (%)
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]	9,725	43.8	10,741	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
2006–07[b]	10,763	40.2	13,844	51.7	2,174	8.1	26,782	100.0

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals (see Box 4).

(b) Public hospital expenditure estimates for 2003–04 to 2006–07 are derived from Public Hospital Establishments data published in *Australian Hospital Statistics* (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. From the last year of the previous AHCAs (2002–03) to the first year of the current AHCAs (2003–04) 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 4.1 percentage points to 32.8% in the 3 years to 2006–07. 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% and then an increase of 3.6 percentage points to 51.7% in the 3 years to 2006–07 (Table 4.6).

Table 4.6: Government shares of recurrent expenditure on public hospitals[a], by level of government, current prices, 1996–97 to 2006–07 (per cent)

	Australian Government						
Year	DVA	AHCA	Rebates of health insurance premiums	Other Australian Government[b]	Total	State/territory governments	Total government
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	3.6	35.7	0.8	3.7	43.8	48.4	92.2
2005–06	2.8	34.1	0.8	3.7	41.4	50.6	92.0
2006–07	2.9	32.8	0.9	3.7	40.2	51.7	91.9

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals (see Box 4).

(b) Includes DoHA direct expenditure on public hospitals, such as for blood sector payments and SPPs, excluding Australian Health Care Agreements (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 AHCA periods (see Box 5).

Source: AIHW health expenditure database.

Table 4.7: Recurrent funding of public hospitals[a], constant prices[b], by source of funds, and annual growth rates, 1996–97 to 2006–07

	Government									
	Australian Government[c]		State/territory		Total		Non-government[c]		Total recurrent funding	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1996–97	7,332	. .	8,387	. .	15,719	. .	1,477	. .	17,196	. .
1997–98	7,965	8.6	8,840	5.4	16,804	6.9	1,356	–8.2	18,160	5.6
1998–99	8,746	9.8	8,661	–2.0	17,407	3.6	1,439	6.1	18,846	3.8
1999–00	8,963	2.5	8,795	1.6	17,758	2.0	1,414	–1.8	19,171	1.7
2000–01	9,321	4.0	8,827	0.4	18,148	2.2	1,554	9.9	19,702	2.8
2001–02	9,624	3.2	9,361	6.0	18,985	4.6	1,698	9.3	20,683	5.0
2002–03	10,132	5.3	10,356	10.6	20,488	7.9	1,592	–6.2	22,081	6.8
2003–04	10,186	0.5	10,990	6.1	21,176	3.4	1,675	5.2	22,851	3.5
2004–05	10,536	3.4	11,634	5.9	22,170	4.7	1,870	11.7	24,039	5.2
2005–06	10,498	–0.4	12,841	10.4	23,339	5.3	2,019	8.0	25,358	5.5
2006–07	10,763	2.5	13,844	7.8	24,607	5.4	2,174	7.7	26,782	5.6
Average annual growth rate										
1996–97 to 2001–02		5.6		2.2		3.8		2.8		3.8
2001–02 to 2006–07		2.3		8.1		5.3		5.1		5.3
1996–97 to 2006–07		3.9		5.1		4.6		3.9		4.5

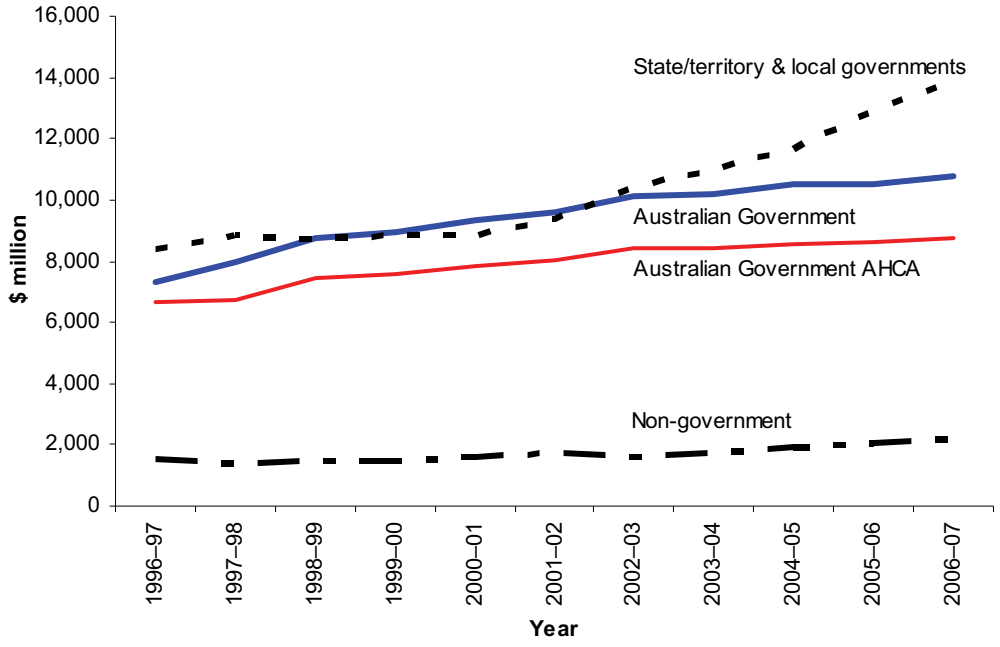
(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital (see Box 4).

(b) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(c) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate (see Box 3).

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

Source: AIHW health expenditure database.



(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital (see Box 4).

(b) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

Sources: Table 4.7 and AIHW health expenditure database.

Figure 4.2: Funding of public hospitals[(a)], constant prices[(b)], by broad source of funds, 1996–97 to 2006–07

Public hospital services

Expenditure on public hospital services differs from expenditure on public hospitals (see Public hospitals section above). 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.

In 2006–07, the Australian Government provided 39.9% ($10.8 billion) of the funding for public hospital services, a 4.4 percentage points decrease in funding from 2003–04 (Table 4.8). The Australian Government AHCA funding in 2006–07 was 32.6% of funding for public hospital services which was a 4.1 percentage point decrease since 2003–04. In comparison, state and territory governments contributed 53.2% ($14.3 billion) of funding in 2006–07, an increase of 3.8 percentage points since 2003–04.

Non-government funding of public hospital services comprised 6.9% of total funding for public hospitals in 2006–07 ($1.9 billion), which was an increase of 0.7 percentage points since 2003–04.

Table 4.8: Funding of public hospital services[(a)(b)], Australia, current prices, by source of funds, 2003–04 to 2006–07

	Australian Government							
Year	DVA	AHCA	Rebates of health insurance premiums	Other Australian Govern-ment[(c)]	Total	State/ territory govern-ments	Non-govern-ment	Total
					Amount ($ million)			
2003–04	743	7,500	147	673	9,063	10,099	1,275	20,437
2004–05	804	7,919	180	823	9,725	10,896	1,470	22,091
2005–06	685	8,321	207	893	10,105	12,644	1,693	24,441
2006–07	770	8,781	233	979	10,763	14,334	1,867	26,964
					Proportion (per cent)			
2003–04	3.6	36.7	0.7	3.3	44.3	49.4	6.2	100.0
2004–05	3.6	35.8	0.8	3.7	44.0	49.3	6.7	100.0
2005–06	2.8	34.0	0.8	3.7	41.3	51.7	6.9	100.0
2006–07	2.9	32.6	0.9	3.6	39.9	53.2	6.9	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 4).

(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 2006–07, this expenditure was $250 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 AHCAs, for example for highly specialised drugs, hepatitis C funding, Health Program and PET Scanner grants.

Source: AIHW health expenditure database.

Funding for public hospital services is related to population, with the largest amount of funding provided to New South Wales and the least to the Northern Territory. Total funding and funding by state and territory governments of public hospital services in each jurisdiction increased during the period 2004–05 to 2006–07. Funding by the Australian Government increased in all jurisdictions except the Australian Capital Territory, where it fell slightly from $133 million in 2005–06 to $129 million in 2006–07 (Table 4.9).

With the exception of Victoria (48.0%), in 2006–07 at least half of total funding of public hospital services came from state and territory governments—ranging from 51.5% in Tasmania to 65.8% in the Northern Territory. Between 2004–05 and 2006–07, the share of total funding by states and territories increased each year for all jurisdictions except Victoria and the Northern Territory (Table 4.10).

During the same period, the share of funding by the Australian Government generally declined. In 2006–07, funding by the Australian Government ranged from 23.6% in the Australian Capital Territory to 42.4% in South Australia.

The proportion of Australian government funding for public hospital services that was provided as AHCA funding varied across jurisdictions—comprising 20.6% of total funding for these services for the Australian Capital Territory and 34.6% for South Australia. The share of funding provided by the AHCAs declined for all jurisdictions between 2004–05 and 2006–07. The share of funding by non-government sources generally fluctuated over the period, but in 2006–07 ranged from 1.8% in the Northern Territory to 10.9% in the Australian Capital Territory.

Table 4.9: Funding of public hospital services[a][b], states and territories, current prices, by source of funds, 2004–05 to 2006–07 ($ million)

	Australian Government							
	DVA	AHCA[c]	Rebates of health insurance premiums[d]	Other Australian Government[e]	Total	State/ territory governments	Non-government	Total
NSW								
2004–05	326	2,651	96	288	3,361	4,288	668	8,317
2005–06	307	2,796	109	312	3,524	4,785	637	8,947
2006–07	336	2,928	124	336	3,724	5,127	737	9,588
Vic								
2004–05	221	1,918	40	218	2,396	2,617	479	5,493
2005–06	163	1,999	49	221	2,432	2,891	603	5,926
2006–07	199	2,130	56	247	2,631	3,013	627	6,271
Qld								
2004–05	70	1,515	15	139	1,739	1,536	71	3,346
2005–06	52	1,615	14	147	1,828	2,061	143	4,032
2006–07	73	1,702	15	169	1,958	2,718	174	4,850
WA								
2004–05	86	792	11	70	960	986	106	2,052
2005–06	58	817	14	73	963	1,141	140	2,244
2006–07	59	867	17	83	1,026	1,378	143	2,548
SA								
2004–05	75	663	14	62	814	857	61	1,732
2005–06	79	698	15	68	860	961	66	1,887
2006–07	73	736	17	77	903	1,144	80	2,127
Tas								
2004–05	15	178	4	23	220	175	29	425
2005–06	14	185	5	26	230	257	38	525
2006–07	25	195	5	27	252	308	39	599
ACT								
2004–05	10	104	—	14	128	214	52	395
2005–06	11	107	—	15	133	309	51	493
2006–07	–1	113	—	17	129	360	60	548
NT								
2004–05	—	98	0.4	9	106	221	5	332
2005–06	—	104	0.4	[f]30	134	239	15	387
2006–07	6	110	0.4	[f]24	140	285	8	432

(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 4).

(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 2006–07, this expenditure was $250 million (Table A3).

(c) Excludes palliative care in 2004–05 ($36 million).

(d) Rebates of health insurance premiums for New South Wales and Australian Capital Territory residents cannot be reliable separated so are presented as combined under New South Wales.

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

(f) Includes SPPs for Royal Darwin Hospital of $21 million in 2005–06 and $13 million in 2006–07.

Source: AIHW health expenditure database.

Table 4.10: Funding of public hospital services[a][b], states and territories, current prices, by source of funds, 2004–05 to 2006–07 (per cent)

	Australian Government							
	DVA	AHCA[c]	Rebates of health insurance premiums[d]	Other Australian Government[e]	Total	State/ territory governments	Non-government	Total
NSW								
2004–05	3.9	31.9	1.2	3.5	40.4	51.6	8.0	100.0
2005–06	3.4	31.2	1.2	3.5	39.4	53.5	7.1	100.0
2006–07	3.5	30.5	1.3	3.5	38.8	53.5	7.7	100.0
Vic								
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	48.8	10.2	100.0
2006–07	3.2	34.0	0.9	3.9	42.0	48.0	10.0	100.0
Qld								
2004–05	2.1	45.3	0.4	4.2	52.0	45.9	2.1	100.0
2005–06	1.3	40.1	0.4	3.6	45.3	51.1	3.5	100.0
2006–07	1.5	35.1	0.3	3.5	40.4	56.0	3.6	100.0
WA								
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
2006–07	2.3	34.0	0.7	3.3	40.3	54.1	5.6	100.0
SA								
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
2006–07	3.4	34.6	0.8	3.6	42.4	53.8	3.8	100.0
Tas								
2004–05	3.5	41.8	1.0	5.4	51.8	41.3	6.9	100.0
2005–06	2.7	35.3	0.9	4.9	43.8	48.9	7.3	100.0
2006–07	4.2	32.5	0.9	4.5	42.1	51.5	6.5	100.0
ACT								
2004–05	2.6	26.4	—	3.6	32.5	54.2	13.2	100.0
2005–06	2.2	21.7	—	3.1	27.0	62.6	10.4	100.0
2006–07	–0.2	20.6	—	3.1	23.6	65.6	10.9	100.0
NT								
2004–05	—	29.3	0.1	2.6	32.0	66.6	1.4	100.0
2005–06	—	26.8	0.1	[f]7.7	34.6	61.7	3.8	100.0
2006–07	1.3	25.5	0.1	[f]5.5	32.3	65.8	1.8	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 4).

(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 2006–07, this expenditure was $250 million (Table A3).

(c) Excludes palliative care in 2004–05 ($36 million).

(d) Rebates of health insurance premiums for New South Wales and Australian Capital Territory residents cannot be reliable separated so are presented as combined under New South Wales.

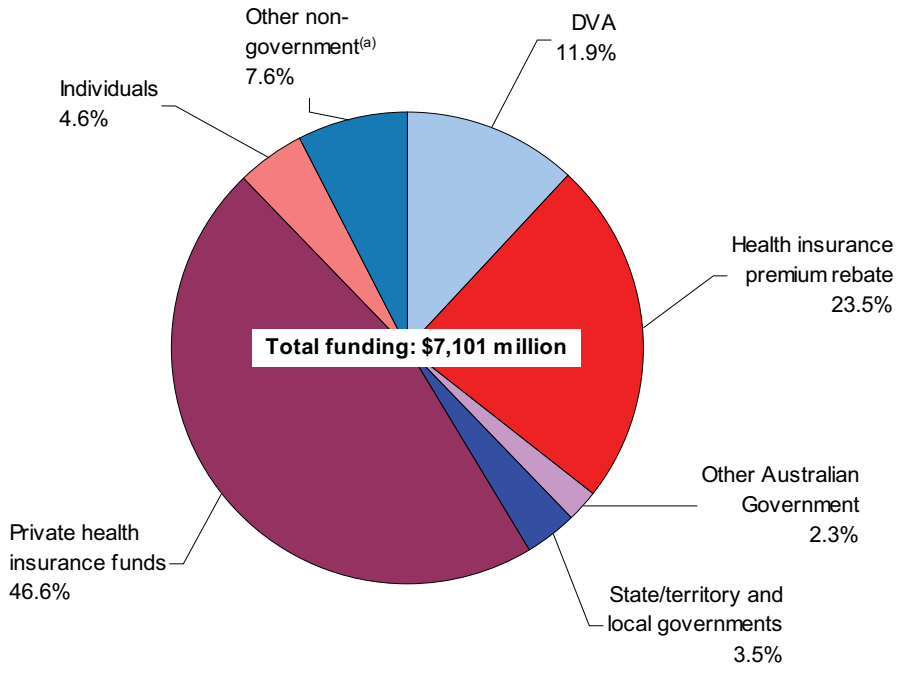
(e) Includes DoHA direct expenditure on public hospital services, such as for blood sector payments and SPPs for public hospital services which are not AHCAs, for example for highly specialised drugs, hepatitis C funding, Health Program and PET Scanner grants.

(f) Includes SPPs for Royal Darwin Hospital of $21 million in 2005–06 and $13 million in 2006–07.

Source: AIHW health expenditure database.

Private hospitals

Total expenditure on private hospitals in 2006–07 was estimated at $7.1 billion (Figure 4.3). More than seventy percent (70.1%) of this expenditure came via private health insurance funds. This comprised 46.6% out of the premiums paid by contributors and other revenues flowing to the funds, and the remaining 23.5% being indirectly funded out of the 30% rebates paid by the Australian Government in respect of contributors' premiums. In 2006–07 those rebates, in total, amounted to $3.5 billion, and $1.7 billion of that is estimated to have been used in the funding of private hospitals (Table 3.10).



(a) Includes funding by injury compensation insurers.

Source: Table A3.

Figure 4.3: Funding of private hospitals, current prices, by broad source of funds, 2006–07

Some of the funding for services provided to patients in private hospitals is provided through the MBS and PBS, and is not included in the estimates of private hospital expenditure. Readers should bear in mind that the same medical and pharmaceutical services provided to public patients in a public hospital are not billed to the MBS or PBS. Thus, estimates of expenditure by public and by private hospitals are not comparable.

In addition, Australian Government funding for blood and blood products has been entirely allocated to public hospitals, as there is insufficient data to allocate some of this funding to private hospitals. Therefore, the estimates of private hospital expenditure under count actual expenditure.

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 such as public ambulance or flying doctor services that are provided by public hospitals (see Table 7.1 for more detail). Total estimated expenditure on patient transport services in 2006–07 was $1.8 billion (Table A3). In real terms, estimated expenditure increased by an average of 6.8% per year between 2003–04 and 2006–07 (Table A8). In 2006–07, the proportion of patient transport expenditure that was funded by the Australian Government was 10.9%. State and territory and local governments provided 66.0% of the funding for patient transport services and non-government sources provided the remaining 23.1% (calculated from Table A3).

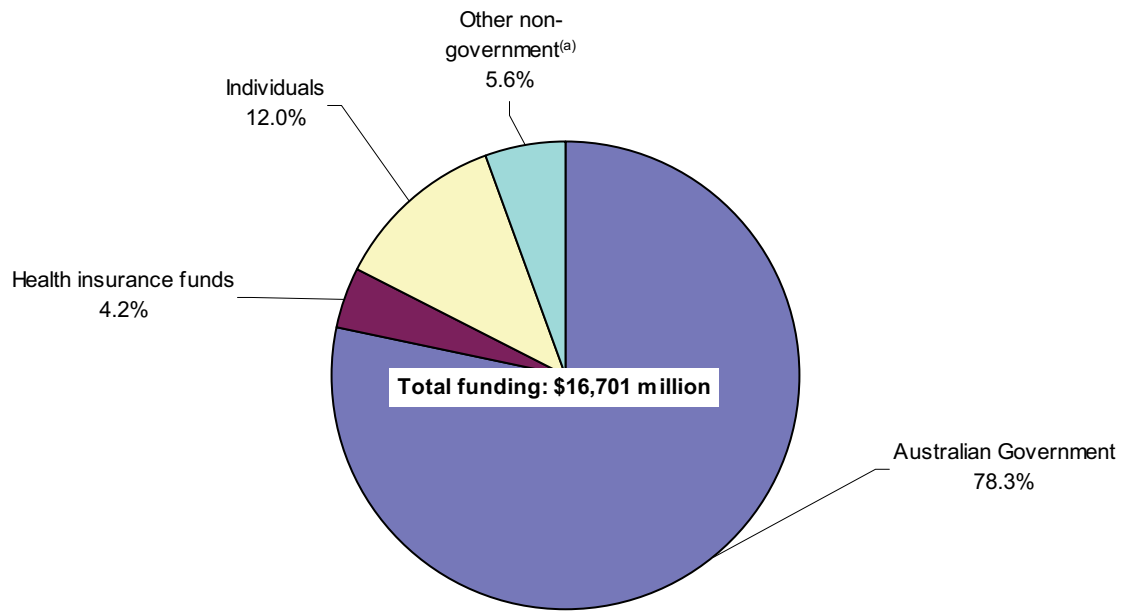
Non-institutional health goods and services

Medical services

Between 1996–97 and 2006–07, expenditure on medical services increased, in real terms, at an average of 2.8% per year (Table 4.11).

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 $16.7 billion spent on medical services in 2006–07, just over three-quarters ($13.1 billion) was funded by the Australian Government (Figure 4.4). 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, 12.0% was funded by individuals through out-of-pocket payments, while 4.2% was from health insurance funds and 5.6% was other non-government funding (Figure 4.4).

Medical services out-of-pocket expenditure increased by 15.0% ($0.3 billion) in 2006–07 (tables A2 and A3). Overall, real growth in health expenditure by individuals between 1996–97 and 2006–07 was 5.2% per year, 0.3 percentage points above the real growth in health expenditure (4.9%) (tables 2.1 and 3.8).



(a) Includes funding by injury compensation insurers.

Source: Table A3.

Figure 4.4: Recurrent funding of on medical services, current prices, by source of funds, 2006–07

Between 1996–97 and 2006–07, the Australian Government's real expenditure on medical services grew by 2.4%, while expenditure by individuals rose by 4.7% and that of health insurance funds rose by 7.0% (Table 4.11).

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 11.7% in the previous year. In 2004–05 real funding by health insurance funds decreased by 0.2%, but increased by 1.9% in 2005–06, and by 6.1% in 2006–07 (Table 4.11).

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 4.11: Recurrent funding of medical services, constant prices[a], by source of funds, and annual growth rates, 1996–97 to 2006–07

	Australian Government[b]		Health insurance funds[b]		Individuals		Injury compensation insurers		Total recurrent funding	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1996–97	10,353	. .	352	. .	1,263	. .	675	. .	12,643	. .
1997–98	10,580	2.2	318	–9.8	1,374	8.8	675	–0.1	12,946	2.4
1998–99	10,915	3.2	299	–6.0	1,434	4.4	708	5.0	13,357	3.2
1999–00	11,463	5.0	311	4.1	1,438	0.3	744	5.1	13,956	4.5
2000–01	11,463	—	393	26.5	1,487	3.4	716	–3.8	14,059	0.7
2001–02	11,665	1.8	542	37.9	1,558	4.8	821	14.7	14,586	3.8
2002–03	11,607	–0.5	606	11.7	1,760	13.0	864	5.2	14,837	1.7
2003–04	11,693	0.7	645	6.5	1,877	6.7	926	7.2	15,141	2.1
2004–05	12,620	7.9	643	–0.2	1,767	–5.9	919	–0.8	15,949	5.3
2005–06	12,622	—	656	1.9	1,800	1.9	898	–2.2	15,976	0.2
2006–07	13,070	3.5	696	6.1	2,006	11.4	930	3.5	16,701	4.5
Average annual growth rate										
1996–97 to 2001–02		2.4		9.0		4.3		4.0		2.9
2001–02 to 2006–07		2.3		5.1		5.2		2.5		2.7
1996–97 to 2006–07		2.4		7.0		4.7		3.3		2.8

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(b) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate (see Box 3).

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 generally 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 4.12).

In 1996–97, 71.8% of all medical services were bulk-billed. Bulk-billing rates continued to increase up to 1999–00 when rates reached 72.3%. 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 72.9% in 2006–07 (an increase of 1.1 percentage points since 1996–97)—the highest rate of bulk-billing over the previous decade (Table 4.12).

Table 4.12: Shares of recurrent funding for medical services, current prices, and proportion of medical services bulk-billed, 1996–97 to 2006–07 (per cent)

		Non-government					
Year	Australian Government	Health insurance funds	Individuals	Other[(a)]	Total	Total	Bulk-billing rate[(b)]
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	5.6	21.0	100.0	71.7
2006–07	78.3	4.2	12.0	5.6	21.7	100.0	72.9

(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.

Sources: AIHW health expenditure database and DoHA unpublished.

Other health practitioners

Of the $3.3 billion spent on other health practitioners in 2006–07, over half of the expenditure was funded by individual users of services (52.7% in 2006–07) (calculated from Table A3). Of the remaining $1.6 billion, $0.6 billion (39.7%) 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 3.9% per year between 2003–04 to 2006–07 (Table A8), 0.3 percentage points lower than the growth in recurrent health expenditure (4.2%) 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 7.1 and the Glossary.

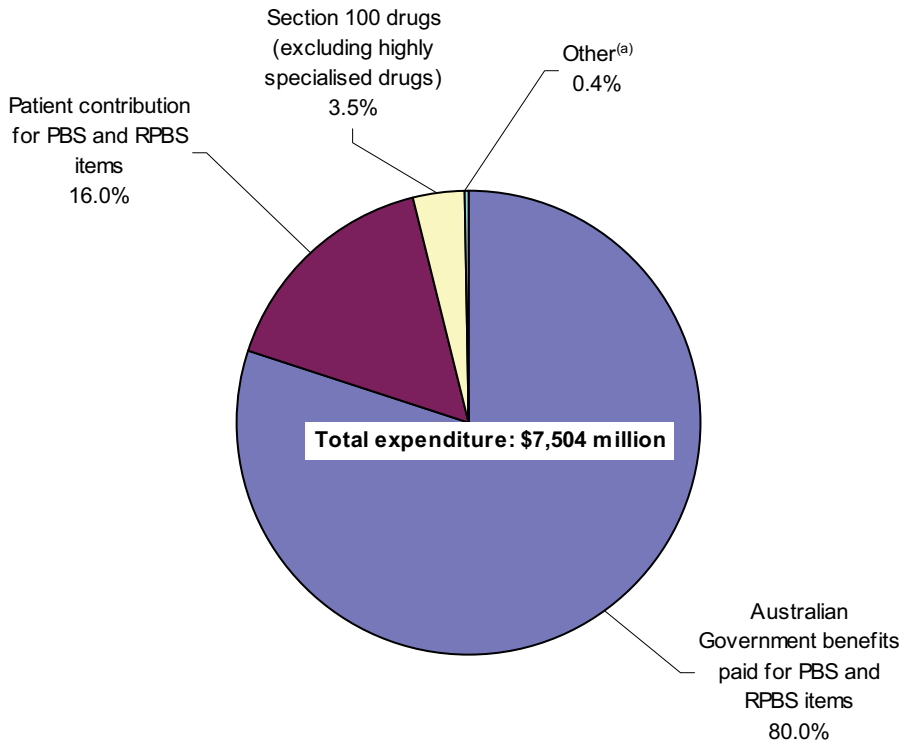
In real terms, total expenditure on medications increased by 7.8% per year from 1996–97 to 2006–07, to reach $12.0 billion in 2006–07 (Table 4.2). Total expenditure on medications reflected the variation in expenditure on benefit-paid pharmaceuticals and other medications between 1996–97 and 2006–07 (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 Pharmaceutical Benefits Schedule 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 8.5% per year from 1996–97 to 2006–07 compared to growth in total recurrent health expenditure of 4.7% (tables A8 and 4.13). The period of most rapid growth was from 1996–97 to 2001–02, when growth averaged 10.8% per year—which was shared between the Australian Government (11.2% per year) and individuals (8.6% per year) (Table 4.13).

In 2006–07, the total amount spent on pharmaceuticals for which benefits were paid was $7.5 billion in current prices (Table 4.13 and Figure 4.5). This was a growth in real terms of 2.8% from the previous year (Table 4.13). Benefits paid by the Australian Government for PBS and RPBS items accounted for 80.0% of this expenditure and 16.0% was due to patient contributions for PBS and RPBS items. The balance (3.9%) 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 (Figure 4.5).



(a) 'Other' refers to other DoHA administered expense items.

Source: AIHW health expenditure database.

Figure 4.5: Recurrent expenditure on benefit-paid pharmaceuticals, current prices, 2006–07

Table 4.13: Recurrent expenditure on benefit-paid pharmaceuticals, constant prices[(a)], by source of funds, and annual growth rates, 1996–97 to 2006–07

	Australian Government		Individuals		Total recurrent expenditure	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1996–97	2,771	. .	560	. .	3,331	. .
1997–98	2,831	2.2	604	7.8	3,435	3.1
1998–99	3,121	10.2	633	4.9	3,754	9.3
1999–00	3,559	14.0	687	8.5	4,246	13.1
2000–01	4,350	22.2	781	13.7	5,132	20.9
2001–02	4,711	8.3	848	8.5	5,559	8.3
2002–03	5,202	10.4	957	12.9	6,160	10.8
2003–04	5,694	9.5	1,042	8.8	6,736	9.4
2004–05	5,954	4.6	1,155	10.9	7,109	5.5
2005–06	6,058	1.7	1,242	7.5	7,300	2.7
2006–07	6,227	2.8	1,277	2.8	7,504	2.8
Average annual growth rate						
1996–97 to 2001–02		11.2		8.6		10.8
2001–02 to 2006–07		5.7		8.5		6.2
1996–97 to 2006–07		8.4		8.6		8.5

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 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 7.1 for definition) grew by an average of 6.9% between 1996–97 and 2006–07 (Table 4.14). Expenditure by the Australian Government from 1997–98 in this category includes a proportion of the private health insurance rebate allocated to all other medications.

The main source of funding for other medication items was individuals' out-of-pocket expenditure. The most rapid period of growth for individuals' out-of-pocket expenditure (16.9%) was from 1996–97 to 1997–98 (Table 4.14).

Table 4.14: Recurrent expenditure on other medications, constant prices[a], by source of funds, and annual growth rates, 1996–97 to 2006–07

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 (%)
1996–97	—	. .	13	. .	55	. .	2,223	. .	2,291	. .
1997–98	4	. .	19	44.7	38	–31.3	2,598	16.9	2,659	16.1
1998–99	9	126.0	—	. .	35	–7.9	2,836	9.2	2,879	8.3
1999–00	16	84.0	—	. .	36	3.8	3,116	9.9	3,168	10.0
2000–01	94	488.2	—	. .	41	14.5	3,384	8.6	3,519	11.1
2001–02	60	–35.5	2	. .	52	24.6	3,939	16.4	4,054	15.2
2002–03	67	10.1	—	. .	59	14.2	3,618	–8.2	3,743	–7.7
2003–04	82	22.8	—	. .	54	–8.3	3,787	4.7	3,922	4.8
2004–05	128[b]	56.5	—	. .	54	–0.3	4,128	9.0	4,310	9.9
2005–06	73	–43.0	—	. .	48	–11.0	4,214	2.1	4,335	0.6
2006–07	80	9.4	—	. .	44	–7.4	4,329	2.7	4,453	2.7
Average annual growth rate										
1996–97 to 2001–02		. .		–28.8		–1.3		12.1		12.1
2001–02 to 2006–07		5.7		. .		–3.0		1.9		1.9
1996–97 to 2006–07		. .		. .		–2.1		6.9		6.9

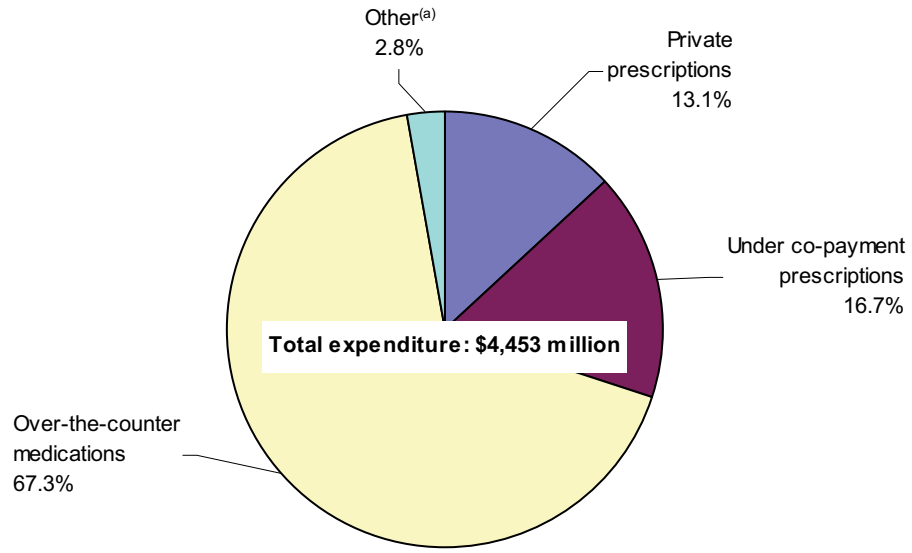
(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(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 2006–07, expenditure on all other medication items was $4.5 billion (Table 4.14). Over-the-counter medicines accounted for the largest share of this expenditure at 67.3% ($3.0 billion). Under co-payment prescriptions (i.e. PBS listed items where the full price is covered by the individual) accounted for 16.7%, private prescriptions for 13.1%, and the remainder (2.8%) comprised funding from injury compensation insurers and other DoHA administered expense items (Figure 4.6).



(a) Includes injury compensation insurers' payments and some DoHA administered expense items.

Sources: Flanagan 2007; Pharmacy Guild of Australia unpublished data; Synovate Aztec unpublished data and AIHW health expenditure database.

Figure 4.6: Other medications expenditure, by category, current prices, 2006–07

Pharmaceutical expenditure in the community and hospitals

In 2006–07, estimated expenditure on pharmaceuticals (excluding complementary and alternative medications, and over-the-counter medications for which a prescription was not required) was $11.2 billion (Table 4.15). The majority of this expenditure was for benefit-paid pharmaceuticals (66.9% or $7.5 billion), 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 $1.9 billion spent on drugs by public hospitals and $0.4 billion spent by private hospitals. This total ($11.2 billion) 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 4.15: Expenditure on medications for which a script is required, dispensed in the community and by hospitals[a], current prices, 2006–07 ($ million)

Provider and funder	Benefit-paid pharmaceuticals	All other medications		Total medications
		Non-hospital[b]	Hospital	
Community pharmacies				
Funded by				
Australian Government DVA	454	. .	. .	454
Australian Government DoHA[c][d]	5,774	80	. .	5,853
Health insurance funds	. .	44	. .	44
Individuals	1,277	1,263	. .	2,540
Injury compensation insurers and other	. .	67	. .	67
Total pharmacies	*7,504*	*1,454*	. .	*8,958*
Public hospitals[e]	**. .**	**. .**	**1,853[f]**	**1,853**
Private hospitals[g]	**. .**	**. .**	**401[f]**	**401**
Total	**7,504**	**1,454**	**2,254**	**11,212**

(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 $602 million in payments for highly specialised drugs, which are included in the public hospitals and private hospitals rows.

(d) Includes $276 million in Section 100 payments for human growth hormones, in-vitro fertilisation (IVF) and other subsidised pharmaceuticals.

(e) Includes $468 million in Australian Government payments to states and territories for highly specialised drugs.

(f) 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.

(g) Includes $134 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 (66.9%) of the total expenditure on pharmaceuticals for which a prescription was required (Table 4.15). 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 2005–06 was estimated at $5.4 billion (Table 4.16). In 2006–07, it increased to $5.5 billion. 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 2007, co-payments increased again to $30.70 and $4.90 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 $0.4 billion or 44.9% of total patient contributions (Table 4.16). In subsequent years, this proportion fell to as low as 41.9% (in 2003–04). In 2006–07, however, concessional patients contributed $0.5 billion, or 46.3% of total patient contributions. During the same period, contributions provided by the Australian Government for general and concessional patients under the safety net arrangement increased from $0.9 billion (22.1% of Australian Government contribution to PBS benefits) in 2001–02 to $1.4 billion (25.8%) in 2005–06. In 2006–07, the Australian Government provided

$1.2 billion under the safety net, representing 22.7% of Australian Government contribution to PBS benefits (calculated from Table 4.16).

Table 4.16: Pharmaceutical Benefits Scheme[(a)], Australian Government and patients' contributions, current prices, 2001–02 to 2006–07 ($ million)

Benefit category	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Patient contributions						
General patients	444	489	545	597	634	619
Concessional patients	362	370	393	444	489	533
Total patient contributions	*806*	*860*	*938*	*1,041*	*1,123*	*1,151*
Share of total (per cent)	16.1	15.8	15.8	16.4	17.3	17.4
Government benefits						
General patients–no safety net	691	751	824	851	850	890
General patients–safety net	148	170	191	223	216	174
Total general patients	*840*	*920*	*1,015*	*1,073*	*1,066*	*1,064*
Concessional patients–no safety net	2,570	2,747	2,972	3,077	3,145	3,334
Concessional patients–safety net	778	908	1,005	1,145	1,173	1,067
Total concessional patients	*3,348*	*3,655*	*3,977*	*4,223*	*4,318*	*4,401*
Total cost to government	*4,188*	*4,575*	*4,992*	*5,296*	*5,384*	*5,466*
Share of total (per cent)	83.9	84.2	84.2	83.6	82.7	82.6
Total cost of PBS benefit-paid items[(b)]	**4,994**	**5,435**	**5,929**	**6,337**	**6,508**	**6,617**

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

(b) Excludes Section 100 payments for human growth hormones, IVF, Aboriginal health service providers 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 6.5% per year in real terms over the period 2003–04 to 2006–07 which was 2.3 percentage points above the growth in recurrent health expenditure (4.2%) over that period.

In 2006–07, expenditure on aids and appliances was $3.0 billion, of which 74.4% was funded by individuals' out-of-pocket expenditure (calculated from Table A3).

Community health and other

In 2006–07, community health was estimated at $4.4 billion, which was a real growth of 7.5% from 2005–06 to 2006–07. Of this amount, $3.6 billion was spent by state, territory and local governments (tables A3 and A8).

Public health

Public health covers those programs which aim to prevent illness and injury and protect or promote the health of the whole population, or of specified sub-groups. 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, 2004a, 2006a, 2007b and 2008b).

Over the past 3 years, public health expenditure was estimated at:

- 2004–05—$1.4 billion
- 2005–06—$1.5 billion
- 2006–07—$1.7 billion.

Over these 3 years the Australian Government's funding of total public health expenditure has been respectively 60.1%, 54.3% and 58.4% (calculated from tables A1, A2 and A3). State and territory own source funding of public health was 36.0%, 42.5% and 40.0% for these 3 years (calculated from tables A1, A2 and A3).

In real terms between 1999–00 and 2006–07, estimated expenditure grew at an average rate of 5.6% per year. All activities showed real increases in expenditure over the eight years, with the highest average annual growth rates being recorded for expenditure on *Organised immunisation* (12.3%) and *Public health research* (8.2%) (Table 4.17). Programs for *Food standards and hygiene* (1.0%) and *Breast and cervical cancer screening* (2.0%) showed the lowest growth over this period.

The activities recording the highest real growth between 2005–06 and 2006–07 were also *Organised immunisation* (30.9%) and *Public health research* (14.9%) (Table 4.17). Real expenditure on *Food standards and hygiene* (–3.1%) and *Communicable disease control* programs (–1.1%) declined in 2006–07.

Table 4.17: Total government expenditure on public health activities, constant prices[a], by activity, 1999–00 to 2006–07 ($ million)

Public health activity categories	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	Growth rate (%) 2005–06 to 2006–07	Average annual growth rate (%) 1999–00 to 2006–07
Communicable disease control	194	203	223	233	229	251	257	254	–1.1	3.9
Selected health promotion	215	233	264	248	242	251	261	284	8.9	4.1
Organised immunisation	193	210	213	297	301	366	333	436	30.9	12.3
Environmental health	74	81	87	86	90	90	88	90	1.2	2.8
Food standards and hygiene	32	44	40	39	40	35	36	35	–3.1	1.0
Breast and cervical cancer screening programs[b]	229	229	226	213	222	241	236	262	10.8	2.0
Prevention of hazardous and harmful drug use	151	177	166	179	189	210	183	207	13.3	4.6
Public health research	85	82	93	103	106	115	129	148	14.9	8.2
Public Health Outcome Funding Agreements admin[c]	—	—	—	—	—	—	—	—	—	—
Total	**1,174**	**1,259**	**1,314**	**1,398**	**1,419**	**1,560**	**1,524**	**1,714**	**12.5**	**5.6**

(a) Constant price public health expenditure for 1999–00 to 2006–07 is expressed in terms of 2006–07 prices.

(b) Includes bowel cancer screening in 2006–07.

(c) Prior to 2006–07, direct expenditure incurred by the Australian Government in administering the PHOFAs was reported separately as it could not be specifically allocated to any of the core public health activity categories. For 2006–07 this expenditure has been treated as corporate overhead expenditure and apportioned across all categories.

Source: AIHW health expenditure database.

Dental services

Individuals funded 67.3% of the $5.7 billion spent on dental services in 2006–07 and 18.2% or $1.0 billion was funded by government (Table A3). For the period 2003–04 to 2006–07, real growth in dental services expenditure averaged 1.8% per year—2.4 percentage points below the annual real growth in total recurrent health expenditure of 4.2% (Table A8). The majority of dental services (90.4% or $5.2 billion) were provided by private providers, with the remainder by state and territory government providers (9.6% or $0.5 billion) (Table A3).

Research

Total estimated expenditure on health research in 2006–07 was $2,283 million (Table A3). In real terms, estimated expenditure grew at an average of 9.1% per year between 1996–97 and 2006–07 (Table 4.18). Over two-thirds (71.1%) of the expenditure on health research in 2006–07 was funded by the Australian Government, 10.4% by state and territory and local governments and a further 18.5% was funded by non-government sources (calculated from Table 4.18). Note that health research funded by for profit corporations is not included here, as that health research expenditure is considered to be an intermediate output not a final output expenditure.

Table 4.18: Recurrent funding for health research, constant prices[(a)], and annual growth rates, by broad source of funds, 1996–97 to 2006–07

	Government							
	Australian Government		State/territory and local		Non-government		Total recurrent funding	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1996–97	645	. .	142	. .	166	. .	953	. .
1997–98	592	–8.3	132	–6.9	179	8.0	903	–5.2
1998–99	686	15.9	127	–4.3	163	–9.0	975	8.0
1999–00	749	9.3	147	16.0	257	58.0	1,153	18.3
2000–01	944	26.0	179	21.9	311	21.0	1,435	24.4
2001–02	1,006	6.5	190	6.3	337	8.4	1,533	6.9
2002–03	1,095	8.9	179	–5.9	360	6.7	1,634	6.6
2003–04	1,108	1.2	194	8.4	369	2.6	1,671	2.3
2004–05	1,239	11.9	225	16.0	409	10.7	1,874	12.1
2005–06	1,467	18.4	226	0.5	417	1.9	2,110	12.6
2006–07	1,623	10.6	237	4.9	422	1.4	2,283	8.2
Average annual growth rate								
1996–97 to 2001–02		9.3		6.0		15.3		10.0
2001–02 to 2006–07		10.0		4.5		4.6		8.3
1996–97 to 2006–07		9.7		5.3		9.8		9.1

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 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 4.20 and Figure 4.7). 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 2006–07 was $5.3 billion, 5.6% of total health expenditure (tables 4.19 and A3).

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 50% to 60% of all capital expenditure in any year and tends to fluctuate less than government capital expenditure (Table 4.19). Non-government capital investment is largely in private hospitals, but also includes other types of facilities.

Table 4.19: Capital expenditure, current prices[(a)], by source of funds, 1996–97 to 2006–07 ($ million)

	Government			
Year	Australian Government	State/territory and local	Non-government	Total
1996–97	58	1,122	972	2,152
1997–98	65	1,405	994	2,464
1998–99	113	936	1,516	2,565
1999–00	36	1,383	1,587	3,006
2000–01	130	1,466	1,917	3,513
2001–02	154	1,453	2,062	3,669
2002–03	139	1,468	2,347	3,954
2003–04	148	1,143	2,485	3,777
2004–05	191	1,613	2,600	4,405
2005–06	183	1,965	2,712	4,860
2006–07	132	2,177	2,980	5,289

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

Note: Quality issues are encountered in these data due to the fine level of detail. Estimates should be used with caution. Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

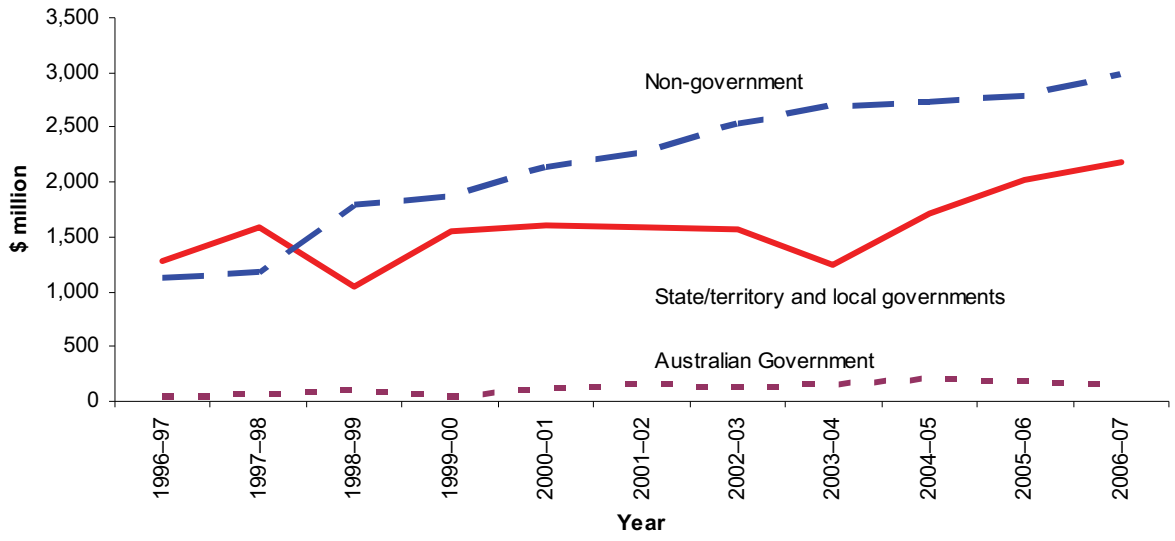
Table 4.20: Capital expenditure, constant prices[(a)], by source of funds, 1996–97 to 2006–07 ($ million)

Year	Government		Non-government	Total
	Australian Government	State/territory and local		
1996–97	41	1,273	1,117	2,431
1997–98	48	1,588	1,171	2,808
1998–99	89	1,038	1,779	2,907
1999–00	31	1,551	1,862	3,443
2000–01	112	1,613	2,137	3,861
2001–02	135	1,594	2,263	3,993
2002–03	127	1,570	2,529	4,225
2003–04	147	1,242	2,681	4,070
2004–05	190	1,712	2,731	4,633
2005–06	183	2,026	2,786	4,996
2006–07	132	2,177	2,980	5,289

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

Note: Quality issues are encountered in these data due to the fine level of detail. Estimates should be used with caution. Components may not add to totals due to rounding.

Source: AIHW health expenditure database.



(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

Source: Table 4.20.

Figure 4.7: Capital expenditure, constant prices[(a)], by broad source of funds, 1996–97 to 2006–07

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 $1.4 billion in 2006–07 (Table 4.21). This was an increase, in real terms, of 5.1% from 2005–06.

Table 4.21: Capital consumption by governments, current and constant prices[(a)], and annual growth rates, 1999–00 to 2006–07

Year	Current prices ($ million)	Constant prices ($ million)	Real growth (per cent)
1999–00	942	1,034	. .
2000–01	984	1,063	2.8
2001–02	1,029	1,113	4.7
2002–03	1,073	1,155	3.8
2003–04	1,160	1,254	8.6
2004–05	1,260	1,330	6.0
2005–06	1,321	1,360	2.3
2006–07	1,430	1,430	5.1

(a) Constant price health expenditure for 1999–00 to 2006–07 is expressed in terms of 2006–07 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 2006–07 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 $382 million in 2006–07. This was an increase in real terms of 9.7% from 2005–06. The average annual real increase over the decade from 1996–97 was 9.1% (Table 4.22).

Table 4.22: Non-specific tax expenditure, current and constant[(a)] prices, and annual growth rates, 1996–97 to 2006–07

Year	Current prices ($ million)	Constant prices ($ million)	Real growth (%)
1996–97	113	159	. .
1997–98	128	179	12.4
1998–99	145	197	10.0
1999–00	162	213	8.5
2000–01	173	221	3.6
2001–02	203	252	14.0
2002–03	225	269	6.7
2003–04	250	283	5.1
2004–05	291	320	13.1
2005–06	332	348	8.8
2006–07	382	382	9.7
Average annual growth rate			
1996–97 to 2006–07			9.1

(a) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

Source: AIHW health expenditure database.

5 Household expenditure on health goods and services

5.1 Introduction

This chapter analyses out-of-pocket expenditure by individuals on health goods and services using information from the 2003–04 ABS Household Expenditure Survey (HES), the latest available data. It provides additional detail on this type of expenditure to supplement the summary information on out-of-pocket expenditure presented elsewhere in this report.

In 2006–07, total estimated out-of-pocket recurrent health expenditure by individuals was $16.3 billion. Health insurance funds, which are primarily funded by individuals in the form of premium payments, spent a further $6.8 billion. Together, these two sources accounted for over a quarter (26.5%) of all recurrent health expenditure (Table A3).

This chapter approaches out-of-pocket expenditure from the household perspective and considers equivalised income per household and net household wealth (Box 6) to examine health expenditure within an income and wealth matrix.

5.2 Household expenditure survey

Household expenditure survey methodology and definitions

The following analysis uses data from the 2003–04 HES conducted by the ABS. The HES collected information in a household questionnaire on the expenditure, income, net worth and other characteristics of households resident in private dwellings throughout Australia between July 2003 and June 2004.

In relation to expenditure, respondents were asked to recall how much they spent on furniture and appliances over the last 3 months, on motor vehicle registration over the last 12 months, and on house purchases over the last 3 years. For other items, such as insurance, rent and utilities bills, survey respondents were asked for the value of their last payment and the length of time to which it related. Information on day to day expenditure was provided by respondents in a diary over a 2 week reporting period.

Estimates of weekly expenditure do not refer to any given week but are weekly equivalents. They were derived by dividing reported expenditure for all members of the household by the number of weeks in the relevant recall or reporting period, as discussed above.

The household is the basic unit of analysis in the HES. It is defined as a group of related or unrelated people who usually live in the same dwelling and make common provision for food and other essentials of living; or a lone person who makes provision for his or her own food and other essentials of living without combining with any other person.

A comprehensive HES user guide (ABS 2006b), which includes a summary of all concepts and definitions, is available from the ABS website at <http://www.abs.gov.au>.

Box 6: Definition of ABS Household expenditure survey terms

The HES data analysis uses a number of terms and concepts that may not be familiar to most readers. Basic definitions are provided below (ABS 2006a, 2006b):

• 'Equivalised household income' is a measure of disposable household income (i.e. gross income less personal income tax and Medicare levy) that provides a relative measure of the standard of living of households of different composition and size. Estimates of equivalised household income have been adjusted by the ABS to account for the fact that larger households normally require a greater level of income to maintain the same standard of living as smaller households, and the needs of adults are generally greater than the needs of children.

• Current income refers to income collected using a number of different reporting periods, such as the whole financial year for own unincorporated business and investment income, and the usual payment for a period close to the time of interview for wages and salaries, other sources of private income and government pensions and allowances. The income reported is divided by the number of weeks in the reporting period. Estimates of weekly income from the HES therefore do not refer to a given week within the reference period of the survey.

• Net worth, often referred to as wealth, is the value of a household's assets less the value of its liabilities. Assets include house, land, contents, vehicles, goods and equipment used in businesses owned by households; and financial assets such as bank deposits, shares, superannuation. Liabilities are primarily the value of loans outstanding such as credit card and personal debt, mortgages and investment loans.

• This analysis classifies households into 'older households' and 'younger households' according to the age of the household reference person. The household reference person is determined by the ABS through a set of criteria designed to identify the person most likely to be representative of the household. Households with a reference person aged less than 65 years are assigned to the 'younger household' group, while households with a reference person aged 65 years or older are considered 'older households'.

5.3 Population groups used in the analysis

This analysis is mainly focused on what households in similar economic circumstances (as measured by income and the net worth of the household's assets) spend on health. The analysis also covers expenditure by 'younger households', where the reference person is aged less than 65 years, and by households where the reference person is 65 years or older (referred to as 'older households' throughout this chapter).

The main reason for analysing household expenditure by groups combining income and wealth (as opposed to just looking at expenditure patterns by income quintile) is that some households in the bottom income quintile have expenditure levels that are comparable to higher income households (as calculated from the HES data). This would suggest that these households have access to economic resources other than income, such as their wealth, or that the period of low income is only temporary, perhaps reflecting the start up of a business or investment (ABS 2006b). For this analysis, the AIHW decided that adding household wealth into the analysis with income quintiles would account for households that use their assets to maintain a higher standard of living than implied by their income, and provide a more accurate representation of economic wellbeing.

Five groups of like economic wellbeing, termed 'expenditure' groups, were identified for this analysis. The procedure for assigning households to one of these groups was based on the following summary of steps:

1. Households were positioned on a matrix according to which income and wealth quintiles they belonged. Households with a reference person aged less than 65 years in the lowest income quintile and lowest wealth quintile for example, would be positioned in the top left cell of the matrix, and a household in the top income quintile and third wealth quintile would be positioned in the fifth column in row three.
2. Total expenditure (on a per person basis) for households in each of the cells was calculated, in order to approximate the relative economic purchasing power of households in similar economic circumstances.
3. A ratio of expenditure per person compared to expenditure by people in the lowest income and wealth cell was calculated and households in each cell were assigned to an expenditure group based on the derived expenditure ratio. All households in cells where the average ratio of per person expenditure was lower than 1.2 times as much as the lowest expenditure households were considered to be of 'very low' expenditure, and households in cells with an average ratio of greater than 2.5 were assigned to the 'very high' expenditure group (tables 5.1 and 5.2).

Table 5.1: Expenditure groups used in the analysis of HES data

Expenditure group	Estimated number of included households	Criteria for classification into this group	Amount of expenditure relative to the lowest expenditure households
Very low	1,531	Household expenditure per person is less than 20% above expenditure by households in the lowest income quintile and lowest wealth quintile.	Households whose expenditure, compared to expenditure by households in the lowest expenditure group, has a ratio of 1.2 or less.
Low	1,363	Household expenditure per person is between 20% and 50% above expenditure in the lowest income/wealth quintile.	Households spend between 1.2 and 1.5 as much as the lowest households.
Medium	2,005	Household expenditure per person is between 50% and 100% above expenditure by the lowest households.	Households spend just under twice as much as the lowest households, i.e. between 1.5 and 2 times as much.
High	1,151	Household expenditure per person is between 100% and 150% above expenditure by the lowest households.	Households spend between 2 and 2.5 times as much as the lowest households.
Very high	1,685	Household expenditure is greater than 150% above expenditure by the lowest households.	Households spend more than 2.5 times as much as the lowest households.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

Table 5.2: Expenditure groups used in HES analysis, by age and income and wealth quintile

Net wealth quintile	Household age group	Income quintile				
		Income 1	Income 2	Income 3	Income 4	Income 5
Wealth 1	**0–64 years**	Very low	Very low	Medium	High	Very high
	65 years +	Very low	Very low	Medium	n.a.	High
Wealth 2	**0–64 years**	Very low	Very low	Medium	High	Very high
	65 years +	Very low	Low	Medium	n.a.	n.a.
Wealth 3	**0–64 years**	Low	Low	Medium	High	Very high
	65 years +	Low	Low	Medium	Medium	Very high
Wealth 4	**0–64 years**	Low	Low	Medium	Medium	Very high
	65 years +	Low	Low	Medium	High	High
Wealth 5	**0–64 years**	Medium	Medium	Medium	High	Very high
	65 years +	Medium	Medium	Very high	High	Very high

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Household numbers

In 2003–04, of the estimated 7.7 million households in Australia, more than three-quarters (80%) had a reference person aged less than 65 years (Table 5.3). However, in terms of the number of people in the households that fall into each of the expenditure groups, a higher proportion (over 17 million or 87%) of the 19.6 million people in Australia were aged less than 65 years (Table 5.4). The difference in proportions of households and people in the younger category reflects the fact that younger households tend to have more people residing in them.

Households classified as very low in terms of income and wealth were much more likely than the average household to be renting their current residence from a state or territory housing authority (22%) or from a private landlord (39%), compared with the national averages of 5% and 21% respectively. Seventy per cent of households owned the residence in which they lived, although 43% of younger households had a mortgage, compared with 4% of older households (calculated from the HES data).

Table 5.3: Number of households, by age and expenditure group, 2003–04 ('000)

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	1,191	340	1,531
Low	700	663	1,363
Medium	1,706	300	2,005
High	1,059	n.a.	1,151
Very high	1,512	173	1,685
All households	**6,168**	**1,568**	**7,736**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

Table 5.4: Number of people, by age and expenditure group, 2003–04 ('000)

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	3,243	466	3,709
Low	2,092	1,055	3,148
Medium	5,108	531	5,639
High	2,883	n.a.	3,058
Very high	3,747	306	4,053
All persons	**17,073**	**2,534**	**19,607**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

Average weekly income

In 2003–04, the average weekly gross income in Australia was $448 per person (Table 5.5). Not surprisingly, average income increased with expenditure group status. People in the very high expenditure group for instance, had an average gross income of $924—over twice the national average—while average income for people in the very low expenditure group was $194, or just under half the national average (Table 5.5).

For the medium and very high expenditure groups, people in older households received less income per person per week on average than people in younger households.

Table 5.5: Average weekly income per person, by age and expenditure group, 2003–04 ($)

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	191	221	194
Low	207	246	220
Medium	364	331	361
High	513	n.a.	519
Very high	936	781	924
All persons	**462**	**350**	**448**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

In 2003–04, over two-thirds (69%) of households in the very low expenditure group reported that their primary source of income was through government pensions and allowances. Older households in the very low expenditure group relied almost exclusively (99.5%) on pensions as the primary source of household income, but it was also the primary source of household income for 60% of younger households (calculated from the HES data).

Conversely, less than 1% of high and very high expenditure group households relied on government pensions and allowances, and these were mainly the older households. The majority of these households (83% of high expenditure and 83% of very high expenditure group households) reported wages and salaries as their primary source of income, and a

further 7% and 6% of these households respectively reported own business income as their primary source. The remainder cited other primary sources of income, such as investment income (calculated from HES data).

Average weekly expenditure

Average weekly expenditure on all goods and services in 2003–04 was $352 a week per person (Table 5.6). In some expenditure groups, average weekly expenditure exceeded income, indicating that some people in these groups funded their expenditure by borrowing (which could include purchases using credit cards) or using some of their savings.

In line with the patterns observed for income, expenditure increased in each subsequent expenditure group, although average per person expenditure was lower among older households ($321) than younger households ($357) (Table 5.6).

Table 5.6: Average weekly expenditure per person, by age and expenditure group, 2003–04 ($)

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	212	220	213
Low	264	263	263
Medium	326	356	329
High	406	n.a.	408
Very high	539	541	539
All persons	**357**	**321**	**352**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

5.4 Expenditure on medical care and health

The area of the HES that covers health expenditure is called 'medical care and health expenses' (hereafter referred to as 'health'). This area comprises four smaller sub-components:

- accident and health insurance (comprising hospital, medical and dental insurance; ambulance insurance; and sickness and personal accident insurance)
- health practitioners' fees (including general practitioners, specialists, dentists, opticians, physiotherapists, chiropractors and other unspecified health practitioners)
- medicines, pharmaceutical products and purchase of therapeutic appliances (which comprises prescriptions; non-prescribed pain relievers, ointments and lotions; sunscreens; first aid supplies such as surgical dressings; and the purchase of therapeutic appliances and equipment)
- other medical care and health expenses (comprising hospital and nursing home charges, hire of therapeutic appliances and other medical care and health expenses not specified).

In 2003–04, average weekly expenditure per person on health was $18.06. The HES data show that the amount of expenditure on health goods and services funded by individuals is

greater for people in the higher expenditure groups. For example, people in the very low expenditure group spent an average of $6.64 per week on health compared with $27.89 by people in the very high expenditure group (Table 5.7). A similar pattern was observed for the individual areas of expenditure, with expenditure generally increasing with expenditure group status.

Expenditure on accident and health insurance accounted for the largest proportion (39%) of average weekly per person health expenditure in 2003–04, followed by health practitioners' fees (31%) and medicines, pharmaceutical products and therapeutic appliances (excluding hire) (25%). The remaining 5% was spent on other medical care and health expenses, such as hospital and nursing home charges and hire of therapeutic goods (Table 5.7).

Table 5.7: Average weekly health expenditure per person, 2003–04 ($)

Medical care and health expenses	Expenditure group					All households
	Very low	Low	Medium	High	Very high	
Accident and health insurance	1.57	6.29	6.95	7.46	12.08	6.97
Health practitioner fees	2.48	4.67	5.25	6.30	9.43	5.66
Medicines, pharmaceutical products and therapeutic appliances[(a)]	2.50	4.26	4.28	6.27	5.69	4.54
Other medical care and health expenses	0.09	0.36	0.75	2.96	0.68	0.89
Total	**6.64**	**15.58**	**17.22**	**23.00**	**27.89**	**18.06**

(a) Excludes hire of therapeutic appliances which is included in other medical care and health expenses.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

Health expenditure by household type and expenditure group

Spending by expenditure groups on health goods and services was similar to their spending on other goods and services in that people in the higher expenditure groups spent more than those in the lower groups (tables 5.6 and 5.8). People in the very low expenditure group spent 3% of their average income and 3% of their average expenditure on health goods and services ($6.64). This level of spending was considerably less than the national average, and was also less than half the amount spent by the next expenditure group (low group). People in the low group spent the highest proportion of weekly income (7%) and weekly expenditure (6%) of all the expenditure groups on health ($15.58 per week) (tables 5.8, 5.9 and 5.11).

Although expenditure on health (like most goods and services) increased with expenditure group status, the proportion of income and expenditure spent on health rose sharply from the very low to low groups, and then declined for the higher expenditure groups. Both the very low and very high groups for example, spent a lower proportion than the national average of their income on health, while all groups in between spent more (Table 5.9). This may be because people on very low incomes cannot afford, or have a low preference for, health goods and services and forego them when money is relatively scarce, or may be able to access free or subsidised health care (such as bulk-billed medical services and PBS medications).

The average weekly amount spent on health in 2003–04 was $18.06 per person (Table 5.8). This equated to 4% of weekly income, and 5% of weekly expenditure (tables 5.9 and 5.11).

Table 5.8: Average weekly expenditure on health per person, by household type and expenditure group, 2003–04 ($)

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	5.85	12.15	6.64
Low	14.13	18.44	15.58
Medium	16.04	28.59	17.22
High	20.56	n.a.	23.00
Very high	26.91	39.79	27.89
All persons	**17.02**	**25.09**	**18.06**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

Unlike total expenditure however, average weekly per person health expenditure in older households ($25.09) was higher than in younger households ($17.02) for all expenditure groups (Table 5.8) and also represented a higher proportion of weekly income and expenditure. For example, per person health expenditure as a proportion of weekly income averaged 7% for older households, compared with 4% for younger households, and a national average of 4% (Table 5.9).

Table 5.9: Average weekly household expenditure on health as a proportion of household income, by household type and expenditure group, 2003–04, per cent

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	3.1	5.5	3.4
Low	6.8	7.5	7.1
Medium	4.4	8.6	4.8
High	4.0	n.a.	4.4
Very high	2.9	5.1	3.0
All households	**3.7**	**7.2**	**4.0**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

On an income-only basis (i.e. ignoring wealth), the proportion of income spent on health was highest for households in the lowest income quintile (7% of income), and declined for higher income households (Table 5.10). The much higher proportion of income spent on health by the lowest income households compared with the very low expenditure households, demonstrates the effect of grouping households by expenditure (which is being used as a proxy for economic wellbeing), rather than income alone. The alternative grouping method used throughout this analysis effectively moves low income households with higher wealth—along with their health expenditure—to the low or medium expenditure groups, and influences the observed pattern of expenditure across the different economic wellbeing groups.

Table 5.10: Average weekly household expenditure on health as a proportion of household income, by household type and income, 2003–04, per cent

Income quintile	Reference person 0–64 year old	Reference person 65 years and older	All
Lowest	6.4	8.2	7.0
Second	4.9	7.6	5.4
Third	3.9	7.1	4.3
Fourth	3.9	9.9	4.3
Highest	2.9	4.0	2.9
All households	**3.7**	**7.2**	**4.0**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

Health expenditure as a proportion of household expenditure averaged 7.8% for older households, compared with 4.8% for younger households, and a national average of 5.1% (Table 5.11). This finding is consistent with the increased use of health care services in the later stages of life. The areas of health expenditure where people in older households spend the most are presented later in this chapter.

Table 5.11: Average weekly household expenditure on health as a proportion of household expenditure, by household type and expenditure group, 2003–04, per cent

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	2.8	5.5	3.1
Low	5.4	7.0	5.9
Medium	4.9	8.0	5.2
High	5.1	n.a.	5.6
Very high	5.0	7.4	5.2
All households	**4.8**	**7.8**	**5.1**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

Expenditure on areas of medical care and health as a proportion of household expenditure

Accident and health insurance

In 2003–04, household expenditure on accident and health insurance comprised the largest share of household spending on all health products (Table 5.7), and accounted for 2.0% of all household expenditure (Table 5.13).

The least well-off households in terms of income and wealth were the group who spent the least on health insurance. Average expenditure on health insurance by very low expenditure group households was $3.80 (or 0.7% of total household expenditure), and even though older households in this group did not spend that much more ($4.58), the proportion of their total

expenditure was much higher at 1.5%. It was the next highest expenditure group, the low group, who spent the highest proportion of their total expenditure (2.4%) on health insurance (tables 5.12 and 5.13).

This sharp rise in expenditure on insurance from the very low to low groups tends to suggest that although the worst off households do not direct much of their spending to health insurance (either by choice or by necessity); it is something that is adopted when income or wealth rises.

Table 5.12: Weekly household expenditure on health insurance, by household type and expenditure group, 2003–04 ($)

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	3.58	4.58	3.80
Low	16.62	12.33	14.53
Medium	19.46	19.95	19.53
High	19.33	n.a.	19.83
Very high	29.31	26.98	29.07
All households	**18.46**	**14.49**	**17.66**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

The proportion of expenditure directed to health insurance was greater for older households than younger households for every expenditure group (Table 5.13).

In per person terms, people in the very high expenditure group spend more on health insurance ($12.08 average weekly cost) than people in the very low expenditure group ($1.57) (Table 5.7).

Table 5.13: Weekly household expenditure on health insurance as a proportion of household expenditure, by household type and expenditure group, 2003–04, per cent

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	0.6	1.5	0.7
Low	2.1	3.0	2.4
Medium	2.0	3.2	2.1
High	1.8	n.a.	1.8
Very high	2.2	2.8	2.2
All households	**1.9**	**2.8**	**2.0**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

Health practitioners' fees

The proportion of total household expenditure directed to fees for health practitioners was 1.6% in 2003–04. Like expenditure on health insurance and health in total, the very low expenditure group households spent the lowest proportion (1.2%) on these medical services, and the low group spent the highest (1.8%) (Table 5.14).

This similar trend is probably best explained the same way—that is, the lower income households use bulk-billed general practitioner services wherever possible, and avoid other, more expensive health practitioner services until income and wealth increase. Once households start to use these other services, the proportion of total expenditure they comprise will gradually decrease as income and wealth and other expenditure continues to rise.

The slight rise in proportion for the very high expenditure group is possibly due to these better off households purchasing more expensive health services such as cosmetic dental services, and discretionary spending on other health practitioner services such as naturopathy or remedial massage.

Overall, older households spent a higher average proportion of their expenditure on health practitioners than younger households, but this was only true for two of the expenditure groups (the medium and very high groups) (Table 5.14).

In per person terms, people in the very high expenditure group had higher out-of-pocket contributions, for example, for general practitioner, specialist and dental services ($9.43 average weekly costs) than people in the very low expenditure group ($2.48) (Table 5.7).

Table 5.14: Weekly household expenditure on health practitioners' fees as a proportion of household expenditure, by household type and expenditure group, 2003–04, per cent

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	1.2	1.1	1.2
Low	1.8	1.7	1.8
Medium	1.5	2.5	1.6
High	1.5	n.a.	1.5
Very high	1.7	2.6	1.7
All households	**1.6**	**2.0**	**1.6**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

Medicines, pharmaceutical products and therapeutic appliances

The proportion of weekly household expenditure spent on medicines, pharmaceutical products and therapeutic appliances (hereafter referred to as medical goods) in 2003–04 was 1.3%. This proportion was much lower for younger households (1.2%) than for older households (2.0%) (Table 5.15).

Among the younger households, the lowest expenditure group spent the lowest proportion of their total expenditure (0.9%) on medical goods, whereas the low group spent 1.4% of total weekly expenditure on these goods (Table 5.15).

In older households however, the very low expenditure group spent 2.7% of their total weekly expenditure on medical goods—the highest proportion of any expenditure group. Older households in the very high expenditure group had a somewhat higher proportion of spending on medical goods (1.5%) compared with the national average (1.3%). However, overall older households spent lower proportions of their weekly household expenditure on medical goods as their expenditure group levels increased (Table 5.15).

Table 5.15: Weekly household expenditure on medicines, pharmaceutical products and therapeutic appliances as a proportion of household expenditure, by household type and expenditure group, 2003–04, per cent

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	0.9	2.7	1.2
Low	1.4	2.1	1.6
Medium	1.2	1.9	1.3
High	1.5	n.a.	1.5
Very high	1.0	1.5	1.1
All households	**1.2**	**2.0**	**1.3**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

Other medical care and health expenses

On the whole, relatively little was spent on medical care and health service items that was not included in the preceding areas of expenditure. In 2003–04, expenditure on this 'other medical care and health' category accounted for 0.3% of weekly household expenditure (Table 5.16).

The proportion of expenditure was higher for older households (1.1%) than for younger households (0.1%), which is to be expected considering this category is predominantly made up of hospital and nursing home charges and hire of therapeutic goods.

Table 5.16: Weekly household expenditure on other medical care and health expenses as a proportion of household expenditure, by household type and expenditure group, 2003–04, per cent

Expenditure group	Reference person 0–64 year old	Reference person 65 years and older	All
Very low	—	0.2	—
Low	0.1	0.2	0.1
Medium	0.2	0.5	0.2
High	0.2	n.a.	0.7
Very high	0.1	0.4	0.1
All households	**0.1**	**1.1**	**0.3**

Note: Estimates in cells marked n.a. have a high standard error and are considered too unreliable for general use.

Source: AIHW analysis of unpublished data from the ABS Household expenditure survey 2003–04.

6 International comparisons

This chapter presents international comparisons of health expenditure for countries that are current members of the OECD and also countries in the Asia-Pacific region. Differences between countries in terms of what is included as 'health expenditure' complicate the comparison to some extent, so caution is warranted when making comparisons. However, for Australia, the health expenditure reported in this chapter is based on the OECD System of Health Accounts (SHA) and not on the Australian National Health Accounts (NHA) used in the preceding chapters (see Section 6.4 for further details).

Health expenditure by different countries can be compared as a proportion of GDP. This gives a measure of the proportion of a nation's productive effort that is spent on funding its health goods and services. Short-term fluctuations in the health to GDP ratio can, however, be misleading because they reflect movements in GDP as well as in health expenditure.

Health expenditure per person allows for comparisons between countries and within a country over time without the distorting effect of movements in GDP and population size differences. In calculating it, allowance was made for the different purchasing powers of currencies in the various countries. This has been done by using purchasing power parities (PPPs) for the whole of GDP to convert expenditures in each of the countries first into US dollars and then into Australian dollars. The whole of GDP PPPs are used because of the poor reliability of health-specific ones, particularly in the early part of the decade to 2006.

For the OECD countries, weighted averages as a whole have been calculated to take into account the proportional relevance of each component. For example, the weighted average of the per person health expenditure is total health expenditure divided by the total OECD population.

6.1 Health expenditure in OECD countries

The OECD median health to GDP ratio for 1996, 2001 and 2006 was respectively 7.8%, 8.3% and 9.0%. Australia's average was slightly lower in 1996 (7.6%), higher in 2001 (8.4%) and lower in 2006 (8.7%). In per person terms, Australia's average was higher in each of the 3 years (Table 6.1).

The United States was by far the highest spender on health care, spending 15.3% of GDP in 2006 and had an average expenditure per person that was more than double the amount for Australia ($9,467 per person compared with $4,383 for Australia) (Table 6.1).

In 2006, Australia had a health to GDP ratio that was comparable to Italy, New Zealand and Norway, was more than the United Kingdom and considerably lower than the United States (Table 6.1).

Australia's three tiers of government funded an average of 67.7% of total health expenditure in 2006, which was 8.4 percentage points below the OECD median of 76.1%. Luxembourg had the highest proportion of government health funding (90.9%) and Mexico (44.2%) and the United States (45.8%) the lowest. Over the decade, the government contribution to the funding of health care in Australia edged up by 2.2 percentage points, while the government share for the OECD overall increased by 3.2 percentage points (Table 6.2).

Government health expenditure in 2006 as a proportion of GDP was 5.9% in Australia, 0.9 percentage points below the OECD median, and lower than the 7.3% of GDP that the United Kingdom and New Zealand governments spend on health and the 7.0% of GDP spent by the United States and Canadian governments (Table 6.2).

Australia's per person out-of-pocket expenditure ($375 in current prices) was $82 below the weighted average in 1996, but $9 above the weighted average in 2006 (Table 6.3). Australia's out-of-pocket expenditure as a percentage of total expenditure and total household final consumption expenditure (HFCE) rose between the two periods from 16.7% to 18.2% and from 2.2% to 2.9%, respectively. For the OECD weighted averages, while out-of-pocket expenditure fell as a percentage of total health expenditure (16.3% to 15.1%), it rose as a percentage of total HFCE (2.7% to 2.8%) (Table 6.3).

6.2 International comparisons

The OECD averages in this publication are averages (means) of member countries for which data are available for all the years presented. The periods covered by the OECD data for a particular year differ from one country to another (see Box 7 for examples).

Box 7: Periods equating to OECD year 2006

Country	*Financial year*
Australia	*1 July 2006 to 30 June 2007*
Canada	*1 April 2006 to 31 March 2007*
France	*1 January 2006 to 31 December 2006*
Germany	*1 January 2006 to 31 December 2006*
Japan	*1 April 2006 to 31 March 2007*
New Zealand	*1 July 2006 to 30 June 2007*
Sweden	*1 January 2006 to 31 December 2006*
United Kingdom	*1 April 2006 to 31 March 2007*
United States	*1 October 2005 to 30 September 2006*

Table 6.1: Health expenditure as a proportion of GDP and per person, OECD countries, 1996 to 2006[a]

Country	1996		2001		2006	
	Health to GDP (%)	Per person (A$)	Health to GDP (%)	Per person (A$)	Health to GDP (%)	Per person (A$)
United States	13.2	5,020	13.9	6,537	15.3	9,467
Switzerland	10.1	3,654	10.7	4,616	11.3	6,079
France	9.8	2,706	9.7	3,445	11.1	4,863
Germany	10.4	3,167	10.4	3,736	10.6	4,753
Belgium	8.4	2,538	8.7	3,304	10.4	4,918
Portugal	8.0	1,474	8.8	2,087	10.2	2,989
Austria	9.7	3,103	10.0	3,844	10.1	5,084
Canada	8.8	2,717	9.3	3,632	10.0	5,186
Denmark	8.2	2,612	8.6	3,353	9.5	4,722
Netherlands	8.2	2,458	8.3	3,399	9.3	4,781
New Zealand	7.1	1,674	7.8	2,270	9.3	3,452
Sweden	8.2	2,457	9.0	3,340	9.2	4,515
Greece	8.6	1,717	8.4	2,220	9.1	3,501
Iceland	8.2	2,610	9.3	3,785	9.1	4,709
Italy	7.4	2,129	8.2	2,946	9.0	3,686
Australia[b]	**7.6**	**2,249**	**8.4**	**3,180**	**8.7**	**4,383**
Norway	7.8	2,695	8.8	4,344	8.7	6,373
Spain	7.5	1,649	7.2	2,176	8.4	3,466
United Kingdom	7.0	1,896	7.5	2,688	8.4	3,892
Hungary	7.0	870	7.2	1,291	8.3	2,121
Finland	7.8	1,992	7.2	2,544	8.2	3,762
Ireland	6.5	1,690	6.9	2,830	7.5	4,346
Luxembourg	5.7	2,627	6.4	3,642	7.3	6,067
Czech Republic	6.7	1,210	6.7	1,439	6.8	2,101
Mexico	5.1	488	6.0	733	6.6	1,120
Korea	4.1	754	5.2	1,206	6.4	2,087
Poland	5.9	631	5.9	854	6.2	1,283
Japan	7.0	2,190	7.9	2,766	n.a.	n.a.
Slovak Republic	. .	. .	5.5	884	n.a.	n.a.
Turkey	3.9	284	5.6	606	n.a.	n.a.
Weighted average (29 countries)[c][d]	**9.6**	**2,593**	**10.2**	**3,412**	**11.2**	**4,832**
Median (29 countries)[c]	**7.8**	**2,190**	**8.3**	**2,946**	**9.0**	**4,346**

(a) See definition of 'OECD financial year' in Box 7.

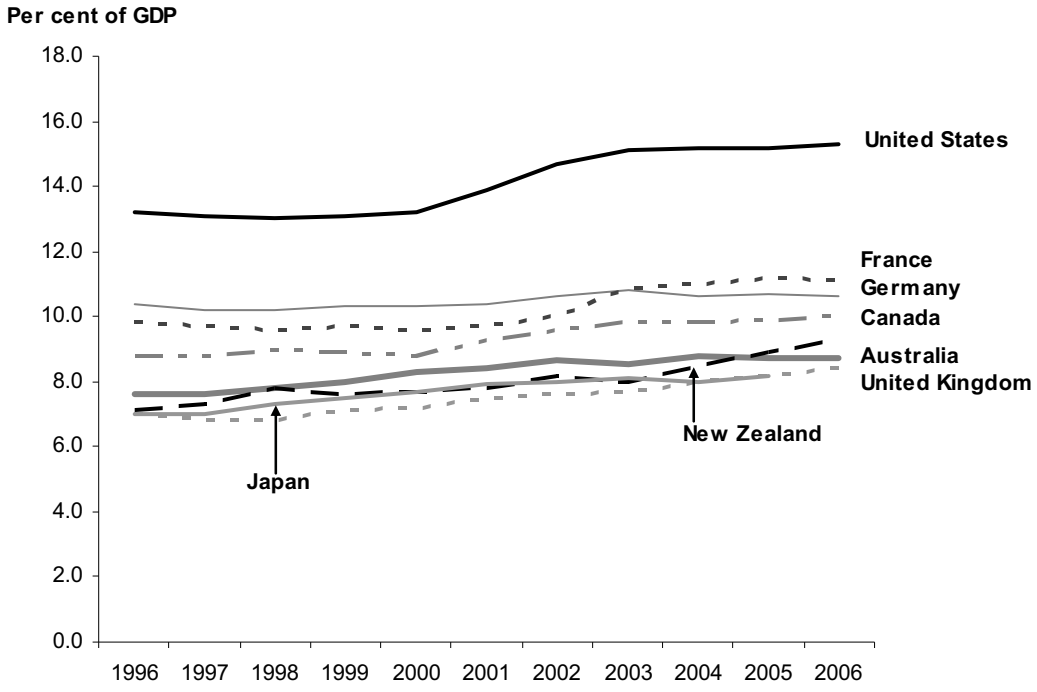
(b) Expenditure based on the OECD System of Health Accounts (SHA) framework.

(c) The 29 countries included in the averages exclude the Slovak Republic. Averages for 2006 incorporate 2005 data for Japan and Turkey.

(d) Average weighted by GDP or population.

Note: Expenditures converted to Australian dollar values using GDP purchasing power parities.

Sources: AIHW health expenditure database; OECD 2008.



(a) See definition of 'OECD financial year' in Box 7.

Sources: AIHW health expenditure database; OECD 2008.

Figure 6.1: Health expenditure as a proportion of GDP, selected OECD countries, 1996 to 2006[(a)]

Table 6.2: Government health expenditure as a proportion of total health expenditure and GDP, OECD countries, 1996 to 2006[a] (per cent)

	1996		2001		2006	
Country	Share of total health expenditure	Share of GDP	Share of total health expenditure	Share of GDP	Share of total health expenditure	Share of GDP
Mexico	41.4	2.1	44.9	2.7	44.2	2.9
United States	45.4	6.0	44.6	6.2	45.8	7.0
Korea	40.9	1.7	54.5	2.8	55.1	3.5
Switzerland	54.7	5.5	57.1	6.1	60.3	6.8
Greece	53.0	4.5	63.8	5.3	61.6	5.6
Australia[b]	**65.5**	**5.0**	**66.0**	**5.6**	**67.7**	**5.9**
Poland	73.4	4.3	71.9	4.2	69.9	4.3
Canada	70.9	6.3	70.0	6.5	70.4	7.0
Portugal	65.3	5.2	71.5	6.3	70.6	7.2
Hungary	81.6	5.7	69.0	4.9	70.9	5.9
Spain	72.4	5.4	71.2	5.2	71.2	6.0
Finland	74.0	5.8	73.9	5.3	76.0	6.2
Austria	71.5	6.9	75.6	7.5	76.2	7.7
Germany	82.2	8.5	79.3	8.3	76.9	8.1
Italy	70.6	5.2	74.6	6.1	77.2	6.9
New Zealand	76.7	5.5	76.4	6.0	77.8	7.3
Ireland	71.3	4.6	74.1	5.1	78.3	5.9
France	78.4	7.7	78.3	7.6	79.7	8.9
Sweden	86.9	7.1	81.8	7.3	81.7	7.5
Iceland	83.3	6.8	81.0	7.6	82.0	7.5
Norway	84.2	6.6	83.6	7.4	83.6	7.3
United Kingdom	82.9	5.8	83.0	6.2	87.3	7.3
Czech Republic	90.7	6.1	89.8	6.0	87.9	5.9
Luxembourg	92.8	5.2	87.9	5.6	90.9	6.6
Belgium	79.5	6.7	n.a.	n.a.	n.a.	n.a.
Denmark	82.4	6.8	82.7	7.1	n.a.	n.a.
Japan	82.8	5.8	81.7	6.5	n.a.	n.a.
Netherlands	66.2	5.4	62.8	5.2	n.a.	n.a.
Slovak Republic	. .	. .	89.3	4.9	n.a.	n.a.
Turkey	69.2	2.7	68.2	3.8	n.a.	n.a.
Weighted average (26 countries)[c][d]	**59.8**	**5.9**	**59.1**	**6.2**	**59.2**	**6.7**
Median (26 countries)[c]	**72.9**	**5.6**	**74.0**	**6.1**	**76.1**	**6.8**

(a) See definition of 'OECD financial year' in Box 7.

(b) Expenditure based on the OECD SHA framework.

(c) The 26 countries included in the averages exclude Belgium, Denmark, Netherlands and the Slovak Republic. Averages for 2006 incorporate 2005 data for Japan and Turkey.

(d) Average weighted by total health expenditure or GDP.

Sources: AIHW health expenditure database; OECD 2008.

Table 6.3: Out-of-pocket health expenditure per person, and as shares of total health expenditure and household final consumption expenditure[a], OECD countries, 1996 and 2006[b]

Country	1996			2006		
	Per person out-of-pocket expenditure (A$)	Share of total health expenditure (%)	Share of total HFCE (%)	Per person out-of-pocket expenditure (A$)	Share of total health expenditure (%)	Share of total HFCE (%)
Switzerland	1,147	31.4	5.4	1,840	30.3	6.0
United States	746	14.8	2.9	1,208	12.8	2.8
Belgium	n.a.	n.a.	n.a.	1,019	20.7	4.2
Norway	412	15.3	2.5	994	15.6	3.5
Iceland	437	16.7	2.4	850	18.0	2.9
Austria	527	17.0	2.9	838	16.5	3.1
Australia[c]	**375**	**16.7**	**2.2**	**797**	**18.2**	**2.9**
Korea	381	50.5	4.0	770	36.9	4.5
Spain	383	23.2	2.9	761	22.0	3.3
Canada	438	16.1	2.5	750	14.5	2.7
Italy	565	26.5	3.4	743	20.2	3.1
Finland	411	20.6	3.2	702	18.7	3.1
Denmark	424	16.2	2.7	682	14.4	2.8
Portugal	n.a.	n.a.	n.a.	681	22.8	3.7
Germany	300	9.5	1.7	627	13.2	2.4
Mexico	277	56.6	4.5	587	52.4	5.1
New Zealand	273	16.3	2.0	571	16.5	2.6
Ireland	220	13.0	1.7	540	12.4	2.2
Hungary	160	18.4	2.5	478	22.6	3.6
Luxembourg	189	7.2	1.0	392	6.5	1.4
Poland	168	26.6	2.6	329	25.6	2.6
France	209	7.7	1.4	327	6.7	1.3
Netherlands	n.a.	n.a.	n.a.	286	6.0	1.2
Czech Republic	114	9.3	1.2	244	11.6	1.6
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	342	15.6	2.0	n.a.	n.a.	n.a.
Slovak Republic	. .	. .	. .	n.a.	n.a.	n.a.
Sweden	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Turkey	87	30.8	1.8	n.a.	n.a.	n.a.
United Kingdom	209	11.0	1.2	n.a.	n.a.	n.a.
Weighted average (22 countries)[d][e]	**457**	**16.3**	**2.7**	**788**	**15.1**	**2.8**
Median (22 countries)[d]	**378**	**16.5**	**2.5**	**692**	**16.5**	**2.9**

(a) Total HFCE covers all goods and services, including health.

(b) See definition of 'OECD financial year' in Box 7.

(c) Expenditure based on the OECD SHA framework.

(d) The 22 countries included in the averages exclude Belgium, Greece, Netherlands, Portugal, Slovak Republic, Sweden, Turkey and the United Kingdom. Averages for 2006 incorporate 2005 data for Japan.

(e) Averages weighted by population for per person out-of-pocket expenditure and by health expenditure or HFCE for other categories.

Note: Expenditures converted to Australian dollar values using GDP purchasing power parities.

Sources: AIHW health expenditure database; OECD 2008.

Factors contributing to the growth in the health to GDP ratio are inflation (both general inflation and excess health inflation) and changes in the level of goods and services used, either from population growth or from more intensive per person use of goods and services. The general rate of inflation is an indication of price pressures that apply throughout the economy, and the rate of excess health inflation indicates additional price rises specific to the health sector. The ability of a nation's health financing system to influence growth in health prices is one factor relevant to controlling growth in total expenditure on health.

For the decade to 2006, Australia had an average annual excess health inflation rate of 0.2%, 10% of the Sweden rate which was the highest at 2.0% (Table 6.4).

In order to compare the level of expenditure without the complication of different rates of population growth, it is useful to examine real growth in average per person expenditure on health. For the decade to 2006, Australia had an average annual real growth in per person expenditure of 3.5%. This represents extra volumes of health services delivered per Australian—this was the second highest increase of the 10 countries in this group.

Table 6.4: Components of growth in health expenditure, selected OECD countries, 1996 to 2006[(a)], (per cent)

		Average annual inflation			Average annual real growth		
Country	Nominal growth	General	Excess health	Health	Population component	Utilisation component	Total
Australia[(b)]	**8.2**	**3.1**	**0.2**	**3.3**	**1.2**	**3.5**	**4.8**
Canada	6.9	2.1	0.2	2.3	1.0	3.6	4.6
Denmark[(c)]	5.4	2.1	—	2.1	0.4	2.9	3.3
Finland	5.9	1.5	1.7	3.3	0.3	2.3	2.6
France	5.3	1.4	–0.1	1.4	0.6	3.3	3.9
Italy	6.0	2.4	0.9	3.3	0.3	2.3	2.6
Spain[(c)]	6.9	3.0	–0.3	2.7	0.6	3.4	4.0
Sweden[(d)]	6.8	1.4	2.0	3.5	0.2	3.1	3.3
Switzerland[(e)]	4.0	0.6	—	0.6	0.5	2.9	3.4
United States	7.0	2.2	1.1	3.3	1.1	2.5	3.6

(a) See definition of 'OECD financial year' in Box 7.

(b) Expenditure based on the OECD SHA framework.

(c) 1996 to 2001.

(d) 1996 to 2002.

(e) 1996 to 2003.

Sources: AIHW health expenditure database; OECD 2008.

6.3 Health expenditure in the Asia-Pacific region

There is a very broad range of economies within the Asia-Pacific region, including highly developed economies like Australia and Japan (tables 6.1 to 6.3) as well as developing economies like Malaysia, Thailand, Vietnam, Indonesia and Bangladesh (Table 6.5).

In 2005 Australia had the second highest health to GDP ratio amongst these countries, at 8.7%. For the other countries in Table 6.5, Indonesia (2.1%), Myanmar (2.2%) and Bangladesh (2.8%) had relatively low health to GDP ratios.

Australia ($4,111 per person) had the highest average expenditure on health while Myanmar ($52 per person) had the lowest health expenditure. Australia had the second highest out-of-pocket costs ($761) after Singapore ($1,011) and the Solomon Islands had the lowest costs ($5.00).

There are many reasons underlying the substantial differences between the levels of resourcing for health in these countries. In many cases, low GDP means few resources are available to devote to health. But on top of this, countries have differing priorities for health services.

Table 6.5: Health expenditure comparison for selected Asia-Pacific countries, 2005

Country	Health to GDP (%)	Per person (A$)	Government to total (%)	Per person out-of-pocket (A$)	Out-of-pocket to total (%)
Australia[(a)]	**8.7**	**4,111**	**67.4**	**761**	**18.5**
Singapore	3.5	1,583	31.9	1,011	63.9
Malaysia	4.2	630	44.8	264	41.8
Thailand	3.5	449	63.9	124	27.6
China	4.7	437	38.8	228	52.2
Fiji	4.1	376	70.9	87	23.1
Tonga	5.0	353	75.8	70	19.9
Vietnam	6.0	307	25.7	196	64.0
Samoa	4.9	302	80.7	46	15.3
Philippines	3.2	276	36.6	141	50.9
Sri Lanka	4.1	263	46.2	122	46.3
Papua New Guinea	4.2	238	86.2	14	5.9
Cambodia	6.4	233	24.2	140	60.1
Timor-Leste	13.7	202	86.6	10	5.0
Vanuatu	4.3	185	65.3	32	17.4
Mongolia	4.3	156	77.5	30	19.4
India	5.0	138	19.0	105	76.2
Solomon Islands	4.3	127	92.2	5	4.3
Bhutan	4.0	118	71.0	34	29.0
Lao	3.6	109	20.6	80	73.6
Indonesia	2.1	108	46.6	38	35.4
Nepal	5.8	106	28.1	66	62.5
Bangladesh	2.8	80	29.1	50	62.6
North Korea	3.5	66	85.6	10	14.4
Myanmar	2.2	52	10.6	47	88.8

(a) Expenditure based on the OECD SHA framework.

Sources: AIHW health expenditure database; WHO database.

6.4 Australian health expenditure using the OECD SHA

The AIHW is responsible for collecting, collating and reporting expenditure on health in Australia each year. It is also the national coordinating body for the provision of most data on health and social expenditures to the OECD. The AIHW's responsibilities in this regard include expenditure on health and welfare services, social security and housing.

The format that the AIHW uses for its national reports of expenditure on health is based on one adopted by the World Health Organization (WHO) during the 1970s, and is known as the Australian National Health Accounts (NHA). Australia's reporting format has not changed markedly since the AIHW's first national health expenditure report in 1986, despite considerable change in the way health care is delivered. The WHO has recently moved to adopt a reporting framework based on a system of health accounts developed by the OECD.

In 2000, the OECD published guidelines for a new method of international reporting for health expenditure. That publication, *A system of health accounts* (OECD 2000), was developed to encourage international consistency in the way health expenditure is reported throughout the OECD membership. This International Classification for Health Accounts (ICHA) classifies expenditure on health in terms of:

- health care by function (ICHA-HC)
- health care service provider industries (ICHA-HP)
- sources of funding health care (ICHA-HF).

The functional classification refers to the goals or purposes of health care. At the broadest level these are disease prevention, health promotion, treatment, rehabilitation and long-term care.

The provider classification is a list of health care provider types which has been refined and modified from the International Standard Industrial Classification (UN 2002).

The funder classification follows the System of National Accounts 1993 (OECD 1994) guidelines for the allocation of funds by sector.

The major difference between estimates derived using the Australian NHA and the OECD System of Health Accounts (SHA) is the value of total expenditure. The NHA includes all the 'health' functional classifications. It also includes the following 'health-related' functional classifications in its estimates of total health expenditure:

- capital expenditure of health care provider institutions
- research and development in health
- food, hygiene and drinking water control
- environmental health.

'Education and training of health personnel' is excluded from the NHA estimates of total health expenditure.

The SHA, on the other hand, includes, as well as the 'health' functions, only HC.R.1—'Capital formation of health care provider institutions'—from the 'health-related' functions in its total health expenditure estimates. In 2006–07 (OECD year 2006), the estimate of total health expenditure using the NHA was $94.0 billion, $2.6 billion or 2.8% higher than the SHA total for health expenditure ($91.4 billion) (tables 2.1 and 6.6).

The AIHW's health expenditure database for all years since 1998–99 is structured in a way that allows simultaneous reporting according to the NHA reporting matrix and the SHA classifications. Through the work of the Health Expenditure Advisory Committee (HEAC), an Australian System of Health Accounts is being developed that can be mapped to the OECD's SHA, but which uses terminology that is more relevant to the Australian domestic situation. When this is achieved, the Australian SHA will be better able to provide more detailed and comprehensive data for both national purposes and international comparability.

The following three tables provide a snapshot of the data for 2005–06 and 2006–07, following the OECD SHA format.

The definitions of OECD categories can be found at: <http://www.oecd.org/dataoecd/49/51/21160591.pdf>.

Table 6.6: Total health expenditure, by financing agents, current prices, 2005–06 and 2006–07

		2005–06		2006–07	
SHA code	**Description**	**Amount ($m)**	**Proportion (%)**	**Amount ($m)**	**Proportion (%)**
HF.1	*General government*	*56,949*	*67.4*	*61,922*	*67.7*
HF.1.1	General government excluding social security funds	56,949	67.4	61,922	67.7
HF.1.1.1	Central government	35,404	41.9	37,699	41.2
HF.1.1.2, 1.1.3	Provincial/local government	21,546	25.5	24,224	26.5
HF.1.2	Social security funds	—	—	—	—
HF.2	*Private sector*	*27,528*	*32.6*	*29,502*	*32.3*
HF.2.1	Private social insurance	—	—	—	—
HF.2.2	Private insurance enterprises (other than social insurance)	6,284	7.4	6,836	7.5
HF.2.3	Private household out-of-pocket expenditure	15,648	18.5	16,632	18.2
HF.2.4	Non-profit institutions serving households (other than social insurance)	—	—	—	—
HF.2.5	Corporations (other than health insurance)	5,596	6.6	6,034	6.6
HF.3	*Rest of the world*	—	—	—	—
Total health expenditure		**84,477**	**100.0**	**91,424**	**100.0**

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

Source: AIHW health expenditure database.

Table 6.7: Total health expenditure, by mode of production, current prices, 2005–06 and 2006–07

SHA code	Description	2005–06 Amount ($m)	2005–06 Proportion (%)	2006–07 Amount ($m)	2006–07 Proportion (%)
Inpatient care[(a)]					
HC.1.1, 2.1	Curative & rehabilitative care	28,989	34.3	31,827	34.8
HC.3.1	Long-term nursing care	391	0.5	426	0.5
Services of day-care					
HC.1.2, 2.2	Day cases of curative & rehabilitative care	—	—	—	—
HC.3.2	Day cases of long-term nursing care	—	—	—	—
Outpatient care					
HC.1.3, 2.3	Outpatient curative & rehabilitative care	26,779	31.7	28,918	31.6
HC.1.3.1	Basic medical and diagnostic services	9,761	11.6	10,425	11.4
HC.1.3.2	Outpatient dental care	5,353	6.3	5,726	6.3
HC.1.3.3	All other specialised health care	2,994	3.5	3,265	3.6
HC.1.3.9	All other outpatient curative care	6,942	8.2	7,686	8.4
HC.2.3	Outpatient rehabilitative care	1,729	2.0	1,817	2.0
Home care					
HC.1.4, 2.4	Home care (curative & rehabilitative)	—	—	—	—
HC.3.3	Home care (long-term nursing care)	25	—	24	—
Ancillary services to health care					
HC.4.1	Clinical laboratory	1,478	1.7	1,578	1.7
HC.4.2	Diagnostic imaging	1,745	2.1	1,879	2.1
HC.4.3	Patient transport and emergency rescue	1,537	1.8	1,847	2.0
HC.4.9	All other miscellaneous ancillary services	32	—	53	0.1
Medical goods dispensed to outpatients					
HC.5.1	Pharmaceuticals and other medical non-durables	12,060	14.3	12,559	13.7
HC.5.2	Therapeutic appliances and other medical durables	2,812	3.3	3,036	3.3
Total expenditure on personal health care		*75,846*	*89.8*	*82,147*	*89.9*
HC.6	Prevention and public health services	1,254	1.5	1,487	1.6
HC.7	Health administration and health insurance	2,516	3.0	2,501	2.7
Total expenditure on collective health care		*3,771*	*4.5*	*3,988*	*4.4*
Total current expenditure on health care		*79,617*	*94.2*	*86,135*	*94.2*
Health-related functions					
HC.R.1	Capital formation of health care provider institutions	4,860	5.8	5,289	5.8
Total health expenditure		**84,477**	**100.0**	**91,424**	**100.0**

(a) In-patient includes all admitted patient services whether they are overnight admissions or same-day admissions.

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

Source: AIHW health expenditure database.

Table 6.8: Total health expenditure, by provider, current prices, 2005–06 and 2006–07

		2005–06		2006–07	
SHA code	Description	Amount ($m)	Proportion (%)	Amount ($m)	Proportion (%)
HP.1	Hospitals	32,541	38.5	35,000	38.3
HP.2	Nursing and residential care facilities	—	—	—	—
HP.3	Providers of ambulatory health care	29,457	34.9	32,743	35.8
HP.3.1	Offices of physicians	11,724	13.9	12,633	13.8
HP.3.2	Offices of dentists	5,363	6.3	5,737	6.3
HP.3.3–3.9	All other providers of ambulatory health care	12,370	14.6	14,373	15.7
HP.4	Retail sales and other providers of medical goods	14,237	16.9	14,880	16.3
HP.5	Provision and administration of public health programs	1,252	1.5	1,486	1.6
HP.6	General health administration and insurance	6,989	8.3	7,315	8.0
HP.6.1	Government administration of health	3,692	4.4	3,736	4.1
HP.6.2	Social security funds	—	—	—	—
HP.6.3, 6.4, 6.9	Other social insurance	3,297	3.9	3,580	3.9
HP.7	Other industries (rest of the economy)	—	—	—	—
HP.9	Rest of the world	1	—	—	—
Total health expenditure		**84,477**	**100.0**	**91,424**	**100.0**

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

Source: AIHW health expenditure database.

7 Technical notes

7.1 General

Health expenditure is reported domestically using the Australian National Health Accounts (NHA) framework. This framework, which has operated since the early 1960s, is based on a national health expenditure matrix showing areas of expenditure by sources of funding.

Since 1998, the AIHW, which has responsibility for developing estimates of national health expenditure, has collated and stored its health expenditure data in a way that enables it to simultaneously report national health expenditure according to the national framework and according to the OECD's System of Health Accounts (OECD 2000).

Health Expenditure Advisory Committee (HEAC)

In 2003, the AIHW established the HEAC, comprising data users and providers, to provide advice on health expenditure reporting in Australia. The committee, which meets twice a year, consists of representatives of Australian government agencies—DoHA, ABS, DVA, Commonwealth Grants Commission, Medicare Australia and the Private Health Insurance Administration Council (PHIAC)—and each state and territory health department. This committee has now expanded to include a representative from the Ministry of Health New Zealand, and an academic health economist. The terms of reference for this committee are to provide advice to the AIHW on:

- data sources, analysis and presentation of its estimates of health expenditure in Australia
- integration of the AIHW's health expenditure collections with all other Australian sub-national and national collections, and with international frameworks and collections of health expenditure statistics
- longer term directions related to the reporting of expenditure on health, both within Australia and to international bodies such as the OECD and WHO.

Government Health Expenditure National Minimum Data Set (GHE NMDS)

Under the auspices of the HEAC, the AIHW has developed a national minimum data set (NMDS) for government-funded health expenditure (GHE) which will enhance the current reporting of health expenditure data.

An NMDS is a mandated national data collection for all states and territories. It is dependent upon national agreement to collect and supply uniform core data towards a national collection. The most important aspect of an NMDS is the agreement between all relevant parties. An NMDS agreement includes data standards specified using data elements, as well as the scope for the application of those data elements (AIHW 2007c).

Current approach

Expenditure and funding data for health goods and services are published annually in the *Health expenditure Australia* reports. These data are obtained from a wide variety of sources in the public and private sectors. The state and territory health authorities currently supply

their data to the AIHW using a data collection instrument which contains a mix of provider (for example, public hospitals) and function categories (for example, mental health services).

Proposed approach for NMDS

Policy areas increasingly want health expenditure information that they can use to identify the cost of specific programs, such as immunisation programs or mental health programs, as well as how much was spent by providers such as hospitals.

The proposed approach comprises data provided under the GHE NMDS which will include government expenditure data for the public, private and community sector health systems, including expenditure on health services such as hospitals, patient transport, medical, other health practitioners, dental, community and public health services, research and administration costs and expenditure provided for health goods such as medications and aids and appliances. It will also include information on the source of public and private revenue. These data will be supplied to the AIHW by existing data providers.

There will be three categories to capture expenditure and revenue:

- provider/organisation
- program/function
- source of public and private revenue.

Data providers will also include information on the nature of the economic transaction involved such as whether it relates for example to taxation revenue, sales of goods and services, property income, current or capital transfers.

These categories use classifications which correspond to those used by the OECD in its System of Health Accounts. Information provided on the type of economic transaction will be based on the ABS Economic type framework classification. Some additional classification sources have also been used:

- ABS Australian and New Zealand Standard Industry Classification
- ABS Government Purpose Classification
- Australian Accounting Standards Board 1049 and 118
- existing National Health Data Dictionary items.

Provision of data under the GHE NMDS commenced on 1 July 2008 for the collection period 1 July 2008 to 30 June 2009.

7.2 Definition of health expenditure

'Health expenditure' is the sum of expenditure on health goods and services which are used up within a year and health-related investment (see Table 7.1 for detailed descriptions of health expenditure components).

Expenditure on health goods and services used up within a year includes expenditure on health goods such as medications and aids and appliances, health services such as public hospital services; and other health services such as expenditure on public health, research and administration. These expenditures are collectively termed recurrent expenditure. Depreciation (or capital consumption) is part of recurrent expenditure but in these accounts

only non-government capital consumption is incorporated into recurrent expenditure. Government capital consumption is reported separately.

Health-related investment is referred to as gross fixed capital formation or capital expenditure. In this publication the term 'capital expenditure' is used.

The AIHW's definition of health expenditure closely follows the definitions and concepts provided by the OECD's SHA (OECD 2000) framework. It excludes:

- expenditure that may have a 'health' outcome but that is incurred outside the health sector (such as expenditure on building safer transport systems, removing lead from petrol, and educating health practitioners)
- expenditure on personal activities not directly related to maintaining or improving personal health
- expenditure that does not have health as the main area of expected benefit.

Some of the expenditure from non-government health organisations, such as the National Heart Foundation and Diabetes Australia, is not included in these accounts. In particular, as data are not available, most of the non-research expenditure funded by donations to these organisations is not included.

Total health expenditure reported for Australia (both domestically and internationally) is slightly underestimated in that it excludes health expenditure on health services provided by the Australian Defence Force, some school health expenditure and some health expenditure incurred by corrective services institutions in the various states and territories.

It is arguable that there is some overestimation of health expenditure in the dental area. Expenditure on orthodontics is included in dental expenditure, but the principal purpose of most of this expenditure is cosmetic and health is only a secondary purpose. Thus it probably should not be part of health expenditure. On the other hand, expenditure on toothbrushes and toothpaste is not currently included in health expenditure but it could be argued that the primary purpose of this expenditure is health with the secondary purpose being personal care/hygiene.

Difficulties in separating expenditures incurred by local governments on particular health functions from those of state and territory governments mean that these funding sources are often combined. However, the ABS data indicate that the contribution of local governments is relatively small.

Table 7.1: Areas of health expenditure used in this report

Term	Definition
Public hospital	Includes public psychiatric and non-psychiatric hospitals. A public hospital is a health care facility established under Commonwealth, state or territory legislation as a **hospital** or a free-standing day procedure unit, operated by, or on behalf of state and territory governments and authorised to provide treatment and/or care to patients. Such hospitals are recognised under the AHCAs and they include some hospitals, such as some denominational hospitals which are privately owned.
Public hospital services	Services provided to a patient who is treated by a public hospital (as defined above), but *excludes*, where possible, 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.
Private hospital	A private hospital is a health care facility, established under Commonwealth, state or territory legislation as a **hospital** or free-standing day procedure unit and authorised to provide treatment and/or care to patients. A private hospital is not defined by whether it is privately owned but by whether it is *not* a public hospital (as defined above). Private hospital expenditure includes expenditures incurred for public patients being treated in a private hospital under contract.
Patient transport services	Expenditure by organisations primarily engaged in providing transportation of patients by ground or air, along with health (or medical) care. These services are often provided during a medical emergency but are not restricted to emergencies. The vehicles are equipped with lifesaving equipment operated by medically trained personnel. Includes public ambulance services or flying doctor services such as Royal Flying Doctor Service and Care Flight. Also includes patient transport programs such as patient transport vouchers or support programs to assist isolated patients with travel to obtain specialised health care. *(Note: Previously called 'Ambulance and other'.)* For 2003–04 onwards, this category may include patient transport expenses that are included in the operating costs of public hospitals.
Medical services	Comprises medical services funded by the Medicare Benefits Schedule (MBS), compulsory Motor Vehicle Third Party Insurance, Workers Compensation Insurance, Health Services Australia and from patient out-of-pocket payments. Includes services listed in the MBS that are provided by registered medical practitioners. Most medical services in Australia are provided on a fee-for-service basis and attract benefits from the Australian Government under Medicare. Also includes medical services provided to private admitted patients in hospitals, non-MBS medical services such as the provision of vaccines for overseas travel, as well as some expenditure that is not based on a fee-for-service (i.e. alternative funding arrangements). Excludes medical services provided to public admitted patients in public hospitals and medical services provided to public patients at outpatient clinics in public hospitals.
Other health practitioner services	Services provided by health practitioners (other than doctors and dentists). These include chiropractors, optometrists, physiotherapists, speech therapists, audiologists, dietitians, podiatrists, homeopaths, naturopaths, practitioners of Chinese medicine and other forms of traditional medicine, etc.
Medications	Comprises benefit-paid pharmaceuticals and other medications.
Benefit-paid pharmaceuticals	Pharmaceuticals in the PBS and the RPBS (see Glossary) for which the Australian Government paid a benefit.
Other medications	Pharmaceuticals for which no PBS or RPBS benefit was paid and other medications. Includes: • pharmaceuticals listed in the PBS or RPBS, the total costs of which are equal to, or less than, the statutory patient contribution for the class of patient concerned • pharmaceuticals dispensed through private prescriptions that do not fulfil the criteria for payment of benefit under the PBS or RPBS • over-the-counter medicines including pharmacy-only medicines, aspirin, cough and cold medicines, vitamins and minerals, herbal and other complementary medicines, and a range of medical non-durables, such as bandages, bandaids and condoms.

(continued)

Table 7.1 (continued): Areas of health expenditure used in this report

Term	Definition
Aids and appliances	Durable medical goods dispensed to ambulatory patients that are used more than once, for therapeutic purposes, such as glasses, hearing aids, wheelchairs and orthopaedic appliances and prosthetics that are not implanted surgically but are external to the user of the appliance. Excludes prostheses fitted as part of admitted patient care in a hospital.
Community health services	Non-residential health services offered by establishments to patients/clients, in an integrated and coordinated manner in a community setting, or the coordination of health services elsewhere in the community. Includes: • well baby clinics • health services provided to particular groups such as Aboriginal and Torres Strait Islander people, women, youth and migrants, as well as family planning services, alcohol and drug treatment services, etc. • specialised mental health programs for patients with mental illness that are delivered in a community setting.
Public health services	Services provided and/or funded by governments that are aimed at protecting and promoting the health of the whole population or specified population subgroups and/or preventing illness or injury in the whole population or specified population subgroups. Public health services do not include treatment services.
Dental services	A range of services provided by registered dental practitioners. Includes oral and maxillofacial surgery items; orthodontic, pedodontic and periodontic services; cleft lip and palate services; dental assessment and treatment; and other dental items listed in the MBS.
State and territory dental services	School dental programs, community dental services and hospital dental programs funded by state and territory health authorities.
Health administration	Activities related to the formulation and administration of government and non-government policy in health and in the setting and enforcement of standards for health personnel and for hospitals, clinics, etc. Includes the regulation and licensing of providers of health services. Where possible, administrative costs related to the delivery of particular health goods and services are added to the direct expenditure on those goods and services.
Health research	Research undertaken at tertiary institutions, in private non-profit organisations and in government facilities that has a health socioeconomic objective. Excludes commercially oriented research carried out or funded by private business, the costs of which are assumed to be included in the prices charged for the goods and services (e.g. medications that have been developed and/or supported by research activities).
Capital expenditure	Expenditure on fixed assets (e.g. new buildings and equipment with a useful life of more than a year).
Capital consumption	Capital consumption is otherwise known as depreciation and represents the amount of fixed capital used up each year.

(continued)

Table 7.1 (continued): Areas of health expenditure used in this report

Term	Definition
Non-specific tax expenditure	The only tax expenditure currently included here is the medical expenses tax rebate. This 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 2006–07 income year, the tax rebate was 20 cents for each $1 by which a taxpayer's net medical expenses exceeded $1,500 (the threshold). Non-specific tax expenditure cannot be allocated to any particular area(s) of health expenditure so is not included in the estimates of recurrent health expenditure (that is, recurrent expenditure excludes capital expenditure, capital consumption, and non-specific tax expenditure). Non-specific tax expenditures are included under Australian Government funding of health expenditure and deducted from expenditure by individuals. This results in no overall impact on total health expenditure. The Australian Treasury estimates other tax expenditure in the health area, such as the cost of exempting low income earners from the Medicare levy. These tax expenditures are not included in the Australian NHA framework.

7.3 Data and methods used to produce estimates

General

The total expenditure and revenue data used to generate the tables are, to the greatest extent possible, produced on an accrual basis; that is, expenditures reported for each area relate to expenses incurred in the year in which they are reported. This is not, however, achievable in all cases. For example, where the data on which the estimates are based are provided by a funding source, such as the private health insurance funds, they sometimes relate to the date of processing claims. These do not necessarily coincide with the date on which the related service was provided. As a further consequence, the contribution of that funding source may be understated in one year and overstated in another.

A very small part of public hospital expenditure is funded by private practitioner facility fees. This revenue is in turn partly funded by the Medicare Benefits Schedule and that money is reported separately in the medical services row of the health expenditure matrix. Therefore there is a partial double count of the public hospital expenditure funded from private practitioner facility fees and medical services.

The AIHW gathers information on which to base its estimates of health expenditure from a wide range of sources. The ABS, the Department of Health and Ageing, and state and territory health authorities provided most of the basic data used in this publication. Other major data sources are the DVA, the PHIAC, Comcare, and the major workers' compensation and compulsory third-party motor vehicle insurers in each state and territory.

State and territory expenditure tables

The state and territory tables are intended to give some indication of differences in the overall levels of expenditure on health in the states and territories; they do not necessarily reflect levels of activity by state and territory governments. For example, service providers located in the different states and territories pursue a variety of funding arrangements involving inputs from both government and non-government sources. As a result, one state

or territory may have a mix of services and facilities that is quite different from that in another state. The estimates will enable a state or territory government to monitor the impact of policies on overall expenditure on health goods and services provided within its borders.

It should be noted that estimates of funding by state and local governments in respect of a particular state/territory table are derived by deducting from gross health expenditure estimates, any Australian Government grants and other revenue received by the state and territory health authorities. This funding relates to all funding by state/territory and local governments on services provided in the state or territory concerned. Some of the services concerned may actually be the subject of cross-border reimbursement arrangements between the states and territories.

Where funding data are provided only on a national basis, as is the case for some Australian Government programs, the AIHW calculates allocations for those expenditures by state and territory.

State government contracting of private hospital services

At present the matrices for each state and territory prior to 2002–03 indicate that state and territory governments provided no funding for services provided by private hospitals. This is incorrect, because there are at least two situations in which they do provide funding for services provided by private hospitals, namely where:

(a) a state or territory government or an area health service has contracts with private hospitals to provide services to public patients

(b) a public hospital purchases services from a private hospital in respect of some of its public patients.

The AIHW now collects the first of these types of data from 2002–03 onwards and they are included in both the national and the state and territory matrices from that year.

The second of these types of data are included in total expenditure, but they are also counted as funding for services provided by public hospitals (so long as the related purchases are being included in the reported expenses of the purchasing hospitals in the public hospital establishments data).

Allocation of expenditure by the Australian Government to states and territories

The bulk of the expenditures by the Australian Government can readily be allocated on a state and territory basis. These include:

- specific purpose payments (SPPs) to the states and territories for health purposes
- Medicare benefits payments
- pharmaceutical benefit payments
- Department of Veterans' Affairs expenditure.

Data on other health funding by the Australian Government are generally not available on a state and territory basis. In those cases, indicators are used to derive state and territory estimates. For example, non-Medicare payments to medical service providers aimed at

enhancing or modifying medical practice are allocated according to the proportion of vocationally registered general practitioners in each state or territory.

Expenditure by state, territory and local governments

The majority of health expenditure data for state, territory and local governments is sourced from each of the state and territory health authorities. These data are generally supplied on an accrual basis, with the exception of data from South Australia which is supplied on a cash basis. From 2007–08 all health expenditure data will be supplied on a full accrual basis.

Data on research, capital expenditure and capital consumption are generally sourced from the ABS. Research expenditure data comes from the Research and Experimental Development Survey series (ABS 2004a, 2004b, 2004c, 2004d, 2005a, 2006c, 2007, 2008b). Some of the state and territory allocations in the research data supplied for 2004–05 were derived by the ABS. The data for government capital consumption and capital expenditure is sourced from ABS government finance statistics (GFS).

Break in series for selected areas of expenditure from 2002–03 to 2003–04

Public hospitals and public hospital services

There is a break in series due to differences in definitions of public hospital and public hospital services between 2002–03 and 2003–04.

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.

In contrast, 'public hospital services' estimates, provided directly from the state and territory health authorities, are reported for 2003–04 onwards and reflect the level of expenditure on goods and services provided in hospital, however, these estimates *exclude,* where possible, any community and public health services, dental and patient transport services and health research expenditure undertaken in public hospitals. These expenditures are included under their respective categories in the health expenditure matrix. For example, patient transport services expenditure that prior to 2003–04 was captured as part of public hospital expenditure would now be captured as part of patient transport services expenditure.

As part of the new expenditure reporting process, most states and territories are able to allocate central office costs to functional areas, like public hospital services, instead of the 'administration' category. As a result, although the public hospital services category now excludes expenditure on community and public health services, dental and patient transport services and health research that are provided in public hospitals, the expenditure on 'public hospital services' may become higher than would otherwise have been reported as 'public hospital' expenditure. This is the case when the central office costs allocated to 'public hospital services' are higher than the combined in hospital expenditure on community and public health services, dental and patient transport services and health research that were re-allocated to their respective categories.

The AIHW PHE collection was the source of data for state and territory expenditure on public hospitals reported in tables 4.3 to 4.7 and Figure 4.2.

State and territory funding for public hospitals was derived by subtracting Australian Government grants and any other public hospital revenue from the PHE data.

Community and public health services and dental and patient transport services

Due to the above-mentioned change in definitions for public hospitals and public hospital services, there is a resulting break in time series between 2002–03 and 2003–04 for community and public health services and for dental and patient transport services.

In addition, for community health services, an indeterminate amount of domiciliary care expenditure was included in the community health services data prior to 2003–04. Domiciliary care, which includes home and community care (HACC) funding, is considered to be more a welfare service than a health service and for this report has been excluded where possible from the community health services estimates.

Although valid comparisons across the discontinuity can be made for total health expenditure, caution should be exercised when comparing data across the decade for these four areas of expenditure.

Funding by the non-government sector

Funding by the non-government sector is shown in the various state matrices in three broad 'source of funds' categories:

- health insurance funds
- individuals
- other non-government sources.

Health insurance funds

Funding by health insurance funds on health goods and services within a state or territory is assumed to be equal to the level of benefits paid by health insurance funds with patients who reside in that state or territory. In the case of New South Wales and the Australian Capital Territory, the benefits paid by health insurance funds have been combined for New South Wales and Australian Capital Territory residents. Therefore private health insurance benefits cannot easily be split between New South Wales and the Australian Capital Territory. Data from *Australian hospital statistics* and the ABS Private Health Establishments survey series are used to separate private health insurance benefits for public and private hospitals for patients residing in the Australian Capital Territory and New South Wales. The non-hospital benefits for both New South Wales and Australian Capital Territory NSW are included in the New South Wales tables B1 to B3 and no benefits are included in the Australian Capital Territory tables B19 to B21.

Private health insurance rebates

In all years from 1997–98, funding by health insurance funds has been reduced by the extent of the Australian Government subsidy through the Private Health Insurance Incentives Scheme (up until the end of 1998) and the 30% rebate on private health insurance contributions (since 1999). Refer to Box 3 for further details.

Individuals

Estimates of expenditure by individuals on:

- dental services
- other health practitioners
- aids and appliances

for 2002–03 onwards mostly rely on detailed private health insurance data from PHIAC. The previous methods relied on high-level ABS data which proved to be unreliable and were subject to substantial revisions over time. The new methodology uses the growth in the cost of services combined with the change in proportion of the population who have ancillary cover from year to year to project forward the individual out-of-pocket expenditure for these categories. Funding of these services by private health insurance funds and injury compensation insurers are deducted from these estimates to arrive at the estimates of individuals' out-of-pocket funding.

Estimates of expenditure by individuals on patient transport services are based on data from the Productivity Commission's Report on Government Services (SCRCSSP 1999, 2003; SCRGSP 2007, 2008) from 1997–98 onwards. Prior to 1997–98, estimates were derived from PHIAC data.

Other non-government sources

Workers compensation and compulsory third party motor vehicle insurance payments comprise the majority of expenditure for this category. The Institute obtains these data from the respective injury compensation insurers in each state and territory.

Deflators methodology

There are nine types of deflators (see Appendix F for more information) used in this report (Table 7.2). Most deflators are very specific to the type of expenditure they are applied to. For example, all hospitals use the government final consumption expenditure (GFCE) hospitals and nursing homes deflator.

There are four deflators used in this report which were first used in *Health expenditure Australia 2005–06* (AIHW 2007a) and replaced several deflators used in previous editions. See Table 7.2 for further details.

Table 7.2: Area of health expenditure, by type of deflator applied

Area of expenditure	Deflator applied
Public hospitals[(a)] / Public hospital services[(a)]	GFCE hospitals and nursing homes
Private hospitals	GFCE hospitals and nursing homes
Patient transport services	GFCE hospitals and nursing homes
Medical services	Medicare medical services fees charged
Dental services	Dental services[(b)]
Other health practitioners	Other health practitioners[(b)]
Community health and other	Professional health workers wage rate index[(b)]
Public health	GFCE hospitals and nursing homes
Benefit-paid pharmaceuticals	PBS pharmaceuticals
All other medications	HFCE on chemist goods
Aids and appliances	Aids and appliances[(b)]
Administration	Professional health workers wage rate index
Research	Professional health workers wage rate index
Capital expenditure	Gross fixed capital formation
Capital consumption	Gross fixed capital formation
Non-specific tax expenditure	Professional health workers wage rate index

(a) See Box 4 for details on the distinction between public hospitals and public hospital services.

(b) These deflators were first used in *Health expenditure Australia 2005–06* (AIHW 2007a) and replaced those used in previous editions.

Blank cells in expenditure tables

The national and the state and territory tables in Appendixes A and B have some cells for which there is no expenditure recorded. There are many reasons for this, but the main ones are:

(i) There are assumed to be no funding flows because they do not exist in the institutional framework for health care funding.

(ii) The total funding is nil or so small that it rounds to less than $500,000—designated as '—'.

(iii) A flow of funds exists but it cannot be estimated from available data sources.

(iv) Some cells relate to 'catch-all' categories and the data and metadata are of such high quality as to enable all expenditure to be allocated to specified areas. This, in turn, means that there is no residual to be allocated to the 'catch-all' categories.

As to (i), for example, there are no funding flows by the state, territory and local government for medical services and benefit-paid pharmaceuticals because these are funded by the Australian Government, individuals and private health insurance funds through Medicare and the PBS.

An example of (iii) is state and local government funding for private hospitals. There are known to be funding flows in this area because state and territory governments are known to contract with private hospitals to provide some hospital services to public patients. Data have been inserted in the matrices from 2002–03 onwards, but not for earlier years.

As to (iv), in some years some small miscellaneous expenditures by the Australian Government have been allocated to the category 'Other non-institutional n.e.c.' These could not, at that time, be allocated to the specific health expenditure areas in the matrix. In other

years, better quality of description may have allowed those types of expenditures to be more precisely allocated. The expenditure category remains in order to show what total health expenditure is over a long time period.

Population

The per person estimates of expenditure are calculated using estimates of annual mean resident population, which are based on quarterly estimated resident population data from the ABS (ABS 2008c). See Appendix I for further details.

7.4 Revisions of definitions and estimates

Definitions

Patient transport services

In earlier health expenditure publications, the term 'ambulance and other' was used instead of 'patient transport services'. These terms are identical in definition. See Table 7.1 for further information on what comprises patient transport services.

Public and community health

Prior to the *Health expenditure Australia 2002–03* publication (AIHW 2004b), public health expenditure was included with community health expenditure because of the difficulty in obtaining reliable data about these two categories of expenditure. These data were sourced from the ABS GFS and from the states and territories themselves.

Separate and timely data on public health expenditure data, based on nine core public health expenditure activities, have now become available from the AIHW's Public Health Expenditure Project. This project, which forms an integral part of the development of public health information under the former National Public Health Partnership, is funded by the DoHA. It aims to develop reliable and timely estimates of public health investment in Australia.

The data for 1999–00 to 2006–07 have been published in the AIHW's *National public health expenditure* reports (AIHW 2002, 2004a, 2006a, 2007b, 2008b). Note that, at present, public health expenditure data are collected only for key health departments and agencies of the Australian Government and states and territories and include depreciation.

Other medications

Expenditure on other medications includes expenditure on over-the-counter medicines, complementary medicines, over-the-counter medical non-durables, as well as prescribed medications for which no benefits are paid under the PBS or RPBS, including PBS or RPBS items which have a price less than or equal to the co-payment (see Table 7.1 for further details).

Over-the-counter medications and medical non-durables

Over-the-counter medicines and medical non-durable goods are all therapeutic goods of a type that are sold at pharmacies or supermarkets and are used to treat or cure a condition. These include pharmacy-only medicines. Examples of over-the-counter medicines are analgesics, antacids and cough medicines. Examples of over-the-counter medical non-durable goods include non-prescription therapeutic goods that tend to be single-use items, such as bandages, elastic stockings, incontinence articles, condoms and other mechanical contraceptive devices. Goods that are for personal use such as tanning lotion are not considered to be therapeutic, whereas after-sun lotion to treat sunburn would be within the scope of health expenditure.

The AIHW has obtained over-the-counter data for 2001–02 to 2004–05 from *Retail pharmacy* (Flanagan 2002a, 2004a, 2005a) and *Retail world* (Flanagan 2002b, 2003, 2004b, 2005b), having previously obtained it from *Pharmacy 2000* (Feros 1998, 1999, 2000, 2001). Over-the-counter supermarket and pharmacy data for 2005–06 and 2006–07 were obtained from *Retail World* (Flanagan 2006, 2007) and Synovate AZTEC (unpublished data) respectively.

The change in data source has enabled a more comprehensive breakdown of each category of products sold at pharmacies and supermarkets. For example, the estimates are now able to include the therapeutic proportion of the total sales of mouthwash sold at supermarkets. No data are yet available for health goods sold through retail outlets such as convenience stores and health food stores but such expenditure constitutes a small part of total over-the-counter sales of pharmaceuticals and medical non-durables.

Non-benefit prescriptions

Non-benefit prescription expenditure was derived from total prescription volume and the average price of private and under co-payment scripts. These data were provided by DoHA and the Pharmacy Guild of Australia's pharmacy survey.

Revision of estimates

Methodology changes for *Health expenditure Australia 2005–06*

Each of the following components of total health expenditure was revised in *Health expenditure Australia 2005–06* (AIHW 2007a). All of the methodological changes described below also apply for this report and for all future editions of this report unless otherwise stated. Refer to AIHW 2007a for a discussion of the numerical impact of introducing these methodological changes.

High-level residential aged care

In earlier editions of *Health expenditure Australia* reports, high-level residential aged care was classified as part of health expenditure. For the 2005–06 report and in all subsequent reports this expenditure is now classified as welfare expenditure and reported as part of the *Welfare expenditure Australia* report series. The reclassification of high-level aged residential care from health to welfare expenditure has affected the health to GDP ratio. See Chapter 6 of *Health expenditure Australia 2005–06* (AIHW 2007a) for further details.

Private hospitals

The ABS Private Hospital Series (ABS, Cat. no. 4390.0) is the source for total spending on private hospitals in this report series. Prior to the 2005–06 report, the ABS Private Health Establishments Collection was the source of the majority but not all data on the funding of private hospitals.

Individual out-of-pocket expenditure for dental services, other health practitioner services, aids and appliances, all other medications and patient transport services

For the 2005–06 report there was a change in the methodology used to calculate individual out-of-pocket expenditure for dental services, other health practitioner services and aids and appliances for 2002–03 onwards which has resulted in substantial revisions to all of these areas of health spending. In earlier editions of *Health expenditure Australia*, ABS HFCE estimates were used to calculate individual out-of-pocket expenditure for these categories.

For 2002–03 onwards, individual out-of-pocket expenditure on dental services, other health practitioners and aids and appliances was calculated from PHIAC data (see Section 7.3).

For 1997–98 onwards, Productivity Commission rather than PHIAC data were used to calculate individual out-of-pocket expenditure on patient transport services. This change in methodology has caused a downward revision to individual spending estimates for each year.

Revisions for *Health expenditure Australia 2006–07*

Some components of total health expenditure have been revised since the publication of *Health expenditure Australia 2005–06* (AIHW 2007a). The areas of expenditure that had major revisions are described below.

Capital expenditure

The ABS provided the Institute with revisions to capital expenditure estimates for financial years 1998–99 to 2005–06 inclusive. These revisions varied between a downwards revision of $326 million in 2003–04 and an upwards revision of $42 million in 2001–02. The ABS also advised that there are quality issues with the capital expenditure data and these estimates should be used with caution.

Patient transport

There were upward revisions for state funding of patient transport for 1998–99 to 2000–01 inclusive to remove an unnecessary deduction that had affected past estimates. The largest of these revisions was an upwards revision of $161 million in 1998–99. Previous estimates for state government funding of patient transport for 2001–02, 2002–03 and 2005–06 were revised for some states — the most notable revision was a $32 million increase for QLD in 2005–06. There were also some minor revisions to injury compensation payments for patient transport in 2004–05 and 2005–06.

Community health and other

There was a downwards revision of $28 million in 2001–02 to Australian Government funding of 'community health and other' to reallocate this expenditure from health to welfare services.

Dental services, aids and appliances and other health practitioners

There were revisions to the proportion of the population who have ancillary cover for past years as supplied by PHIAC. These revisions resulted in an increase in individuals' out-of-pocket expenditure in 2004–05 of $16 million for dental services, $9 million for aids and appliances and $8 million for other health practitioners.

Public hospital services

The Institute received revised public hospital services data for 2005–06 from the NSW, VIC, QLD and ACT state health authorities that impacted on the estimates of state government funding as well as individual out-of-pocket and other private funding for that year. The largest revision was for NSW where state funding for 2005–06 was revised up by $236 million, individuals' out-of-pocket funding was revised down by $20 million and other private funding was revised down by $170 million.

Research

An upwards revision of $100 million was made to the estimates of health research for 2005–06 following the release of the ABS Research and Experimental Development Survey series results for 2006–07.

Administration

A downwards revision of $109 million was made to the previous 2005–06 estimate of government health administration. This revision comprised of an $88 million decrease for Australian Government health administration to exclude administration that was for a welfare rather than a health purpose. The ACT also revised down their state estimate of health administration by $22 million.

All other medications

The Institute received revised estimates of injury compensation payments for pharmaceuticals which resulted in a $25 million increase for other private funding for 'all other medications' in 2005–06. There was also an upwards revision of $5 million for individuals' out-of-pocket funding of 'all other medications' in that year.

Summary of revisions to expenditure estimates following the release of *Health expenditure Australia 2005–06*

These were the revisions to total health expenditure from 1998–99 onwards (Table 7.3).

Table 7.3: Comparison of previously published estimates of total health expenditure, current prices, 1998–99 to 2005–06, with current estimates ($ million)

Year	Previous estimate	Revised estimate	Change
1998–99	48,502	48,446	–56
1999–00	52,442	52,541	99
2000–01	58,287	58,415	127
2001–02	63,448	63,562	114
2002–03	68,932	69,164	232
2003–04	73,945	73,633	–312
2004–05	81,125	80,892	–232
2005–06	86,879	86,753	–126

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

Source: AIHW health expenditure database.

Revision of 1998–99 estimates

Overall, the estimates of health expenditure for 1998–99 were reduced by $56 million.

The major areas of revision were:

- capital expenditure (down $161 million)
- patient transport (up $112 million).

Revision of 1999–00 estimates

Overall, the estimates of health expenditure for 1999–00 were increased by $99 million.

The major areas of revision were:

- patient transport (up $65 million)
- capital expenditure (up $35 million).

Revision of 2000–01 estimates

Overall, the estimates of health expenditure for 2000–01 were increased by $127 million.

The major areas of revision were:

- patient transport (up $108 million)
- capital expenditure (up $20 million).

Revision of 2001–02 estimates

Overall, the estimates of health expenditure for 2001–02 were increased by $114 million.

The major areas of revision were:

- patient transport (up $101 million)

- capital expenditure (up $42 million)
- community health and other (down $28 million).

Revision of 2002–03 estimates

Overall, the estimates of health expenditure for 2002–03 were increased by $232 million.

The major areas of revision were:

- patient transport (up $198 million)
- capital expenditure (up $36 million).

Revision of 2003–04 estimates

Overall, the estimates of health expenditure for 2003–04 were reduced by $312 million.

The major area of revision was for capital expenditure which was reduced by $326 million.

Revision of 2004–05 estimates

Overall, the estimates of health expenditure for 2004–05 were reduced by $232 million.

The major areas of revision were:

- capital expenditure (down $264 million)
- dental services (up $16 million)
- aids and appliances (up $9 million)
- other health practitioners (up $8 million).

Revision of 2005–06 estimates

Overall, the estimates of health expenditure for 2005–06 were reduced by $126 million.

The major areas of revision were:

- capital expenditure (down $307 million)
- public hospitals (up $122 million)
- administration (down $109 million)
- research (up $100 million)
- patient transport (up $31 million)
- all other medications (up $30 million).

Appendix tables

Appendix A: National health expenditure matrices, 2004–05 to 2006–07

Table A1: Total health expenditure, current prices, by area of expenditure and source of funds [a], 2004–05 ($ million)

	Government					Non-government				
	Australian Government									
Area of expenditure	Direct outlays	Premium rebates[b]	Total	State and local	Total	Health insurance funds	Individuals	Other[c]	Total	Total health expenditure
Total hospitals	10,481	1,569	12,050	11,121	23,171	3,351	426	1,471	5,247	28,418
Public hospital services[d]	9,545	180	9,725	10,896	20,621	385	165	920	1,470	22,091
Private hospitals	936	1,388	2,324	225	2,550	2,966	260	551	3,777	6,327
Patient transport services	119	44	163	893	1,056	94	189	75	357	1,413
Total institutional	*10,600*	*1,613*	*12,213*	*12,014*	*24,227*	*3,445*	*614*	*1,546*	*5,605*	*29,832*
Medical services	11,312	277	11,589	—	11,589	591	1,622	843	3,057	14,645
Dental services	82	341	423	500	923	729	3,419	9	4,157	5,080
State/territory provider	. .	. .	. .	500	500	. .	14	. .	14	513
Private provider	82	341	423	. .	423	729	3,405	9	4,143	4,566
Other health practitioners	473	168	641	—	641	359	1,516	285	2,159	2,801
Community health and other[e]	407	—	408	2,855	3,262	—	116	172	288	3,551
Public health	866	—	866	519	1,386	—	55	—	55	1,440
Medications	6,027	24	6,051	—	6,051	51	5,007	57	5,115	11,166
Benefit-paid pharmaceuticals	5,930	—	5,930	—	5,930	—	1,151	—	1,151	7,081
All other medications	97	24	121	—	121	51	3,856	57	3,964	4,085
Aids and appliances	256	120	376	—	376	256	1,950	37	2,243	2,619
Administration	981	284	1,265	509	1,774	607	—	—	607	2,382
Research	1,133	—	1,133	206	1,339	—	—	374	374	1,713
Total non-institutional	*21,538*	*1,214*	*22,752*	*4,588*	*27,341*	*2,593*	*13,685*	*1,777*	*18,056*	*45,397*
Total recurrent expenditure	**32,138**	**2,827**	**34,965**	**16,603**	**51,567**	**6,038**	**14,300**	**3,323**	**23,661**	**75,228**
Capital expenditure	191	. .	191	1,613	1,804	n.a.	n.a.	2,600	2,600	4,405
Capital consumption	98	. .	98	1,162	1,260	. .	. .	. .	[f]. .	1,260
Total health expenditure[g]	**32,427**	**2,827**	**35,254**	**19,377**	**54,631**	**6,038**	**14,300**	**5,923**	**26,261**	**80,892**
Non-specific tax expenditure	291	. .	291	. .	291	. .	–291	. .	–291	. .
Total health expenditure	**32,719**	**2,827**	**35,545**	**19,377**	**54,923**	**6,038**	**14,008**	**5,923**	**25,970**	**80,892**

Notes: See page 127.

Table A2: Total health expenditure, current prices, by area of expenditure and source of funds[a], 2005–06 ($ million)

	Government					Non-government				
	Australian Government									
Area of expenditure	Direct outlays	Premium rebates[b]	Total	State and local	Total	Health insurance funds	Individuals	Other[c]	Total	Total health expenditure
Total hospitals	10,862	1,750	12,612	12,888	25,500	3,462	575	1,587	5,624	31,124
Public hospital services[d]	9,898	207	10,105	12,644	22,749	409	292	992	1,693	24,441
Private hospitals	963	1,544	2,507	245	2,752	3,054	283	595	3,931	6,683
Patient transport services	118	47	165	931	1,096	92	209	73	374	1,470
Total institutional	*10,980*	*1,797*	*12,777*	*13,820*	*26,597*	*3,555*	*783*	*1,660*	*5,998*	*32,594*
Medical services	11,918	321	12,239	—	12,239	636	1,745	872	3,253	15,492
Dental services	96	384	480	514	995	760	3,599	10	4,368	5,363
State/territory provider	. .	. .	. .	514	514	. .	14	. .	14	528
Private provider	96	384	480	. .	480	760	3,585	10	4,354	4,835
Other health practitioners	517	194	711	—	711	384	1,663	280	2,327	3,038
Community health and other[e]	419	—	419	3,155	3,575	—	174	133	308	3,882
Public health	797	—	797	624	1,421	—	46	—	46	1,467
Medications	6,093	24	6,117	—	6,117	47	5,281	86	5,414	11,531
Benefit-paid pharmaceuticals	6,046	—	6,046	—	6,046	—	1,240	—	1,240	7,286
All other medications	48	24	71	—	71	47	4,041	86	4,174	4,246
Aids and appliances	276	133	409	—	409	264	2,087	42	2,393	2,802
Administration	993	323	1,316	433	1,749	639	—	—	639	2,388
Research	1,401	—	1,401	216	1,617	—	—	398	398	2,016
Total non-institutional	*22,510*	*1,380*	*23,889*	*4,942*	*28,832*	*2,729*	*14,596*	*1,821*	*19,146*	*47,978*
Total recurrent expenditure	**33,489**	**3,177**	**36,666**	**18,762**	**55,428**	**6,284**	**15,379**	**3,481**	**25,144**	**80,573**
Capital expenditure	183	. .	183	1,965	2,148	n.a.	n.a.	2,712	2,712	4,860
Capital consumption	88	. .	88	1,232	1,321	. .	. .	. .	[f] . .	1,321
Total health expenditure[g]	**33,761**	**3,177**	**36,938**	**21,960**	**58,897**	**6,284**	**15,379**	**6,193**	**27,856**	**86,753**
Non-specific tax expenditure	332	. .	332	. .	332	. .	–332	. .	–332	. .
Total health expenditure	**34,092**	**3,177**	**37,269**	**21,960**	**59,229**	**6,284**	**15,048**	**6,193**	**27,525**	**86,753**

Notes: See page 127.

Table A3: Total health expenditure, current prices, by area of expenditure and source of funds[a], 2006–07 ($ million)

	Government					Non-government				
	Australian Government									
Area of expenditure	Direct outlays	Premium rebates[b]	Total	State and local	Total	Health insurance funds	Individuals	Other[c]	Total	Total health expenditure
Total hospitals	11,539	1,904	13,443	14,583	28,027	3,770	471	1,797	6,038	34,065
Public hospital services[d]	10,530	233	10,763	14,334	25,097	461	145	1,261	1,867	26,964
Private hospitals	1,009	1,671	2,680	250	2,930	3,309	326	537	4,171	7,101
Patient transport services	143	51	194	1,172	1,366	101	233	75	410	1,776
Total institutional	*11,682*	*1,955*	*13,638*	*15,755*	*29,393*	*3,871*	*704*	*1,873*	*6,448*	*35,841*
Medical services	12,718	351	13,070	—	13,070	696	2,006	930	3,632	16,701
Dental services	114	414	528	519	1,047	820	3,860	10	4,690	5,737
State/territory provider	. .	. .	. .	519	519	. .	29	. .	29	548
Private provider	114	414	528	. .	528	820	3,831	10	4,660	5,188
Other health practitioners	642	206	849	—	849	409	1,725	293	2,427	3,276
Community health and other[e]	468	—	468	3,637	4,105	—	221	54	276	4,381
Public health	1,001	—	1,001	685	1,687	—	28	—	28	1,714
Medications	6,285	22	6,307	—	6,307	44	5,539	67	5,650	11,957
Benefit-paid pharmaceuticals	6,227	—	6,227	—	6,227	—	1,277	—	1,277	7,504
All other medications	57	22	80	—	80	44	4,262	67	4,373	4,453
Aids and appliances	298	145	442	—	442	286	2,252	45	2,583	3,026
Administration	989	358	1,348	310	1,658	709	—	—	709	2,367
Research	1,623	—	1,623	237	1,861	—	—	422	422	2,283
Total non-institutional	*24,139*	*1,498*	*25,636*	*5,389*	*31,025*	*2,965*	*15,631*	*1,821*	*20,417*	*51,442*
Total recurrent expenditure	**35,821**	**3,453**	**39,274**	**21,144**	**60,418**	**6,836**	**16,335**	**3,694**	**26,865**	**87,283**
Capital expenditure	132	. .	132	2,177	2,310	n.a.	n.a.	2,980	2,980	5,289
Capital consumption	93	. .	93	1,337	1,430	. .	. .	. .	[f]. .	1,430
Total health expenditure[g]	**36,047**	**3,453**	**39,500**	**24,658**	**64,158**	**6,836**	**16,335**	**6,673**	**29,845**	**94,003**
Non-specific tax expenditure	382	. .	382	. .	382	. .	–382	. .	–382	. .
Total health expenditure	**36,429**	**3,453**	**39,882**	**24,658**	**64,540**	**6,836**	**15,953**	**6,673**	**29,463**	**94,003**

Notes: See page 127.

Table A4: Total health expenditure, constant prices[h], by area of expenditure and source of funds[a], 2004–05 ($ million)

	Government					Non-government				
	Australian Government									
Area of expenditure	Direct outlays	Premium rebates[b]	Total	State and local	Total	Health insurance funds	Individuals	Other[c]	Total	Total health expenditure
Total hospitals	11,355	1,699	13,055	12,054	25,108	3,630	461	1,593	5,684	30,793
Public hospital services[d]	10,341	195	10,536	11,809	22,345	417	179	996	1,592	23,937
Private hospitals	1,015	1,504	2,519	244	2,763	3,213	282	597	4,092	6,856
Patient transport services	129	48	177	968	1,145	102	204	81	387	1,532
Total institutional	*11,484*	*1,747*	*13,231*	*13,022*	*26,253*	*3,732*	*665*	*1,674*	*6,071*	*32,324*
Medical services	12,318	301	12,620	—	12,620	643	1,767	919	3,329	15,949
Dental services	90	375	465	549	1,014	801	3,757	10	4,568	5,582
State/territory provider	. .	. .	. .	549	549	. .	15	. .	15	564
Private provider	90	375	465	. .	465	801	3,742	10	4,553	5,018
Other health practitioners	506	180	686	—	686	384	1,621	304	2,310	2,995
Community health and other[e]	446	—	446	3,137	3,583	—	128	188	317	3,900
Public health	939	—	939	561	1,500	—	61	—	61	1,560
Medications	6,056	25	6,082	—	6,082	54	5,223	60	5,337	11,419
Benefit-paid pharmaceuticals	5,954	—	5,954	—	5,954	—	1,155	—	1,155	7,109
All other medications	103	25	128	—	128	54	4,068	60	4,182	4,310
Aids and appliances	268	126	394	—	394	269	2,046	39	2,354	2,748
Administration	1,075	312	1,387	556	1,944	666	—	—	666	2,610
Research	1,239	—	1,239	225	1,465	—	—	409	409	1,874
Total non-institutional	*22,939*	*1,319*	*24,258*	*5,028*	*29,286*	*2,817*	*14,605*	*1,929*	*19,351*	*48,637*
Total recurrent expenditure	**34,423**	**3,066**	**37,489**	**18,050**	**55,539**	**6,549**	**15,270**	**3,603**	**25,422**	**80,961**
Capital expenditure	190	. .	190	1,712	1,902	n.a.	n.a.	2,731	2,731	4,633
Capital consumption	97	. .	97	1,232	1,330	. .	. .	. .	[f]. .	1,330
Total health expenditure[g]	**34,711**	**3,066**	**37,777**	**20,994**	**58,771**	**6,549**	**15,270**	**6,334**	**28,153**	**86,924**
Non-specific tax expenditure	320	. .	320	. .	320	. .	–320	. .	–320	. .
Total health expenditure	**35,031**	**3,066**	**38,097**	**20,994**	**59,091**	**6,549**	**14,950**	**6,334**	**27,834**	**86,924**

Notes: See page 127.

Table A5: Total health expenditure, constant prices[h], by area of expenditure and source of funds[a], 2005–06 ($ million)

	Government					Non-government				
	Australian Government									
Area of expenditure	Direct outlays	Premium rebates[b]	Total	State and local	Total	Health insurance funds	Individuals	Other[c]	Total	Total health expenditure
Total hospitals	11,284	1,819	13,103	13,389	26,492	3,597	597	1,649	5,843	32,335
Public hospital services[d]	10,283	215	10,498	13,136	23,634	425	303	1,031	1,758	25,392
Private hospitals	1,001	1,604	2,605	254	2,858	3,172	294	618	4,084	6,943
Patient transport services	123	48	171	968	1,139	96	216	76	388	1,527
Total institutional	*11,407*	*1,867*	*13,274*	*14,357*	*27,631*	*3,693*	*813*	*1,725*	*6,231*	*33,862*
Medical services	12,290	332	12,622	—	12,622	656	1,800	898	3,354	15,976
Dental services	102	405	507	543	1,050	802	3,800	10	4,613	5,663
State/territory provider	. .	. .		543	543	. .	20	. .	20	563
Private provider	102	405	507	. .	507	802	3,780	10	4,593	5,100
Other health practitioners	527	198	725	—	725	392	1,697	286	2,374	3,100
Community health and other[e]	440	—	440	3,313	3,753	—	184	138	323	4,076
Public health	828	—	828	647	1,475	—	49	—	49	1,524
Medications	6,107	24	6,131	—	6,131	48	5,368	88	5,504	11,635
Benefit-paid pharmaceuticals	6,058	—	6,058	—	6,058	—	1,242	—	1,242	7,300
All other medications	49	24	73	—	73	48	4,126	88	4,262	4,335
Aids and appliances	282	136	418	—	418	270	2,132	43	2,444	2,862
Administration	1,041	339	1,381	453	1,834	671	—	—	671	2,504
Research	1,467	—	1,467	226	1,694	—	—	417	417	2,110
Total non-institutional	*23,084*	*1,435*	*24,519*	*5,183*	*29,701*	*2,838*	*15,030*	*1,881*	*19,749*	*49,450*
Total recurrent expenditure	**34,491**	**3,302**	**37,793**	**19,540**	**57,332**	**6,531**	**15,844**	**3,605**	**25,980**	**83,312**
Capital expenditure	183	. .	183	2,026	2,210	n.a.	n.a.	2,786	2,786	4,996
Capital consumption	88	. .	88	1,272	1,360	. .	. .	. .	[f]. .	1,360
Total health expenditure[g]	**34,762**	**3,302**	**38,064**	**22,838**	**60,902**	**6,531**	**15,844**	**6,391**	**28,766**	**89,668**
Non-specific tax expenditure	348	. .	348	. .	348	. .	–348	. .	–348	. .
Total health expenditure	**35,110**	**3,302**	**38,412**	**22,838**	**61,250**	**6,531**	**15,496**	**6,391**	**28,418**	**89,668**

Notes: See page 127.

Table A6: Total health expenditure, constant prices[h], by area of expenditure and source of funds[a], 2006–07 ($ million)

	Government					Non-government				
	Australian Government									
Area of expenditure	Direct outlays	Premium rebates[b]	Total	State and local	Total	Health insurance funds	Individuals	Other[c]	Total	Total health expenditure
Total hospitals	11,539	1,904	13,443	14,583	28,027	3,770	471	1,797	6,038	34,065
Public hospital services[d]	10,530	233	10,763	14,334	25,097	461	145	1,261	1,867	26,964
Private hospitals	1,009	1,671	2,680	250	2,930	3,309	326	537	4,171	7,101
Patient transport services	143	51	194	1,172	1,366	101	233	75	410	1,776
Total institutional	*11,682*	*1,955*	*13,638*	*15,755*	*29,393*	*3,871*	*704*	*1,873*	*6,448*	*35,841*
Medical services	12,718	351	13,070	—	13,070	696	2,006	930	3,632	16,701
Dental services	114	414	528	519	1,047	820	3,860	10	4,690	5,737
State/territory provider	. .	. .	. .	519	519	. .	29	. .	29	548
Private provider	114	414	528	. .	528	820	3,831	10	4,660	5,188
Other health practitioners	642	206	849	—	849	409	1,725	293	2,427	3,276
Community health and other[e]	468	—	468	3,637	4,105	—	221	54	276	4,381
Public health	1,001	—	1,001	685	1,687	—	28	—	28	1,714
Medications	6,285	22	6,307	—	6,307	44	5,539	67	5,650	11,957
Benefit-paid pharmaceuticals	6,227	—	6,227	—	6,227	—	1,277	—	1,277	7,504
All other medications	57	22	80	—	80	44	4,262	67	4,373	4,453
Aids and appliances	298	145	442	—	442	286	2,252	45	2,583	3,026
Administration	989	358	1,348	310	1,658	709	—	—	709	2,367
Research	1,623	—	1,623	237	1,861	—	—	422	422	2,283
Total non-institutional	*24,139*	*1,498*	*25,636*	*5,389*	*31,025*	*2,965*	*15,631*	*1,821*	*20,417*	*51,442*
Total recurrent expenditure	**35,821**	**3,453**	**39,274**	**21,144**	**60,418**	**6,836**	**16,335**	**3,694**	**26,865**	**87,283**
Capital expenditure	132	. .	132	2,177	2,310	n.a.	n.a.	2,980	2,980	5,289
Capital consumption	93	. .	93	1,337	1,430	. .	. .	. .	[f]. .	1,430
Total health expenditure[g]	**36,047**	**3,453**	**39,500**	**24,658**	**64,158**	**6,836**	**16,335**	**6,673**	**29,845**	**94,003**
Non-specific tax expenditure	382	. .	382	. .	382	. .	–382	. .	–382	. .
Total health expenditure	**36,429**	**3,453**	**39,882**	**24,658**	**64,540**	**6,836**	**15,953**	**6,673**	**29,463**	**94,003**

Notes: See page 127.

Table A7: Annual growth in health expenditure, current prices, by area of expenditure, 1996–97 to 2006–07 (per cent)

Area of expenditure	1996–97 to 1997–98	1997–98 to 1998–99	1998–99 to 1999–00	1999–00 to 2000–01	2000–01 to 2001–02	2001–02 to 2002–03	2002–03 to 2003–04	2003–04 to 2004–05	2004–05 to 2005–06	2005–06 to 2006–07	Average annual growth: 1996–97 to 2006–07	Average annual growth: 1996–97 to 2002–03	Average annual growth: 2003–04 to 2006–07
Total hospitals	7.1	6.9	4.5	6.5	9.0	10.2	. .	7.7	9.5	9.4	. .	7.4	8.9
Public hospitals[(i)] / Public hospital services[(d)]	7.8	6.6	4.1	6.2	8.3	10.5	. .	8.1	10.6	10.3	. .	7.2	9.7
Private hospitals	4.7	8.2	6.2	7.6	11.2	9.4	8.2	6.2	5.6	6.3	7.4	7.9	6.0
Patient transport services	28.9	2.9	9.9	16.2	12.7	16.5	. .	9.1	4.0	20.8	. .	14.2	11.1
Total institutional	*7.8*	*6.8*	*4.7*	*6.8*	*9.1*	*10.5*	*8.2*	*7.7*	*9.3*	*10.0*	*8.1*	*7.6*	*9.0*
Medical services	4.1	5.9	7.3	5.1	9.8	7.2	7.5	13.5	5.8	7.8	7.4	6.6	9.0
Dental services	1.6	3.4	7.7	19.6	16.3	7.3	. .	9.2	5.6	7.0	. .	9.1	7.2
State/territory provider	10.4	–5.5	22.5	–10.1	14.0	6.7	. .	11.6	2.9	3.8	. .	5.7	6.0
Private provider	0.4	4.7	5.8	24.1	16.5	7.3	. .	8.9	5.9	7.3	. .	9.5	7.4
Other health practitioners	–5.6	4.2	1.4	20.1	15.1	12.4	. .	5.6	8.5	7.8	. .	7.6	7.3
Community health and other[(e)]	2.6	34.8	3.5	8.4	7.9	14.2	. .	9.3	9.3	12.9	. .	11.4	10.5
Public health	9.1	11.5	17.6	10.8	7.6	10.1	. .	14.1	1.8	16.9	. .	11.1	10.7
Medications	8.7	9.3	12.4	18.7	11.2	4.4	8.9	8.6	3.3	3.7	8.8	10.7	5.1
Benefit-paid pharmaceuticals	3.3	9.9	13.2	21.1	8.3	10.9	9.5	5.8	2.9	3.0	8.7	11.0	3.9
All other medications	18.2	8.3	11.1	15.0	16.1	–5.9	7.9	13.8	3.9	4.9	9.1	10.2	7.4
Aids and appliances	5.3	25.6	11.5	35.0	–2.3	8.4	. .	12.6	7.0	8.0	. .	13.2	9.2
Administration	13.4	–15.7	40.5	8.8	–5.1	13.9	9.6	8.3	0.2	–0.9	6.4	7.9	2.5
Research	–4.5	11.1	22.0	28.2	10.0	10.1	7.6	16.1	17.6	13.3	12.8	12.3	15.6
Total non-institutional	*4.5*	*8.5*	*10.4*	*13.8*	*9.2*	*8.0*	*6.4*	*10.7*	*5.7*	*7.2*	*8.4*	*9.0*	*7.9*
Total recurrent expenditure	**5.9**	**7.8**	**8.0**	**11.0**	**9.2**	**9.0**	**7.1**	**9.5**	**7.1**	**8.3**	**8.3**	**8.4**	**8.3**
Capital expenditure	14.5	4.1	17.2	16.9	4.4	7.8	–4.5	16.6	10.3	8.8	9.4	10.7	11.9
Capital consumption	9.1	52.5	6.6	4.5	4.5	4.3	8.2	8.5	4.8	8.3	10.4	12.4	7.2
Total health expenditure[(g)]	**6.4**	**8.1**	**8.5**	**11.2**	**8.8**	**8.8**	**6.5**	**9.9**	**7.2**	**8.4**	**8.4**	**8.6**	**8.5**

Notes: See page 127.

Table A8: Annual growth in health expenditure, constant prices[h], by area of expenditure, 1996–97 to 2006–07 (per cent)

Area of expenditure	1996–97 to 1997–98	1997–98 to 1998–99	1998–99 to 1999–00	1999–00 to 2000–01	2000–01 to 2001–02	2001–02 to 2002–03	2002–03 to 2003–04	2003–04 to 2004–05	2004–05 to 2005–06	2005–06 to 2006–07	Average annual growth: 1996–97 to 2006–07	Average annual growth: 1996–97 to 2002–03	Average annual growth: 2003–04 to 2006–07
Total hospitals	5.0	4.1	2.2	3.1	5.6	6.5	. .	3.8	5.0	5.4	. .	4.4	4.7
Public hospitals[i] / Public hospital services[d]	5.6	3.8	1.7	2.8	5.0	6.8	. .	4.2	6.1	6.2	. .	4.3	5.5
Private hospitals	2.8	5.3	3.8	4.1	7.8	5.8	4.5	2.4	1.3	2.3	4.0	4.9	2.0
Patient transport services	26.5	0.2	7.5	12.4	9.3	12.5	. .	5.1	–0.3	16.3	. .	11.1	6.8
Total institutional	*5.7*	*4.0*	*2.4*	*3.4*	*5.8*	*6.8*	*4.5*	*3.8*	*4.8*	*5.8*	*4.7*	*4.6*	*4.8*
Medical services	2.4	3.2	4.5	0.7	3.8	1.7	2.1	5.3	0.2	4.5	2.8	2.7	3.3
Dental services	–2.2	—	2.2	13.4	10.8	2.6	. .	2.7	1.5	1.3	. .	4.3	1.8
State/territory provider	6.8	–8.9	16.3	–14.3	8.1	2.0	. .	5.0	–0.2	–2.6	. .	1.1	0.7
Private provider	–3.4	1.3	0.3	17.6	11.1	2.6	. .	2.4	1.6	1.7	. .	4.7	1.9
Other health practitioners	–11.5	1.7	–2.0	12.4	5.1	6.0	. .	2.7	3.5	5.7	. .	1.7	3.9
Community health and other[e]	1.8	31.8	—	5.1	4.4	9.8	. .	5.9	4.5	7.5	. .	8.3	5.9
Public health	7.3	8.6	15.1	7.3	4.4	6.4	. .	10.0	–2.3	12.5	. .	8.1	6.5
Medications	8.4	8.8	11.8	16.7	11.1	3.0	7.6	7.1	1.9	2.8	7.8	9.9	3.9
Benefit-paid pharmaceuticals	3.1	9.3	13.1	20.9	8.3	10.8	9.4	5.5	2.7	2.8	8.5	10.8	3.7
All other medications	16.1	8.3	10.0	11.1	15.2	–7.7	4.8	9.9	0.6	2.7	6.9	8.5	4.3
Aids and appliances	3.4	25.5	10.4	30.3	–3.0	5.7	. .	9.8	4.2	5.7	. .	11.4	6.5
Administration	11.8	–17.8	35.6	5.8	–7.9	9.9	4.1	4.8	–4.0	–5.5	2.8	4.9	–1.7
Research	–5.2	8.0	18.3	24.4	6.9	6.6	2.3	12.1	12.6	8.2	9.1	9.4	11.0
Total non-institutional	*2.2*	*5.9*	*7.2*	*9.2*	*5.2*	*4.0*	*2.2*	*5.9*	*1.7*	*4.0*	*4.7*	*5.6*	*3.9*
Total recurrent expenditure	**3.6**	**5.1**	**5.2**	**6.9**	**5.4**	**5.1**	**3.1**	**5.1**	**2.9**	**4.8**	**4.7**	**5.2**	**4.2**
Capital expenditure	15.5	3.5	18.5	12.1	3.4	5.8	–3.7	13.8	7.8	5.9	8.1	9.7	9.1
Capital consumption	8.1	52.7	6.4	2.8	4.7	3.8	8.6	6.0	2.3	5.1	9.3	11.9	4.5
Total health expenditure[g]	**4.2**	**5.5**	**5.8**	**7.1**	**5.3**	**5.1**	**2.8**	**5.5**	**3.2**	**4.8**	**4.9**	**5.5**	**4.5**

Notes: See page 127.

Table A9: Proportions of recurrent health expenditure, current prices, by area of expenditure, 1996–97 to 2006–07 (per cent)

Area of expenditure	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Total hospitals	40.5	41.0	40.7	39.4	37.8	37.7	38.1	38.4	37.8	38.6	39.0
Public hospitals[(i)] / Public hospital services[(d)]	31.6	32.2	31.9	30.7	29.4	29.2	29.6	29.7	29.4	30.3	30.9
Private hospitals	8.9	8.8	8.8	8.7	8.4	8.5	8.6	8.7	8.4	8.3	8.1
Patient transport services	1.3	1.6	1.5	1.5	1.6	1.6	1.8	1.9	1.9	1.8	2.0
Total institutional	*41.8*	*42.5*	*42.2*	*40.9*	*39.4*	*39.4*	*39.9*	*40.3*	*39.7*	*40.5*	*41.1*
Medical services	20.8	20.4	20.1	20.0	18.9	19.0	18.7	18.8	19.5	19.2	19.1
Dental services	6.5	6.2	6.0	5.9	6.4	6.8	6.7	6.8	6.8	6.7	6.6
State/territory provider	0.8	0.8	0.7	0.8	0.6	0.7	0.6	0.7	0.7	0.7	0.6
Private provider	5.7	5.4	5.3	5.2	5.8	6.2	6.1	6.1	6.1	6.0	5.9
Other health practitioners	4.0	3.6	3.5	3.3	3.5	3.7	3.8	3.9	3.7	3.8	3.8
Community health and other[(e)]	4.4	4.3	5.3	5.1	5.0	4.9	5.2	4.7	4.7	4.8	5.0
Public health	1.6	1.7	1.7	1.9	1.9	1.9	1.9	1.8	1.9	1.8	2.0
Medications	13.0	13.4	13.6	14.1	15.1	15.4	14.7	15.0	14.8	14.3	13.7
Benefit-paid pharmaceuticals	8.3	8.1	8.3	8.7	9.4	9.4	9.5	9.7	9.4	9.0	8.6
All other medications	4.7	5.3	5.3	5.5	5.7	6.0	5.2	5.2	5.4	5.3	5.1
Aids and appliances	2.9	2.9	3.4	3.5	4.3	3.8	3.8	3.4	3.5	3.5	3.5
Administration	3.2	3.5	2.7	3.5	3.4	3.0	3.1	3.2	3.2	3.0	2.7
Research	1.7	1.6	1.6	1.8	2.1	2.1	2.1	2.1	2.3	2.5	2.6
Total non-institutional	*58.2*	*57.5*	*57.8*	*59.1*	*60.6*	*60.6*	*60.1*	*59.7*	*60.3*	*59.5*	*58.9*
Total recurrent expenditure	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Notes: See page 127.

Notes to Appendix A tables

(a) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health care. They do not show gross outlays on health goods and services by the different service provider sectors.

(b) Includes the 30% rebate on health insurance premiums that can be claimed either directly from the Australian Government through the taxation system or it may involve a reduced premium being charged by the private health insurance fund (with a subsequent reimbursement to the fund by the Australian Government).

(c) 'Other' includes expenditure on health goods and services by workers' compensation and compulsory third-party motor vehicle insurers as well as other sources of income (for example, interest earned) for service providers.

(d) Public hospital services (2003–04 to 2006–07) excludes any 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.

(e) 'Other' denotes 'other non-institutional n.e.c.'.

(f) Non-government capital consumption (depreciation) is included as part of recurrent expenditure.

(g) Total health expenditure has not been adjusted for the funding of non-specific tax expenditure.

(h) Constant price health expenditure for 1996–97 to 2006–07 is expressed in terms of 2006–07 prices.

(i) Public hospitals (1996–97 to 2002–03) includes any 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.

Notes: Due to changes in methods, care must be taken comparing the growth between 2002–03 and 2003–04 (see Section 7.3 in the Technical notes for further information).

Components in some appendix tables may not add to totals due to rounding.

Appendix B: State and territory health expenditure matrices, 2004–05 to 2006–07

Table B1: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds[a], 2004–05 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	549	3,482	4,031	4,288	8,319	1,034	99	647	1,780	10,099
Public hospital services[c]	326	3,035	3,361	4,288	7,649	194	46	427	668	8,317
Private hospitals	223	447	670	—	670	840	53	220	1,113	1,783
Patient transport services	22	38	60	244	305	77	14	25	116	420
Total institutional	*571*	*3,520*	*4,091*	*4,533*	*8,624*	*1,111*	*113*	*672*	*1,896*	*10,520*
Medical services	237	3,855	4,092	—	4,092	173	591	435	1,199	5,291
Dental services	25	137	162	143	305	285	1,147	2	1,434	1,739
State/territory provider	. .	. .	. .	143	143	. .	4	. .	4	147
Private provider	25	137	162	. .	162	285	1,143	2	1,430	1,592
Other health practitioners	41	182	224	—	224	130	493	98	722	945
Community health and other[d]	—	93	93	847	940	—	55	6	61	1,001
Public health	—	291	291	97	388	—	41	—	41	429
Medications	168	1,921	2,089	—	2,089	24	1,597	7	1,628	3,717
Benefit-paid pharmaceuticals	168	1,877	2,045	—	2,045	—	394	—	394	2,438
All other medications	—	44	44	—	44	24	1,203	7	1,235	1,279
Aids and appliances	—	134	134	—	134	99	422	7	528	662
Administration	5	409	414	—	414	204	—	—	204	618
Research	—	320	320	67	387	—	—	124	124	511
Total non-institutional	*476*	*7,341*	*7,818*	*1,153*	*8,971*	*917*	*4,347*	*679*	*5,942*	*14,914*
Total recurrent expenditure	**1,048**	**10,862**	**11,909**	**5,686**	**17,595**	**2,028**	**4,459**	**1,351**	**7,838**	**25,433**
Capital expenditure	. .	44	44	435	478	n.a.	n.a.	584	584	1,063
Capital consumption	. .	23	23	389	412	. .	. .	. .	[e]. .	412
Total health expenditure[f]	**1,048**	**10,928**	**11,975**	**6,509**	**18,485**	**2,028**	**4,459**	**1,935**	**8,423**	**26,908**
Non-specific tax expenditure	. .	122	122	. .	122	. .	–122	. .	–122	. .
Total health expenditure	**1,048**	**11,050**	**12,098**	**6,509**	**18,607**	**2,028**	**4,337**	**1,935**	**8,301**	**26,908**

Notes: See page 153.

Table B2: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds[a], 2005–06 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	529	3,715	4,243	4,785	9,029	1,051	121	576	1,748	10,777
Public hospital services[c]	307	3,217	3,524	4,785	8,310	201	83	353	637	8,947
Private hospitals	221	498	719	—	719	849	38	223	1,111	1,830
Patient transport services	23	41	64	276	340	77	15	27	119	459
Total institutional	*551*	*3,755*	*4,307*	*5,062*	*9,369*	*1,128*	*137*	*603*	*1,867*	*11,236*
Medical services	253	4,029	4,282	—	4,282	182	629	435	1,247	5,529
Dental services	30	152	181	134	315	293	1,187	2	1,482	1,797
State/territory provider	. .	. .	. .	134	134	. .	6	. .	6	140
Private provider	30	152	181	. .	181	293	1,181	2	1,476	1,657
Other health practitioners	42	202	243	—	243	138	539	92	770	1,013
Community health and other[d]	—	97	98	1,049	1,146	—	93	5	98	1,244
Public health	—	258	258	139	397	—	32	—	32	428
Medications	163	1,937	2,100	—	2,100	22	1,680	7	1,710	3,810
Benefit-paid pharmaceuticals	163	1,910	2,074	—	2,074	—	420	—	420	2,494
All other medications	—	27	27	—	27	22	1,260	7	1,289	1,316
Aids and appliances	—	144	144	—	144	101	445	8	554	698
Administration	5	414	419	—	419	206	—	—	206	625
Research	—	415	415	62	477	—	—	131	131	608
Total non-institutional	*493*	*7,648*	*8,141*	*1,383*	*9,524*	*943*	*4,606*	*679*	*6,228*	*15,752*
Total recurrent expenditure	**1,044**	**11,403**	**12,448**	**6,445**	**18,893**	**2,071**	**4,743**	**1,282**	**8,096**	**26,988**
Capital expenditure	. .	42	42	576	618	n.a.	n.a.	631	631	1,250
Capital consumption	. .	19	19	415	434	. .	. .	. .	[e]. .	434
Total health expenditure[f]	**1,044**	**11,464**	**12,509**	**7,437**	**19,946**	**2,071**	**4,743**	**1,913**	**8,727**	**28,672**
Non-specific tax expenditure	. .	138	138	. .	138	. .	–138	. .	–138	. .
Total health expenditure	**1,044**	**11,602**	**12,647**	**7,437**	**20,084**	**2,071**	**4,605**	**1,913**	**8,589**	**28,672**

Notes: See page 153.

Table B3: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds[a], 2006–07 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	557	3,941	4,498	5,127	9,626	1,170	101	678	1,949	11,575
Public hospital services[c]	336	3,388	3,724	5,127	8,852	228	45	463	737	9,588
Private hospitals	221	553	774	—	774	941	56	215	1,213	1,987
Patient transport services	34	46	80	308	388	86	31	28	146	533
Total institutional	*592*	*3,987*	*4,579*	*5,435*	*10,014*	*1,256*	*132*	*707*	*2,095*	*12,108*
Medical services	259	4,317	4,576	—	4,576	201	712	477	1,391	5,967
Dental services	35	162	197	134	331	313	1,230	2	1,545	1,876
State/territory provider	. .	. .	. .	134	134	. .	6	. .	6	140
Private provider	35	162	197	. .	197	313	1,224	2	1,539	1,737
Other health practitioners	49	241	289	—	289	149	555	102	806	1,095
Community health and other[d]	—	104	104	1,185	1,289	—	81	6	88	1,377
Public health	—	326	326	160	486	—	10	—	10	496
Medications	157	2,006	2,163	—	2,163	21	1,751	9	1,781	3,944
Benefit-paid pharmaceuticals	157	1,977	2,134	—	2,134	—	435	—	435	2,568
All other medications	—	29	29	—	29	21	1,316	9	1,346	1,375
Aids and appliances	—	155	155	—	155	111	472	10	593	748
Administration	—	411	411	—	411	236	—	—	236	647
Research	—	498	498	71	569	—	—	137	137	706
Total non-institutional	*501*	*8,219*	*8,719*	*1,550*	*10,269*	*1,031*	*4,812*	*743*	*6,586*	*16,855*
Total recurrent expenditure	**1,092**	**12,206**	**13,298**	**6,985**	**20,283**	**2,287**	**4,944**	**1,450**	**8,681**	**28,964**
Capital expenditure	. .	30	30	496	527	n.a.	n.a.	846	846	1,373
Capital consumption	. .	23	23	419	442	. .	. .	. .	[e] . .	442
Total health expenditure[f]	**1,092**	**12,259**	**13,351**	**7,900**	**21,251**	**2,287**	**4,944**	**2,295**	**9,527**	**30,778**
Non-specific tax expenditure	. .	159	159	. .	159	. .	–159	. .	–159	. .
Total health expenditure	**1,092**	**12,418**	**13,510**	**7,900**	**21,410**	**2,287**	**4,785**	**2,295**	**9,368**	**30,778**

Notes: See page 153.

Table B4: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds[a], 2004–05 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	408	2,563	2,971	2,617	5,588	862	86	519	1,467	7,055
Public hospital services[c]	221	2,176	2,396	2,617	5,014	85	35	359	479	5,493
Private hospitals	187	387	574	—	574	777	51	160	988	1,562
Patient transport services	27	2	29	179	208	4	93	24	121	329
Total institutional	*435*	*2,565*	*3,000*	*2,797*	*5,797*	*866*	*178*	*543*	*1,587*	*7,384*
Medical services	159	2,701	2,860	—	2,860	160	369	139	668	3,528
Dental services	13	63	76	102	179	129	1,208	2	1,339	1,518
State/territory provider	. .	. .	. .	102	102	. .	—	. .	—	102
Private provider	13	63	76	. .	76	129	1,208	2	1,339	1,415
Other health practitioners	28	119	147	—	147	70	547	84	700	847
Community health and other[d]	—	58	58	550	608	—	—	3	3	611
Public health	—	202	202	144	346	—	—	—	—	346
Medications	105	1,410	1,515	—	1,515	6	1,339	24	1,368	2,883
Benefit-paid pharmaceuticals	105	1,383	1,488	—	1,488	—	287	—	287	1,775
All other medications	—	27	27	—	27	6	1,052	24	1,081	1,108
Aids and appliances	—	85	85	—	85	46	573	11	631	716
Administration	5	294	298	—	298	154	—	—	154	452
Research	—	336	336	78	414	—	—	142	142	556
Total non-institutional	*310*	*5,268*	*5,578*	*874*	*6,452*	*564*	*4,036*	*405*	*5,005*	*11,457*
Total recurrent expenditure	**745**	**7,833**	**8,578**	**3,671**	**12,249**	**1,429**	**4,214**	**948**	**6,592**	**18,841**
Capital expenditure	. .	43	43	356	399	n.a.	n.a.	659	659	1,059
Capital consumption	. .	21	21	240	261	. .	. .	. .	[e]. .	261
Total health expenditure[f]	**745**	**7,897**	**8,642**	**4,267**	**12,910**	**1,429**	**4,214**	**1,608**	**7,252**	**20,161**
Non-specific tax expenditure	. .	74	74	. .	74	. .	–74	. .	–74	. .
Total health expenditure	**745**	**7,971**	**8,716**	**4,267**	**12,983**	**1,429**	**4,141**	**1,608**	**7,178**	**20,161**

Notes: See page 153.

Table B5: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds[a], 2005–06 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	353	2,710	3,063	2,891	5,954	907	162	533	1,602	7,556
Public hospital services[c]	163	2,270	2,432	2,891	5,323	97	106	400	603	5,926
Private hospitals	190	440	630	—	630	810	56	133	999	1,630
Patient transport services	29	3	32	195	227	5	104	22	131	358
Total institutional	*382*	*2,712*	*3,094*	*3,086*	*6,181*	*911*	*266*	*556*	*1,733*	*7,914*
Medical services	176	2,839	3,015	—	3,015	174	390	145	710	3,724
Dental services	14	72	86	118	205	136	1,274	2	1,412	1,616
State/territory provider	. .	. .	. .	118	118	. .	. .	. .	—	118
Private provider	14	72	86	. .	86	136	1,274	2	1,412	1,498
Other health practitioners	29	132	161	—	161	75	595	82	752	913
Community health and other[d]	—	55	55	601	656	—	—	3	3	659
Public health	—	194	194	155	349	—	—	—	—	349
Medications	104	1,431	1,534	—	1,534	5	1,422	26	1,453	2,988
Benefit-paid pharmaceuticals	104	1,416	1,520	—	1,520	—	311	—	311	1,831
All other medications	—	14	14	—	14	5	1,111	26	1,142	1,156
Aids and appliances	—	93	93	—	93	48	615	13	676	770
Administration	4	291	295	—	295	169	—	—	169	464
Research	—	434	434	83	518	—	—	149	149	667
Total non-institutional	*328*	*5,540*	*5,868*	*958*	*6,826*	*608*	*4,296*	*420*	*5,324*	*12,150*
Total recurrent expenditure	**710**	**8,253**	**8,962**	**4,044**	**13,007**	**1,519**	**4,562**	**976**	**7,057**	**20,064**
Capital expenditure	. .	40	40	582	621	n.a.	n.a.	651	651	1,273
Capital consumption	. .	18	18	272	290	. .	. .	. .	[e]. .	290
Total health expenditure[f]	**710**	**8,311**	**9,020**	**4,898**	**13,918**	**1,519**	**4,562**	**1,627**	**7,708**	**21,627**
Non-specific tax expenditure	. .	83	83	. .	83	. .	–83	. .	–83	. .
Total health expenditure	**710**	**8,394**	**9,104**	**4,898**	**14,002**	**1,519**	**4,479**	**1,627**	**7,625**	**21,627**

Notes: See page 153.

Table B6: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds[a], 2006–07 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	396	2,907	3,303	3,013	6,316	974	92	633	1,700	8,016
Public hospital services[c]	199	2,432	2,631	3,013	5,644	110	9	508	627	6,271
Private hospitals	197	475	672	—	672	864	83	125	1,072	1,744
Patient transport services	35	3	39	223	262	6	119	23	149	410
Total institutional	*431*	*2,910*	*3,342*	*3,236*	*6,578*	*980*	*211*	*656*	*1,848*	*8,426*
Medical services	182	3,044	3,226	—	3,226	192	450	151	793	4,019
Dental services	18	80	97	109	207	151	1,381	2	1,534	1,741
State/territory provider	. .	. .	. .	109	109	. .	11	. .	11	120
Private provider	18	80	97	. .	97	151	1,381	2	1,534	1,632
Other health practitioners	34	167	201	—	201	81	619	81	782	983
Community health and other[d]	—	56	56	681	737	—	4	3	7	744
Public health	—	224	224	178	402	—	—	—	—	402
Medications	100	1,470	1,570	—	1,570	5	1,478	27	1,510	3,081
Benefit-paid pharmaceuticals	100	1,454	1,554	—	1,554	—	317	—	317	1,872
All other medications	—	16	16	—	16	5	1,161	27	1,193	1,209
Aids and appliances	—	101	101	—	101	53	653	13	719	820
Administration	—	306	306	—	306	181	—	—	181	487
Research	—	522	522	86	609	—	—	157	157	766
Total non-institutional	*334*	*5,971*	*6,306*	*1,054*	*7,360*	*663*	*4,585*	*435*	*5,683*	*13,042*
Total recurrent expenditure	**765**	**8,882**	**9,647**	**4,290**	**13,938**	**1,644**	**4,796**	**1,091**	**7,531**	**21,469**
Capital expenditure	. .	26	26	758	784	n.a.	n.a.	555	555	1,340
Capital consumption	. .	19	19	289	309	. .	. .	. .	[e]. .	309
Total health expenditure[f]	**765**	**8,928**	**9,693**	**5,337**	**15,030**	**1,644**	**4,796**	**1,647**	**8,086**	**23,117**
Non-specific tax expenditure	. .	96	96	. .	96	. .	–96	. .	–96	. .
Total health expenditure	**765**	**9,024**	**9,789**	**5,337**	**15,126**	**1,644**	**4,700**	**1,647**	**7,990**	**23,117**

Notes: See page 153.

Table B7: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds[a], 2004–05 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	331	2,000	2,331	1,563	3,895	664	76	116	856	4,751
Public hospital services[c]	70	1,669	1,739	1,536	3,275	31	9	31	71	3,346
Private hospitals	261	331	592	28	619	633	67	85	785	1,404
Patient transport services	29	7	36	297	334	—	5	11	17	350
Total institutional	*360*	*2,007*	*2,368*	*1,861*	*4,228*	*664*	*81*	*128*	*873*	*5,101*
Medical services	171	2,098	2,269	—	2,269	122	333	68	523	2,792
Dental services	18	66	84	128	212	138	403	1	542	754
State/territory provider	. .	. .	. .	128	128	. .	—	. .	—	128
Private provider	18	66	84	. .	84	138	403	1	541	626
Other health practitioners	30	102	132	—	132	70	313	34	417	548
Community health and other[d]	—	74	74	516	591	—	32	33	64	655
Public health	—	155	155	88	244	—	6	—	6	249
Medications	107	1,049	1,157	—	1,157	12	1,049	7	1,067	2,224
Benefit-paid pharmaceuticals	107	1,025	1,132	—	1,132	—	218	—	218	1,351
All other medications	—	25	25	—	25	12	830	7	849	873
Aids and appliances	—	70	70	—	70	48	379	4	431	501
Administration	6	229	235	42	277	126	—	—	126	403
Research	—	150	150	25	175	—	—	42	42	216
Total non-institutional	*332*	*3,995*	*4,326*	*800*	*5,126*	*515*	*2,514*	*188*	*3,218*	*8,343*
Total recurrent expenditure	**692**	**6,002**	**6,694**	**2,660**	**9,354**	**1,179**	**2,595**	**316**	**4,090**	**13,444**
Capital expenditure	. .	40	40	369	409	n.a.	n.a.	660	660	1,069
Capital consumption	. .	18	18	292	309	. .	. .	. .	[e]. .	309
Total health expenditure[f]	**692**	**6,059**	**6,751**	**3,321**	**10,073**	**1,179**	**2,595**	**976**	**4,750**	**14,823**
Non-specific tax expenditure	. .	47	47	. .	47	. .	–47	. .	–47	. .
Total health expenditure	**692**	**6,106**	**6,798**	**3,321**	**10,119**	**1,179**	**2,549**	**976**	**4,704**	**14,823**

Notes: See page 153.

Table B8: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds[a], 2005–06 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	320	2,146	2,466	2,089	4,554	684	98	235	1,017	5,571
Public hospital services[c]	52	1,776	1,828	2,061	3,889	28	11	103	143	4,032
Private hospitals	267	370	637	28	665	656	86	132	874	1,539
Patient transport services	27	7	34	297	330	—	6	8	14	344
Total institutional	*347*	*2,153*	*2,499*	*2,385*	*4,885*	*684*	*103*	*243*	*1,030*	*5,915*
Medical services	196	2,257	2,453	—	2,453	134	369	79	582	3,034
Dental services	22	76	97	132	229	146	433	1	581	810
State/territory provider	. .	. .	. .	132	132	. .	—	. .	—	132
Private provider	22	76	97	. .	97	146	433	1	580	678
Other health practitioners	33	113	147	—	147	77	350	36	463	610
Community health and other[d]	—	80	80	615	695	—	38	1	39	734
Public health	—	148	148	114	262	—	7	—	7	268
Medications	105	1,060	1,165	—	1,165	11	1,094	31	1,136	2,301
Benefit-paid pharmaceuticals	105	1,045	1,150	—	1,150	—	235	—	235	1,385
All other medications	—	15	15	—	15	11	859	31	901	916
Aids and appliances	—	77	77	—	77	50	404	4	457	535
Administration	5	240	245	51	296	132	—	—	132	428
Research	—	183	183	28	212	—	—	45	45	257
Total non-institutional	*362*	*4,234*	*4,596*	*940*	*5,536*	*549*	*2,695*	*198*	*3,441*	*8,977*
Total recurrent expenditure	**709**	**6,387**	**7,095**	**3,325**	**10,421**	**1,233**	**2,798**	**441**	**4,471**	**14,892**
Capital expenditure	. .	36	36	428	464	n.a.	n.a.	579	579	1,043
Capital consumption	. .	16	16	317	334	. .	. .	. .	[e]. .	334
Total health expenditure[f]	**709**	**6,439**	**7,148**	**4,071**	**11,219**	**1,233**	**2,798**	**1,020**	**5,050**	**16,269**
Non-specific tax expenditure	. .	53	53	. .	53	. .	–53	. .	–53	. .
Total health expenditure	**709**	**6,493**	**7,201**	**4,071**	**11,273**	**1,233**	**2,744**	**1,020**	**4,997**	**16,269**

Notes: See page 153.

Table B9: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds[a], 2006–07 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	340	2,297	2,637	2,750	5,387	753	98	225	1,076	6,463
Public hospital services[c]	73	1,885	1,958	2,718	4,676	29	13	132	174	4,850
Private hospitals	267	412	679	32	711	723	86	93	902	1,613
Patient transport services	30	8	38	436	473	—	5	8	14	487
Total institutional	*370*	*2,305*	*2,675*	*3,186*	*5,860*	*753*	*104*	*233*	*1,090*	*6,950*
Medical services	204	2,403	2,607	—	2,607	142	437	92	671	3,279
Dental services	27	81	108	137	245	157	477	1	634	879
State/territory provider	. .	. .	. .	137	137	. .	1	. .	1	138
Private provider	27	81	108	. .	108	157	476	1	633	741
Other health practitioners	38	134	172	—	172	82	360	41	483	655
Community health and other[d]	—	96	96	650	746	—	89	2	91	837
Public health	—	199	199	122	321	—	8	—	8	328
Medications	104	1,113	1,216	—	1,216	9	1,162	9	1,180	2,397
Benefit-paid pharmaceuticals	104	1,096	1,200	—	1,200	—	246	—	246	1,446
All other medications	—	16	16	—	16	9	917	9	935	951
Aids and appliances	1	84	85	—	85	54	441	4	499	583
Administration	—	254	254	41	295	148	—	—	148	443
Research	—	212	212	32	244	—	—	49	49	292
Total non-institutional	*373*	*4,575*	*4,948*	*981*	*5,930*	*591*	*2,974*	*198*	*3,762*	*9,692*
Total recurrent expenditure	**743**	**6,880**	**7,623**	**4,167**	**11,790**	**1,344**	**3,077**	**431**	**4,852**	**16,642**
Capital expenditure	. .	27	27	588	615	n.a.	n.a.	813	813	1,428
Capital consumption	. .	17	17	368	384	. .	. .	. .	[e]. .	384
Total health expenditure[f]	**743**	**6,923**	**7,666**	**5,123**	**12,790**	**1,344**	**3,077**	**1,243**	**5,665**	**18,455**
Non-specific tax expenditure	. .	62	62	. .	62	. .	–62	. .	–62	. .
Total health expenditure	**743**	**6,985**	**7,728**	**5,123**	**12,851**	**1,344**	**3,016**	**1,243**	**5,603**	**18,455**

Notes: See page 153.

Table B10: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds[a], 2004–05 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	175	1,036	1,211	1,157	2,368	349	79	77	505	2,874
Public hospital services[c]	86	873	960	986	1,946	23	55	27	106	2,052
Private hospitals	88	163	251	171	422	325	24	50	400	822
Patient transport services	6	12	18	51	70	11	43	5	59	129
Total institutional	*181*	*1,049*	*1,229*	*1,209*	*2,438*	*360*	*122*	*82*	*565*	*3,003*
Medical services	51	941	992	—	992	61	140	77	277	1,269
Dental services	7	41	48	50	98	86	358	3	447	545
State/territory provider	. .	. .	. .	50	50	. .	4	. .	4	54
Private provider	7	41	48	. .	48	86	354	3	443	491
Other health practitioners	11	51	61	—	61	39	52	19	110	171
Community health and other[d]	—	68	68	415	483	—	9	51	60	543
Public health	—	82	82	61	143	—	4	—	4	148
Medications	37	482	519	—	519	4	449	10	463	982
Benefit-paid pharmaceuticals	37	472	509	—	509	—	107	—	107	616
All other medications	—	10	10	—	10	4	342	10	356	366
Aids and appliances	—	38	38	—	38	30	337	4	371	409
Administration	3	117	120	121	241	59	—	—	59	300
Research	—	110	110	17	127	—	—	29	29	156
Total non-institutional	*109*	*1,930*	*2,039*	*665*	*2,703*	*278*	*1,349*	*193*	*1,819*	*4,523*
Total recurrent expenditure	**290**	**2,979**	**3,268**	**1,873**	**5,141**	**638**	**1,471**	**275**	**2,384**	**7,525**
Capital expenditure	. .	23	23	181	204	n.a.	n.a.	351	351	555
Capital consumption	. .	11	11	102	113	. .	. .	. .	[e] . .	113
Total health expenditure[f]	**290**	**3,013**	**3,302**	**2,156**	**5,458**	**638**	**1,471**	**626**	**2,735**	**8,193**
Non-specific tax expenditure	. .	21	21	. .	21	. .	–21	. .	–21	. .
Total health expenditure	**290**	**3,034**	**3,324**	**2,156**	**5,479**	**638**	**1,450**	**626**	**2,714**	**8,193**

Notes: See page 153.

Table B11: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds[a], 2005–06 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	142	1,084	1,226	1,343	2,570	357	115	93	565	3,135
Public hospital services[c]	58	905	963	1,141	2,104	29	77	35	140	2,244
Private hospitals	84	180	264	202	466	328	38	58	424	890
Patient transport services	7	10	17	56	72	8	47	6	60	132
Total institutional	*149*	*1,094*	*1,243*	*1,399*	*2,642*	*364*	*162*	*99*	*625*	*3,267*
Medical services	55	990	1,045	—	1,045	66	154	77	298	1,343
Dental services	9	47	56	51	106	91	383	3	478	584
State/territory provider	. .	. .	. .	51	51	. .	5	. .	5	55
Private provider	9	47	56	. .	56	91	378	3	473	529
Other health practitioners	12	56	67	—	67	40	56	20	116	184
Community health and other[d]	—	65	65	329	395	—	12	41	53	448
Public health	—	75	75	76	151	—	5	—	5	156
Medications	37	488	525	—	525	4	481	12	496	1,021
Benefit-paid pharmaceuticals	37	482	519	—	519	—	115	—	115	634
All other medications	—	6	6	—	6	4	366	12	381	387
Aids and appliances	—	41	41	—	41	30	368	5	403	444
Administration	2	125	127	128	256	63	—	—	63	318
Research	—	130	130	21	150	—	—	33	33	183
Total non-institutional	*115*	*2,016*	*2,131*	*605*	*2,736*	*294*	*1,461*	*190*	*1,945*	*4,681*
Total recurrent expenditure	**264**	**3,110**	**3,374**	**2,004**	**5,378**	**658**	**1,622**	**289**	**2,570**	**7,948**
Capital expenditure	. .	27	27	154	181	n.a.	n.a.	502	502	683
Capital consumption	. .	11	11	91	102	. .	. .	. .	[e] . .	102
Total health expenditure[f]	**264**	**3,148**	**3,412**	**2,249**	**5,661**	**658**	**1,622**	**791**	**3,072**	**8,733**
Non-specific tax expenditure	. .	25	25	. .	25	. .	–25	. .	–25	. .
Total health expenditure	**264**	**3,173**	**3,437**	**2,249**	**5,686**	**658**	**1,597**	**791**	**3,047**	**8,733**

Notes: See page 153.

Table B12: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds[a], 2006–07 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	144	1,166	1,310	1,573	2,883	389	113	105	608	3,491
Public hospital services[c]	59	967	1,026	1,378	2,405	33	68	42	143	2,548
Private hospitals	85	199	283	195	478	356	45	63	465	943
Patient transport services	7	10	17	62	79	4	40	6	51	129
Total institutional	*151*	*1,176*	*1,327*	*1,635*	*2,962*	*394*	*153*	*111*	*658*	*3,620*
Medical services	56	1,063	1,119	—	1,119	74	186	81	342	1,461
Dental services	10	51	61	55	117	99	428	2	529	646
State/territory provider	. .	. .	. .	55	55	. .	6	. .	6	61
Private provider	10	51	61	. .	61	99	422	2	524	585
Other health practitioners	13	66	79	—	79	42	64	20	125	204
Community health and other[d]	—	74	74	531	605	—	10	19	30	634
Public health	—	95	95	75	169	—	6	—	6	175
Medications	36	512	549	—	549	4	514	11	529	1,077
Benefit-paid pharmaceuticals	36	505	541	—	541	—	120	—	120	662
All other medications	—	7	7	—	7	4	393	11	408	415
Aids and appliances	1	44	45	—	45	32	414	5	450	495
Administration	—	131	131	52	183	69	—	—	69	252
Research	—	145	145	24	169	—	—	37	37	206
Total non-institutional	*116*	*2,182*	*2,298*	*737*	*3,035*	*320*	*1,621*	*175*	*2,116*	*5,151*
Total recurrent expenditure	**267**	**3,357**	**3,624**	**2,372**	**5,996**	**714**	**1,774**	**286**	**2,774**	**8,771**
Capital expenditure	. .	17	17	165	181	n.a.	n.a.	455	455	636
Capital consumption	. .	11	11	100	111	. .	. .	. .	[e]. .	111
Total health expenditure[f]	**267**	**3,385**	**3,652**	**2,637**	**6,289**	**714**	**1,774**	**741**	**3,229**	**9,518**
Non-specific tax expenditure	. .	29	29	. .	29	. .	–29	. .	–29	. .
Total health expenditure	**267**	**3,413**	**3,680**	**2,637**	**6,317**	**714**	**1,746**	**741**	**3,201**	**9,518**

Notes: See page 153.

Table B13: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds[a], 2004–05 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	114	860	974	862	1,836	279	37	41	358	2,194
Public hospital services[c]	75	739	814	857	1,671	30	12	19	61	1,732
Private hospitals	39	121	160	4	165	249	25	22	297	462
Patient transport services	7	4	11	48	59	2	32	7	41	100
Total institutional	*122*	*864*	*986*	*910*	*1,895*	*282*	*70*	*47*	*399*	*2,294*
Medical services	46	842	888	—	888	60	91	93	244	1,132
Dental services	6	35	41	49	90	72	135	1	208	298
State/territory provider	. .	. .	. .	49	49	. .	3	. .	3	52
Private provider	6	35	41	. .	41	72	132	1	205	246
Other health practitioners	9	47	57	—	57	40	37	32	110	166
Community health and other[d]	—	42	42	265	307	—	5	68	72	380
Public health	—	70	70	48	118	—	3	—	3	120
Medications	36	465	501	—	501	4	364	6	373	874
Benefit-paid pharmaceuticals	36	455	491	—	491	—	91	—	91	582
All other medications	—	10	10	—	10	4	272	6	282	291
Aids and appliances	—	32	32	—	32	25	157	7	189	221
Administration	2	100	102	200	302	48	—	—	48	350
Research	—	105	105	13	118	—	—	25	25	143
Total non-institutional	*101*	*1,737*	*1,838*	*575*	*2,413*	*248*	*791*	*232*	*1,271*	*3,684*
Total recurrent expenditure	**223**	**2,601**	**2,823**	**1,485**	**4,308**	**530**	**860**	**279**	**1,669**	**5,978**
Capital expenditure	. .	18	18	207	225	n.a.	n.a.	195	195	420
Capital consumption	. .	10	10	95	105	. .	. .	. .	[e]. .	105
Total health expenditure[f]	**223**	**2,629**	**2,851**	**1,787**	**4,639**	**530**	**860**	**474**	**1,864**	**6,503**
Non-specific tax expenditure	. .	14	14	. .	14	. .	–14	. .	–14	. .
Total health expenditure	**223**	**2,643**	**2,865**	**1,787**	**4,653**	**530**	**846**	**474**	**1,850**	**6,503**

Notes: See page 153.

Table B14: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds[a], 2005–06 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	120	917	1,037	964	2,001	286	33	61	381	2,382
Public hospital services[c]	79	781	860	961	1,821	30	3	33	66	1,887
Private hospitals	41	136	176	4	180	256	30	28	315	495
Patient transport services	7	4	11	50	61	3	34	8	45	106
Total institutional	*127*	*921*	*1,048*	*1,014*	*2,062*	*289*	*68*	*69*	*426*	*2,487*
Medical services	51	886	937	—	937	62	97	105	264	1,202
Dental services	8	38	46	49	95	74	143	1	219	314
State/territory provider	. .	. .	. .	49	49	. .	3	. .	3	52
Private provider	8	38	46	. .	46	74	140	1	216	262
Other health practitioners	10	52	61	—	61	42	40	33	115	176
Community health and other[d]	—	44	44	274	318	—	16	75	91	409
Public health	—	61	61	56	117	—	—	—	—	117
Medications	36	479	515	—	515	4	382	6	392	907
Benefit-paid pharmaceuticals	36	473	509	—	509	—	99	—	99	609
All other medications	—	6	6	—	6	4	283	6	293	299
Aids and appliances	—	35	35	—	35	26	166	9	201	236
Administration	2	101	103	185	288	51	—	—	51	339
Research	—	122	122	15	137	—	—	27	27	163
Total non-institutional	*107*	*1,818*	*1,925*	*579*	*2,504*	*258*	*845*	*257*	*1,360*	*3,864*
Total recurrent expenditure	**234**	**2,739**	**2,973**	**1,592**	**4,565**	**547**	**913**	**325**	**1,785**	**6,351**
Capital expenditure	. .	13	13	135	148	n.a.	n.a.	81	81	228
Capital consumption	. .	9	9	83	92	. .	. .	. .	[e] . .	92
Total health expenditure[f]	**234**	**2,761**	**2,995**	**1,810**	**4,805**	**547**	**913**	**406**	**1,866**	**6,671**
Non-specific tax expenditure	. .	16	16	. .	16	. .	–16	. .	–16	. .
Total health expenditure	**234**	**2,777**	**3,011**	**1,810**	**4,821**	**547**	**897**	**406**	**1,850**	**6,671**

Notes: See page 153.

Table B15: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds[a], 2006–07 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	114	975	1,088	1,150	2,238	302	34	62	398	2,635
Public hospital services[c]	73	830	903	1,144	2,047	33	5	42	80	2,127
Private hospitals	41	144	185	5	191	270	28	20	318	509
Patient transport services	7	5	13	66	78	4	36	8	47	125
Total institutional	*121*	*980*	*1,101*	*1,216*	*2,316*	*306*	*69*	*69*	*445*	*2,761*
Medical services	52	935	986	—	986	68	102	97	267	1,254
Dental services	9	41	50	51	101	80	153	1	234	334
State/territory provider	. .	. .	. .	51	51	. .	4	. .	4	55
Private provider	9	41	50	. .	50	80	149	1	230	280
Other health practitioners	11	59	70	—	70	45	40	31	116	186
Community health and other[d]	—	45	45	271	316	—	16	4	21	337
Public health	—	80	80	63	143	—	—	—	—	143
Medications	35	491	526	—	526	4	399	7	409	935
Benefit-paid pharmaceuticals	35	484	520	—	520	—	101	—	101	620
All other medications	—	6	6	—	6	4	298	7	309	315
Aids and appliances	—	38	38	—	38	27	176	10	213	251
Administration	—	103	103	187	290	56	—	—	56	346
Research	—	135	135	17	152	—	—	28	28	180
Total non-institutional	*107*	*1,925*	*2,033*	*588*	*2,621*	*279*	*887*	*179*	*1,345*	*3,966*
Total recurrent expenditure	**228**	**2,905**	**3,133**	**1,804**	**4,937**	**585**	**956**	**248**	**1,789**	**6,727**
Capital expenditure	. .	13	13	89	102	n.a.	n.a.	201	201	303
Capital consumption	. .	10	10	104	114	. .	. .	. .	[e] . .	114
Total health expenditure[f]	**228**	**2,928**	**3,156**	**1,997**	**5,153**	**585**	**956**	**449**	**1,990**	**7,143**
Non-specific tax expenditure	. .	19	19	. .	19	. .	–19	. .	–19	. .
Total health expenditure	**228**	**2,946**	**3,175**	**1,997**	**5,172**	**585**	**937**	**449**	**1,972**	**7,143**

Notes: See page 153.

Table B16: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds[a], 2004–05 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	36	242	278	198	476	86	9	24	120	596
Public hospital services[c]	15	205	220	175	396	9	1	19	29	425
Private hospitals	21	37	58	22	81	77	8	5	90	171
Patient transport services	2	1	3	27	29	—	—	1	2	31
Total institutional	*38*	*243*	*281*	*225*	*506*	*87*	*9*	*26*	*121*	*627*
Medical services	19	238	257	—	257	13	32	13	58	315
Dental services	2	7	9	11	19	15	50	—	65	85
State/territory provider	. .	. .	. .	11	11	. .	1	. .	1	12
Private provider	2	7	9	. .	9	15	49	—	64	73
Other health practitioners	4	13	17	—	17	8	28	7	43	61
Community health and other[d]	—	9	10	70	80	—	8	2	10	90
Public health	—	28	28	15	43	—	—	—	—	43
Medications	14	147	161	—	161	2	118	1	122	283
Benefit-paid pharmaceuticals	14	142	157	—	157	—	29	—	29	186
All other medications	—	4	4	—	4	2	89	1	93	97
Aids and appliances	—	10	10	—	10	7	42	2	51	61
Administration	1	31	32	38	70	16	—	—	16	86
Research	—	16	16	1	18	—	—	2	2	19
Total non-institutional	*41*	*499*	*540*	*135*	*675*	*62*	*279*	*27*	*368*	*1,042*
Total recurrent expenditure	**79**	**742**	**821**	**359**	**1,180**	**148**	**288**	**53**	**489**	**1,670**
Capital expenditure	. .	10	10	25	34	n.a.	n.a.	87	87	121
Capital consumption	. .	6	6	15	21	. .	. .	. .	[e] . .	21
Total health expenditure[f]	**79**	**758**	**836**	**399**	**1,236**	**148**	**288**	**140**	**576**	**1,811**
Non-specific tax expenditure	. .	3	3	. .	3	. .	–3	. .	–3	. .
Total health expenditure	**79**	**761**	**840**	**399**	**1,239**	**148**	**284**	**140**	**572**	**1,811**

Notes: See page 153.

Table B17: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds[a], 2005–06 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	33	258	291	267	559	90	11	34	135	693
Public hospital services[c]	14	216	230	257	487	10	6	23	38	525
Private hospitals	19	42	61	10	72	80	5	11	96	168
Patient transport services	3	1	4	13	16	—	—	1	2	18
Total institutional	*37*	*258*	*295*	*280*	*575*	*90*	*11*	*35*	*137*	*712*
Medical services	21	247	268	—	268	15	33	13	61	329
Dental services	2	8	10	13	22	16	53	—	69	91
State/territory provider	. .	. .	. .	13	13	. .	4	. .	4	16
Private provider	2	8	10	. .	10	16	50	—	66	75
Other health practitioners	4	15	19	—	19	9	32	8	48	67
Community health and other[d]	—	10	10	68	78	—	6	—	6	84
Public health	—	27	27	18	45	—	—	—	—	45
Medications	14	151	165	—	165	2	127	2	131	296
Benefit-paid pharmaceuticals	14	148	163	—	163	—	32	—	32	195
All other medications	—	3	3	—	3	2	95	2	99	102
Aids and appliances	—	11	11	—	11	8	47	2	57	68
Administration	1	37	39	39	78	17	—	—	17	95
Research	—	20	20	1	21	—	—	1	1	23
Total non-institutional	*43*	*525*	*568*	*139*	*707*	*66*	*298*	*27*	*391*	*1,099*
Total recurrent expenditure	**80**	**783**	**863**	**419**	**1,282**	**156**	**310**	**63**	**528**	**1,810**
Capital expenditure	. .	11	11	33	44	n.a.	n.a.	154	154	198
Capital consumption	. .	5	5	22	27	. .	. .	. .	[e]. .	27
Total health expenditure[f]	**80**	**799**	**879**	**473**	**1,353**	**156**	**310**	**217**	**682**	**2,035**
Non-specific tax expenditure	. .	4	4	. .	4	. .	–4	. .	–4	. .
Total health expenditure	**80**	**803**	**883**	**473**	**1,357**	**156**	**306**	**217**	**678**	**2,035**

Notes: See page 153.

Table B18: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds[a], 2006–07 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	46	272	318	325	643	95	7	34	137	780
Public hospital services[c]	25	227	252	308	560	11	3	25	39	599
Private hospitals	21	45	66	17	83	85	4	9	98	181
Patient transport services	2	1	3	28	30	—	—	1	2	32
Total institutional	*48*	*273*	*321*	*353*	*673*	*95*	*8*	*36*	*139*	*812*
Medical services	22	261	283	—	283	16	37	14	67	350
Dental services	2	8	10	16	26	16	58	—	74	101
State/territory provider	. .	. .	. .	16	16	. .	1	. .	1	17
Private provider	2	8	10	. .	10	16	57	—	73	83
Other health practitioners	5	17	22	—	22	9	31	8	48	70
Community health and other[d]	—	10	11	103	114	—	9	1	9	123
Public health	—	34	34	20	54	—	—	—	—	54
Medications	14	154	168	—	168	1	137	2	141	308
Benefit-paid pharmaceuticals	14	151	165	—	165	—	32	—	32	197
All other medications	—	3	3	—	3	1	105	2	109	112
Aids and appliances	—	11	11	—	11	8	52	2	61	73
Administration	—	35	35	—	35	18	—	—	18	53
Research	—	14	14	2	16	—	—	1	1	17
Total non-institutional	*43*	*544*	*587*	*141*	*728*	*68*	*324*	*28*	*421*	*1,149*
Total recurrent expenditure	**91**	**817**	**908**	**494**	**1,401**	**164**	**332**	**64**	**559**	**1,961**
Capital expenditure	. .	7	7	36	43	n.a.	n.a.	65	65	108
Capital consumption	. .	5	5	21	26	. .	. .	. .	[e] . .	26
Total health expenditure[f]	**91**	**829**	**919**	**551**	**1,470**	**164**	**332**	**129**	**625**	**2,095**
Non-specific tax expenditure	. .	5	5	. .	5	. .	–5	. .	–5	. .
Total health expenditure	**91**	**833**	**924**	**551**	**1,475**	**164**	**327**	**129**	**620**	**2,095**

Notes: See page 153.

Table B19: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds[a], 2004–05 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	21	119	140	214	354	63	24	41	128	482
Public hospital services[c]	10	118	128	214	342	11	7	35	52	395
Private hospitals	11	1	11	—	11	52	18	6	76	87
Patient transport services	—	—	—	13	13	—	—	1	1	14
Total institutional	*21*	*119*	*140*	*227*	*366*	*63*	*25*	*42*	*129*	*495*
Medical services	13	151	164	—	164	—	59	9	68	232
Dental services	1	—	1	8	9	—	82	—	82	91
State/territory provider	. .	. .	. .	8	8	. .	1	. .	1	8
Private provider	1	—	1	. .	1	—	81	—	81	83
Other health practitioners	–5	5	—	—	—	—	32	7	39	39
Community health and other[d]	—	5	5	96	101	—	6	10	16	117
Public health	—	19	19	20	38	—	1	—	1	39
Medications	7	69	76	—	76	—	64	1	66	141
Benefit-paid pharmaceuticals	7	68	75	—	75	—	19	—	19	94
All other medications	—	1	1	—	1	—	45	1	46	47
Aids and appliances	—	4	4	—	4	—	26	1	27	30
Administration	36	13	48	79	128	—	—	—	—	128
Research	2	88	90	2	93	—	—	7	7	100
Total non-institutional	*53*	*354*	*407*	*205*	*612*	—	*269*	*35*	*304*	*916*
Total recurrent expenditure	**74**	**473**	**547**	**432**	**978**	**63**	**294**	**77**	**433**	**1,412**
Capital expenditure	. .	6	6	31	36	n.a.	n.a.	45	45	81
Capital consumption	. .	4	4	14	17	. .	. .	. .	[e] . .	17
Total health expenditure[f]	**74**	**482**	**556**	**476**	**1,032**	**63**	**294**	**122**	**478**	**1,510**
Non-specific tax expenditure	. .	9	9	. .	9	. .	–9	. .	–9	. .
Total health expenditure	**74**	**491**	**565**	**476**	**1,041**	**63**	**284**	**122**	**469**	**1,510**

Notes: See page 153.

Table B20: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds[a], 2005–06 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	21	123	144	309	453	75	4	43	122	575
Public hospital services[c]	11	123	133	309	442	13	1	37	51	493
Private hospitals	11	—	11	—	11	61	3	7	71	82
Patient transport services	—	—	—	15	15	—	—	1	1	16
Total institutional	*21*	*123*	*144*	*324*	*469*	*75*	*4*	*44*	*123*	*592*
Medical services	15	157	172	—	172	—	65	8	73	245
Dental services	2	—	2	8	10	—	85	—	85	95
State/territory provider	. .	. .	. .	8	8	. .	1	. .	1	9
Private provider	2	—	2	. .	2	—	84	—	85	87
Other health practitioners	2	5	8	—	8	—	35	7	42	50
Community health and other[d]	—	5	5	99	105	—	9	8	16	121
Public health	—	17	17	19	36	—	1	—	1	37
Medications	7	70	76	—	76	—	66	2	67	144
Benefit-paid pharmaceuticals	7	69	76	—	76	—	20	—	20	96
All other medications	—	—	—	—	—	—	46	2	47	48
Aids and appliances	—	4	4	—	4	—	27	1	28	32
Administration	34	15	49	30	79	—	—	—	—	79
Research	2	88	90	3	93	—	—	6	6	99
Total non-institutional	*62*	*362*	*423*	*159*	*582*	—	*287*	*32*	*320*	*902*
Total recurrent expenditure	**83**	**485**	**568**	**483**	**1,051**	**75**	**291**	**77**	**443**	**1,493**
Capital expenditure	. .	6	6	48	54	n.a.	n.a.	69	69	123
Capital consumption	. .	3	3	16	19	. .	. .	. .	[e]. .	19
Total health expenditure[f]	**83**	**493**	**577**	**546**	**1,123**	**75**	**291**	**146**	**512**	**1,635**
Non-specific tax expenditure	. .	10	10	. .	10	. .	–10	. .	–10	. .
Total health expenditure	**83**	**504**	**587**	**546**	**1,133**	**75**	**281**	**146**	**502**	**1,635**

Notes: See page 153.

Table B21: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds[a], 2006–07 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	10	131	141	360	501	71	7	51	129	629
Public hospital services[c]	–1	130	129	360	489	16	1	43	60	548
Private hospitals	11	1	12	—	12	55	6	8	69	81
Patient transport services	—	—	—	15	15	—	—	1	1	16
Total institutional	*10*	*131*	*141*	*374*	*516*	*71*	*7*	*52*	*130*	*645*
Medical services	27	171	199	—	199	—	72	8	80	279
Dental services	2	—	2	8	10	—	89	—	89	99
State/territory provider	. .	. .	. .	8	8	. .	1	. .	1	9
Private provider	2	—	2	. .	2	—	88	—	89	90
Other health practitioners	5	7	12	—	12	—	36	7	43	55
Community health and other[d]	—	6	6	94	100	—	8	20	27	128
Public health	—	21	21	19	40	—	1	—	1	41
Medications	7	71	78	—	78	—	70	1	71	149
Benefit-paid pharmaceuticals	7	71	77	—	77	—	20	—	20	98
All other medications	—	—	—	—	—	—	50	1	51	51
Aids and appliances	—	4	4	—	4	—	29	1	30	34
Administration	53	15	68	30	98	—	—	—	—	98
Research	2	87	89	3	91	—	—	6	6	98
Total non-institutional	*95*	*384*	*479*	*154*	*633*	—	*305*	*44*	*349*	*982*
Total recurrent expenditure	**106**	**514**	**620**	**528**	**1,148**	**71**	**311**	**96**	**478**	**1,627**
Capital expenditure	. .	4	4	27	31	n.a.	n.a.	28	28	59
Capital consumption	. .	3	3	18	21	. .	. .	. .	[e]. .	21
Total health expenditure[f]	**106**	**521**	**627**	**573**	**1,200**	**71**	**311**	**123**	**506**	**1,706**
Non-specific tax expenditure	. .	12	12	. .	12	. .	–12	. .	–12	. .
Total health expenditure	**106**	**533**	**639**	**573**	**1,212**	**71**	**299**	**123**	**494**	**1,706**

Notes: See page 153.

Table B22: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds[a], 2004–05 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	1	112	113	221	335	13	15	6	33	368
Public hospital services[c]	—	106	106	221	328	1	1	3	5	332
Private hospitals	1	6	7	—	7	12	14	2	29	36
Patient transport services	—	4	4	33	38	—	1	—	2	39
Total institutional	*1*	*117*	*118*	*255*	*372*	*13*	*16*	*6*	*35*	*407*
Medical services	1	65	66	—	66	2	8	10	20	86
Dental services	—	2	2	9	11	3	36	—	40	51
State/territory provider	. .	. .	. .	9	9	. .	—	. .	—	9
Private provider	—	2	2	. .	2	3	36	—	40	42
Other health practitioners	—	4	4	—	4	2	15	3	20	24
Community health and other[d]	—	57	57	95	152	—	1	—	1	154
Public health	—	20	20	47	66	—	—	—	—	66
Medications	1	33	34	—	34	—	27	—	28	61
Benefit-paid pharmaceuticals	1	32	33	—	33	—	6	—	6	39
All other medications	—	1	1	—	1	—	21	—	22	23
Aids and appliances	—	3	3	—	3	2	13	—	15	18
Administration	—	17	17	28	45	1	—	—	1	46
Research	—	5	5	2	7	—	—	4	4	12
Total non-institutional	*2*	*204*	*206*	*182*	*388*	*10*	*101*	*18*	*129*	*517*
Total recurrent expenditure	**3**	**321**	**324**	**436**	**761**	**23**	**118**	**23**	**164**	**925**
Capital expenditure	. .	8	8	9	17	n.a.	n.a.	19	19	36
Capital consumption	. .	6	6	15	22	. .	. .	. .	[e] . .	22
Total health expenditure[f]	**3**	**336**	**339**	**461**	**800**	**23**	**118**	**43**	**183**	**983**
Non-specific tax expenditure	. .	1	1	. .	1	. .	–1	. .	–1	. .
Total health expenditure	**3**	**337**	**340**	**461**	**801**	**23**	**116**	**43**	**182**	**983**

Notes: See page 153.

Table B23: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds[a], 2005–06 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	1	141	142	239	381	13	30	12	55	436
Public hospital services[c]	—	134	134	239	373	1	5	9	15	387
Private hospitals	1	7	8	—	8	13	25	3	40	49
Patient transport services	—	4	4	31	35	—	2	—	2	36
Total institutional	*1*	*145*	*146*	*270*	*415*	*13*	*32*	*12*	*57*	*472*
Medical services	1	67	68	—	68	3	8	8	18	86
Dental services	—	2	2	10	12	4	40	—	43	55
State/territory provider	. .	. .	. .	10	10	. .	—	. .	—	10
Private provider	—	2	2	. .	2	4	39	—	43	45
Other health practitioners	—	4	4	—	4	2	17	3	22	26
Community health and other[d]	—	62	62	120	182	—	—	—	—	182
Public health	—	18	18	47	65	—	1	—	1	66
Medications	1	35	35	—	35	—	28	—	28	64
Benefit-paid pharmaceuticals	1	34	35	—	35	—	6	—	6	41
All other medications	—	—	—	—	—	—	22	—	22	23
Aids and appliances	—	3	3	—	3	2	14	1	16	19
Administration	—	38	38	—	38	1	—	—	1	39
Research	—	7	7	2	10	—	—	6	6	15
Total non-institutional	*2*	*235*	*237*	*179*	*416*	*11*	*108*	*18*	*137*	*553*
Total recurrent expenditure	**3**	**380**	**383**	**449**	**832**	**24**	**140**	**29**	**193**	**1,025**
Capital expenditure	. .	9	9	9	18	n.a.	n.a.	45	45	63
Capital consumption	. .	7	7	16	22	. .	. .	. .	[e]. .	22
Total health expenditure[f]	**3**	**395**	**398**	**474**	**872**	**24**	**140**	**74**	**238**	**1,110**
Non-specific tax expenditure	. .	1	1	. .	1	. .	–1	. .	–1	. .
Total health expenditure	**3**	**396**	**399**	**474**	**873**	**24**	**139**	**74**	**237**	**1,110**

Notes: See page 153.

Table B24: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds[a], 2006–07 ($ million)

	Government sector					Non-government sector				
	Australian Government									
Area of expenditure	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other[b]	Total	Total health expenditure
Total hospitals	7	142	148	285	433	15	19	9	43	476
Public hospital services[c]	6	134	140	285	424	1	—	7	8	432
Private hospitals	1	8	9	—	9	14	18	2	35	44
Patient transport services	—	5	5	36	41	—	1	—	2	43
Total institutional	*7*	*147*	*154*	*321*	*475*	*15*	*20*	*9*	*44*	*519*
Medical services	1	72	73	—	73	3	9	8	20	93
Dental services	—	2	2	9	11	4	45	—	49	60
State/territory provider	. .	. .	. .	9	9	. .	—	. .	—	9
Private provider	—	2	2	. .	2	4	45	—	49	51
Other health practitioners	—	4	5	—	5	2	19	3	24	29
Community health and other[d]	—	75	75	123	198	—	3	—	3	201
Public health	—	23	23	49	72	—	3	—	3	74
Medications	1	36	37	—	37	—	29	—	29	66
Benefit-paid pharmaceuticals	1	35	36	—	36	—	6	—	6	42
All other medications	—	1	1	—	1	—	23	—	23	24
Aids and appliances	—	3	3	—	3	2	16	1	18	21
Administration	—	40	40	—	40	1	—	—	1	41
Research	—	8	8	3	11	—	—	7	7	18
Total non-institutional	*2*	*265*	*267*	*183*	*450*	*12*	*124*	*19*	*155*	*605*
Total recurrent expenditure	**9**	**412**	**420**	**504**	**925**	**27**	**144**	**28**	**199**	**1,124**
Capital expenditure	. .	8	8	18	27	n.a.	n.a.	17	17	43
Capital consumption	. .	7	7	17	24	. .	. .	. .	[e]. .	24
Total health expenditure[f]	**9**	**427**	**435**	**539**	**975**	**27**	**144**	**45**	**216**	**1,191**
Non-specific tax expenditure	. .	1	1	. .	1	. .	–1	. .	–1	. .
Total health expenditure	**9**	**428**	**437**	**539**	**976**	**27**	**143**	**45**	**215**	**1,191**

Notes: See page 153

Notes to Appendix B tables

(a) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health goods and services. They do not show gross outlays on health services by the different service provider sectors.

(b) 'Other' includes expenditure on health goods and services by workers' compensation and compulsory motor vehicle third-party insurers as well as other sources of income (for example, interest earned) of service providers.

(c) Public hospital services excludes any 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) 'Other' denotes 'other non-institutional n.e.c.'.

(e) Non-government capital consumption (depreciation) is included as part of recurrent expenditure.

(f) Total health expenditure has not been adjusted for the funding of non-specific tax expenditure.

Notes: Benefits paid by private health insurance funds to ACT residents for non-hospital services are included in the NSW tables, B1 to B3, and not in the ACT tables, B19 to B21, as the NSW and ACT benefits are not able to be separated.

Components in some appendix tables may not add to totals due to rounding.

Appendix C: Detailed disaggregation of selected areas of health expenditure, 2005–06

Table C1: Hospital expenditure, current prices, by area of expenditure, 2005–06 ($ million)

Area of expenditure	Total expenditure
Total hospitals	31,124
Admitted patients	23,458
Same-day admissions	3,903
Curative care	3,878
Rehabilitative care	21
Long-term care	3
Palliative care	1
Other n.e.c.	—
Overnight admissions	19,555
Curative care	17,591
Rehabilitative care	1,159
Long-term care	601
Palliative care	198
Other n.e.c.	6
Non-admitted patients	7,667
Public hospital services[(a)]	24,441
Admitted patients	17,109
Same-day admissions	2,374
Curative care	2,369
Rehabilitative care	5
Long-term care	—
Palliative care	—
Other n.e.c.	—
Overnight admissions	14,735
Curative care	13,249
Rehabilitative care	778
Long-term care	551
Palliative care	155
Other n.e.c.	2
Non-admitted patients	7,332
Private hospitals	6,683
Admitted patients	6,349
Same-day admissions	1,529
Curative care	1,509
Rehabilitative care	16
Long-term care	3
Palliative care	1
Other n.e.c.	—
Overnight admissions	4,820
Curative care	4,343
Rehabilitative care	380
Long-term care	50
Palliative care	43
Other n.e.c.	5
Non-admitted patients	334

Notes: See page 157.

Table C2: Health expenditure, current prices, by area of expenditure and source of funds[b], 2005–06 ($ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other[d]	Total	
	Direct outlays	Premium rebates[c]	Total							
Medical services	11,918	321	12,239	—	12,239	636	1,745	872	3,253	15,492
In hospitals	1,534	321	1,855	—	1,855	636	944	—	1,580	3,435
General practitioners	21	4	26	—	26	9	7	—	16	42
Specialists	1,218	255	1,473	—	1,473	505	835	—	1,340	2,813
Imaging/pathology	295	62	357	—	357	122	102	—	224	581
Out of hospitals	9,119	—	9,119	—	9,119	—	801	—	801	9,920
General practitioners	3,794	—	3,794	—	3,794	—	247	—	247	4,042
Specialists	2,398	—	2,398	—	2,398	—	369	—	369	2,767
Imaging/pathology	2,927	—	2,927	—	2,927	—	185	—	185	3,111
Other medical	1,265	—	1,265	—	1,265	—	—	872	872	2,137
Other health practitioners	517	194	711	—	711	384	1,663	280	2,327	3,038
Allied health services (Medicare)	24	9	34	—	34	18	2	—	21	54
Optometrical services (Medicare)	226	85	311	—	311	168	2	—	169	480
Non-Medicare other health practitioner	267	100	367	—	367	198	1,659	280	2,137	2,504
Medications	6,093	24	6,117	—	6,117	47	5,281	86	5,414	11,531
Benefit-paid pharmaceuticals	6,046	—	6,046	—	6,046	—	1,240	—	1,240	7,286
General patients	1,066	—	1,066	—	1,066	—	634	—	634	1,700
Safety net	216	—	216	—	216	—	27	—	27	243
No safety net	850	—	850	—	850	—	607	—	607	1,457
Concessional patients	4,318	—	4,318	—	4,318	—	489	—	489	4,807
Safety net	1,173	—	1,173	—	1,173	—	—	—	—	1,173
No safety net	3,145	—	3,145	—	3,145	—	489	—	489	3,635
Other	662	—	662	—	662	—	116	—	116	778
All other medications	48	24	71	—	71	47	4,041	86	4,174	4,246
Under co-payment pharmaceuticals	—	—	—	—	—	—	606	—	606	606
Private prescriptions	—	24	24	—	24	47	522	86	655	679
Other pharmacy medications	—	—	—	—	—	—	1,517	—	1,517	1,517
Other retail medications	—	—	—	—	—	—	1,396	—	1,396	1,396
All other medications n.e.c.	48	—	48	—	48	—	—	—	—	48

Notes: See page 157.

Notes to Appendix C tables

(a) Public hospital services exclude 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) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health care. They do not show gross outlays on health goods and services by the different service provider sectors.

(c) Includes the 30% rebate on health insurance premiums that can be claimed either directly from the Australian Government through the taxation system or it may involve a reduced premium being charged by the private health insurance fund (with a subsequent reimbursement to the fund by the Australian Government).

(d) 'Other' includes expenditure on health goods and services by workers' compensation and compulsory third-party motor vehicle insurers as well as other sources of income (for example, interest earned) for service providers.

Note: Components in some appendix tables may not add to totals due to rounding.

Appendix D: Health expenditure on Aboriginal and Torres Strait Islander peoples and on Disease groups

How much is spent on health services for Aboriginal and Torres Strait Islander peoples?

Table D1 shows estimated expenditure by broad types of service for Aboriginal and Torres Strait Islander peoples and non-Indigenous people. Spending for and by Aboriginal and Torres Strait Islander peoples was 2.8% of all recurrent health expenditures in 2004–05, a slightly higher proportion than their 2.4% share of the Australian population.

In 2004–05, $1.17 per person was spent on Aboriginal and Torres Strait Islander health for every $1.00 spent on the health of non-Indigenous Australians. Average total health expenditure per Aboriginal and Torres Strait Islander was $4,718 compared with $4,019 per person estimated for non-Indigenous Australians (Table D1). Total health expenditures for Aboriginal and Torres Strait Islander peoples were estimated at $2,304 million in 2004–05, or 2.8% of national expenditures on health services.

The fourth report in the series *Expenditures on health for Aboriginal and Torres Strait Islander peoples 2004–05* (AIHW 2008c) describes the components of this table in more detail.

The major feature is the reliance of Aboriginal and Torres Strait Islander peoples on public hospitals. Although Aboriginal and Torres Strait Islander peoples apparently used private hospitals very little and their private insurance coverage was very low, hospital expenditures per Aboriginal and Torres Strait Islander person were 60% higher than for other Australians. Conversely, expenditures on medical services, dental and other health practitioners and medications were less than half those for non-Indigenous people. Expenditures on high-level residential care (aged care) were 27% of the non Indigenous average, and 29% for aids and appliances. However, spending on community health services was over six and a half times that for other Australians and expenditures for both patient transport and public health were well above the national average.

Table D1: Expenditures on health services for Indigenous and non-Indigenous people, by service, 2004–05

Area of expenditure	Total expenditure ($ million)			Expenditure per person ($)		
	Indigenous	Non-Indigenous	Per cent	Indigenous	Non-Indigenous	Ratio
Hospitals	1,080.7	27,337.6	3.8	2,213	1,386	1.60
Public hospital services[(a)]	1,048.6	21,042.7	4.7	2,147	1,067	2.01
Admitted patient services	799.4	16,226.8	4.7	1,637	823	1.99
Non-admitted patient services	249.2	4,815.8	4.9	510	244	2.09
Private hospitals	32.1	6,295.0	0.5	66	319	0.21
High-level residential care	41.7	6,283.4	0.7	85	319	0.27
Patient transport	103.5	1,369.9	7.0	212	69	3.05
Medical services	164.6	14,483.5	1.1	337	734	0.46
Community health services	497.8	3,052.7	14.0	1,019	155	6.59
Dental and other health practitioners	78.0	7,811.8	1.0	160	396	0.40
Medications	109.4	11,056.4	1.0	224	561	0.40
Aids and appliances	18.6	2,591.4	0.7	38	131	0.29
Public health	88.9	1,350.3	6.2	182	68	2.66
Research	46.0	1,669.0	2.7	94	85	1.11
Health administration n.e.c.	74.6	2,254.5	3.2	153	114	1.34
Total recurrent expenditure	**2,304.0**	**79,260.4**	**2.8**	**4,718**	**4,019**	**1.17**

(a) Public hospital services excludes any dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

Source: AIHW 2008c.

How much is spent on each type of disease and injury?

This section provides an overview of how health expenditure in Australia is distributed among disease and injury groups. The estimates were derived using a method that ensures that they add across disease, age and sex groups to the total Australian health system expenditure for 2004–05 that was able to be allocated by disease (AIHW 2008d). The estimates provide a useful description of the use and costs of health services in Australia, as well as a reference source for planners and researchers interested in costs and use patterns for particular disease groups.

There are a number of points to note when using disease expenditure data. The estimates:

- are only one measure of the size of the disease burden on the community (that is, the 'size of the problem')
- are not the same as loss of health because of disease
- do not mean that the disease with the highest expenditure should necessarily be the top priority for intervention
- should not be regarded as how much would be saved if a specific or all diseases were prevented, and

- are not an estimate of the total economic impact of diseases in the Australian community. This is because the estimates do not include costs that are not accrued by the health system, such as travel costs of patients, costs associated with the social and economic burden on carers and family, and costs owing to lost quality and quantity of life.

In 2004–05, total health expenditure in Australia was $81.1 billion (AIHW 2007a). Of this, estimates for disease expenditure were able to be allocated for $52.7 billion (65%). The remaining $28.4 billion of health expenditure which could not be allocated by disease included recurrent expenditure of $23.7 billion for:

- hospital non-admitted patient services
- community health, excluding community mental health
- public health, excluding cancer screening programs
- health administration
- other health practitioner services, excluding optometry
- non-prescription medications
- patient transport services
- health aids and appliances.

It also included capital expenditure of $4.7 billion.

Which diseases have the most spent on them?

Seven broad disease groups accounted for an estimated $29,827 million, or 57% of the allocatable health expenditure in Australia in 2004–05 (Table D2). Cardiovascular disease was the most expensive disease group ($5,923 million or 11% of allocated expenditure) and oral health was the second most expensive ($5,305 million or 10%).

Different illnesses have different patterns of expenditure by type of health service. For cardiovascular diseases, musculoskeletal diseases, cancers and other neoplasms and injuries, expenditure on hospital admitted patient services accounted for a relatively high proportion of total expenditure (AIHW 2008d).

Table D2: Diseases and injury by broad groups: health system costs, by area of health expenditure, 2004–05 ($ million)

Broad groups	Admitted patient services[a]	Out-of-hospital medical services	Dental services	Prescription pharma-ceuticals[b]	Other[c]	Research	Total health expenditure allocated by disease	Proportion of total allocated expenditure
Cardiovascular	3,009	1,114	. .	1,636	. .	164	5,923	11.2
Oral health	186	22	5,064	6	. .	27	5,305	10.1
Mental disorders	1,411	543	. .	854	1,177	148	4,133	7.8
Musculoskeletal	2,003	1,178	. .	680	. .	92	3,954	7.5
Neoplasms (including cancers)	2,381	569	. .	236	222	378	3,786	7.2
Respiratory	1,477	1,049	. .	725	. .	69	3,321	6.3
Genitourinary	1,431	780	. .	111	. .	24	2,346	4.5
Digestive system	1,849	447	. .	764	. .	48	3,107	5.9
Nervous system	985	775	. .	464	218	291	2,732	5.2
Endocrine, nutritional & metabolic	448	501	. .	1,042	. .	110	2,101	4.0
Maternal conditions	1,539	117	. .	4	. .	12	1,672	3.2
Skin diseases	398	452	. .	102	. .	13	964	1.8
Infectious & parasitic	482	458	. .	199	. .	184	1,323	2.5
Injuries	2,422	845	. .	124	. .	14	3,405	6.5
Diabetes	371	288	. .	275	. .	55	989	1.9
Neonatal causes	422	21	. .	1	. .	12	456	0.9
Congenital anomalies	209	25	. .	2	. .	54	290	0.6
Signs, symptoms, ill-defined conditions and other contact with health systems[d]	3,195	2,717	. .	919	. .	22	6,853	13.0
Total	**24,221**	**11,900**	**5,064**	**8,144**	**1,616**	**1,715**	**52,660**	**100.0**
Proportion of total allocated expenditure (per cent)	**46.0**	**22.6**	**9.6**	**15.5**	**3.1**	**3.3**	**100.0**	

(a) Public and private acute hospitals, and psychiatric hospitals. Includes medical services provided to private admitted patients in hospital.

(b) Includes all pharmaceuticals for which a prescription is needed, including benefit-paid prescriptions, private prescriptions and under co-payment prescriptions.

(c) Includes optometry services, community mental health, and breast and cervical screening programs.

(d) Includes services for signs, symptoms and ill-defined conditions where cause of problem is unknown. 'Other contact with the health system' includes fertility control, reproduction and development; elective plastic surgery; general prevention, screening and health examination; and treatment and aftercare for unspecified disease.

Source: AIHW 2008d.

Appendix E: Residential aged care

Since the *Health expenditure Australia 2005–06* report (AIHW 2007a), all expenditure on high-level residential aged care previously reported as health expenditure is now included with low-level residential aged care expenditure and reported as welfare services expenditure. Some summary data on residential aged care expenditure are reported separately in Table E1; however, these numbers are not included in the total for health expenditure. Total health expenditure for previous years has been revised to exclude the high-level residential aged care expenditure that was previously included under health expenditure.

In 2006–07, recurrent expenditure on residential aged care facilities by the Australian Government, state and territory governments, and co-contribution fees paid by funded/subsidised residents was estimated at $8.1 billion (Table E1). This amount does not include expenditure on residential aged care services funded by those residents who pay the full fee out of their own pocket.

In real terms, there was a 25.4% increase in recurrent expenditure on residential aged care facilities between 1999–00 ($6.5 billion in constant prices) and 2006–07 ($8.1 billion) (Table E1).

Table E1: Residential aged care expenditure[(a)], current and constant prices[(b)], 1999–00 to 2006–07

Period	Current prices ($ million)	Constant prices ($ million)
1999–00	5,043	6,474
2000–01	5,273	6,550
2001–02	5,599	6,738
2002–03	6,010	6,996
2003–04	7,018	7,885
2004–05	7,247	7,852
2005–06	7,515	7,804
2006–07	8,118	8,118

(a) Comprises residential aged care subsidies from DVA, DoHA, state and territory governments, non-government organisations and fees from residents. Also includes payments for the Extended Aged Care in the Home program.

(b) Constant price residential aged care expenditure for 1999–00 to 2006–07 is expressed in terms of 2006–07 prices.

Source: AIHW health expenditure database.

Appendix F: Price indexes and deflation

This report uses price indexes in several ways:

- Some indexes are presented as variables of interest in their own right. For example, Table 2.5 compares the rates of health inflation with general (or economy-wide) inflation and computes a measure of 'excess health inflation'.
- Also, price indexes are used to compute constant price health expenditure aggregates (also called 'real' or 'volume' expenditures) from their current price counterparts. Computations of these kinds allow one to abstract from the effects of price change. For example, Table 2.3 and Figure 2.2 compare the growth in real health expenditure with that of real GDP over the past decade.

Price indexes

There is a wide variety of price indexes for the Australian health sector, and these may be distinguished in several ways:

- By the scope of the index—the economic variable to which the price indexes refer (such as all health expenditure, capital consumption, capital expenditure, and so on); the economic agents over which the indexes are aggregated (such as all agents, households, all government, state and territory governments, and so on); or by the segment of health services to which the indexes refer (such as all health services, medical services, pharmaceuticals, and so on).
- By the technical manner in which the indexes are constructed—such as implicit price deflators (IPDs) or directly computed indexes (base-weighted, current-weighted or symmetric indexes, chained or unchained indexes, and so on).

Different indexes are appropriate for different analytical purposes. For this report, the AIHW prefers indexes whose scope matches, say, the particular health services being analysed rather than broad-brush indexes that cover all health services. Chain indexes, which give better measures of pure price change, are preferred to, say, IPDs. But the suite of available indexes is not always ideal, and in some cases it has been necessary to resort to proxies for the preferred indexes.

Deflation and constant price expenditure aggregates

Expenditure aggregates in this report are expressed in current price terms, constant price terms or both. The transformation of a current price aggregate into its constant price counterpart is called 'deflation' and the price indexes used in this transformation are called 'deflators'. The analytical benefit of a constant price estimate (of, say, expenditure on health goods, health services or capital) lies in the fact that the effects of price change have been removed to provide a measure of the volume of the goods, services or capital.

A variety of general price indexes or price indexes specific to health might be used to deflate current price aggregates into constant price terms. These include chain price indexes, IPDs and fixed-weight indexes such as the consumer price index (CPI) or its components. For this report, deflation has been undertaken using chain price indexes and IPDs only.

The chain price indexes used in this report are annually re-weighted Laspeyres (base period weighted) chain price indexes. The indexes are calculated at a detailed level, and they provide a close approximation to measures of pure price change. In this report, the chain price indexes have been used for deflation of such expenditure aggregates as:

- institutional services and facilities that are provided by or purchased through the public sector
- capital expenditure and capital consumption.

Some other constant price aggregates in this report have been derived using IPDs, when a directly constructed chain index is not available. An IPD is an index obtained by dividing a current price value by its corresponding chain volume estimate. Thus, IPDs are implicit rather than directly computed measures of price; they are not measures of pure price change as they are affected by compositional changes. The IPD for GDP is the broadest measure of price change available in the national accounts; it provides an indication of the overall changes in the prices of goods and services produced in Australia.

Neither the CPI nor its health services subgroup is appropriate for measuring movements in overall prices of health goods and services, or for deflating macro expenditure aggregates. This is because the CPI measures movements in the prices faced by households only. The overall CPI and its components do not, for example, include government subsidies, benefit payments and non-marketed services provided by governments.

Table F1 shows the indexes used to derive constant price expenditures for this report. The following indexes are sourced from the ABS: government final consumption expenditure on hospitals and nursing homes, professional health workers wage rates, HFCE on chemist goods, gross fixed capital formation and gross domestic product. The ABS deflators use a 2005–06 base. The AIHW has re-referenced them to 2006-07 for this report. The chain price index for Medicare medical services fees charged and the IPDs for PBS pharmaceuticals, dental services, other health practitioners, aids and appliances, and the total health price index, have been derived by the AIHW.

Note, there are four deflators used in this report which were first used in *Health expenditure Australia 2005–06* (AIHW 2007a) and replace the deflators used in *Health expenditure Australia 2004–05* (AIHW 2006b). See Table 7.2 for further details.

Table F1: Total health price index and industry-wide indexes (reference year 2006–07 = 100)

Index	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
Total health price index[(a)]	72.51	74.04	75.87	77.75	80.74	83.41	86.34	89.38	93.06	96.75	100.00
Government final consumption expenditure on hospitals and nursing homes	72.88	74.20	76.23	77.94	80.51	83.09	85.89	89.01	92.28	96.26	100.00
Medicare medical services fees charged[(b)]	64.76	65.85	67.63	69.49	72.54	76.74	80.87	85.17	91.80	96.96	100.00
Dental services[(a)]	62.76	65.21	67.36	70.98	74.90	78.52	82.06	85.55	91.05	94.74	100.00
Other health practitioners[(a)]	63.59	67.96	69.71	71.89	76.59	83.80	88.82	90.90	93.53	98.05	100.00
Professional health workers wage rates	69.90	70.62	72.94	74.95	77.69	80.73	84.13	87.86	91.72	95.74	100.00
PBS pharmaceuticals[(a)]	98.08	98.31	98.86	99.04	99.18	99.24	99.33	99.41	99.57	99.78	100.00
HFCE on chemist goods	84.83	86.11	85.91	86.60	89.26	89.66	90.84	93.10	95.96	98.52	100.00
Aids and appliances[(a)]	80.27	81.48	81.29	81.94	84.46	84.83	86.89	92.93	95.35	97.90	100.00
Australian Government gross fixed capital formation	143.62	136.03	130.06	124.29	124.09	119.53	112.96	104.25	102.53	101.21	100.00
State, territory and local government gross fixed capital formation	88.76	89.34	89.73	90.21	91.67	91.28	92.05	91.86	94.09	96.90	100.00
Private gross fixed capital formation	85.35	85.25	85.94	86.43	90.43	91.41	92.09	93.26	95.80	97.66	100.00
Gross domestic product	74.00	74.94	75.00	76.55	80.24	82.54	85.02	87.97	91.25	95.53	100.00

(a) IPD, constructed by AIHW.

(b) Chain price index, constructed by AIHW.

Table F2: Growth rates for the total health price index and industry-wide indexes, 1996–97 to 2006–07 (per cent)

Index	1996–97 to 1997–98	1997–98 to 1998–99	1998–99 to 1999–00	1999–00 to 2000–01	2000–01 to 2001–02	2001–02 to 2002–03	2002–03 to 2003–04	2003–04 to 2004–05	2004–05 to 2005–06	2005–06 to 2006–07
Total health price index[a]	2.1	2.5	2.5	3.8	3.3	3.5	3.5	4.1	4.0	3.4
Government final consumption expenditure on hospitals and nursing homes	1.8	2.7	2.2	3.3	3.2	3.4	3.6	3.7	4.3	3.9
Medicare medical services fees charged[b]	1.7	2.7	2.8	4.4	5.8	5.4	5.3	7.8	5.6	3.1
Dental services[a]	3.9	3.3	5.4	5.5	4.8	4.5	4.3	6.4	4.1	5.5
Other health practitioners[a]	6.9	2.6	3.1	6.5	9.4	6.0	2.3	2.9	4.8	2.0
Professional health workers wage rates	1.0	3.3	2.8	3.7	3.9	4.2	4.4	4.4	4.4	4.4
PBS pharmaceuticals[a]	0.2	0.6	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2
HFCE on chemist goods	1.5	–0.2	0.8	3.1	0.4	1.3	2.5	3.1	2.7	1.5
Aids and appliances[a]	1.5	–0.2	0.8	3.1	0.4	2.4	6.9	2.6	2.7	2.1
Australian Government gross fixed capital formation	–5.3	–4.4	–4.4	–0.2	–3.7	–5.5	–7.7	–1.7	–1.3	–1.2
State, territory and local government gross fixed capital formation	0.7	0.4	0.5	1.6	–0.4	0.8	–0.2	2.4	3.0	3.2
Private gross fixed capital formation	–0.1	0.8	0.6	4.6	1.1	0.7	1.3	2.7	1.9	2.4
Gross domestic product	1.3	0.1	2.1	4.8	2.9	3.0	3.5	3.7	4.7	4.7

(a) IPD, constructed by AIHW.

(b) Chain price index, constructed by AIHW.

Appendix G: Capital in the Australian health sector

The following AIHW publications provide information on capital. For example:

- *Health expenditure Australia* shows time series of capital expenditure and capital consumption (depreciation). These series are derived from ABS national accounts data.
- *Australian hospital statistics* shows estimates of depreciation for public acute and psychiatric hospitals in each state and territory. These estimates are derived from public hospital establishments' data.

Those who analyse the economics of health in Australia would like integrated capital accounts—covering investment, re-evaluation of assets and depreciation. Ideally, these estimates would be dissected by segment of health, by state or territory, and by public/private sector.

Appendix H: Cross-border flows

Cross-border flows are defined as expenditures incurred by and revenues received for individual states and territories in respect of patients whose usual residence is not within the state or territory in which the expenditure is incurred. Such expenditures can result in funding transfers between the states and territories concerned. In the most recent *Australian hospital statistics 2006–07* report (AIHW 2008a) a table was included that showed a notional estimate of cross-border flows (based on Diagnosis Related Groups) between jurisdictions, for public patients, by state and territory of usual residence (see Table 7.10, p. 158 in that report).

Currently the *Health expenditure Australia* publications contain estimates of the amounts spent on the public hospitals located in each state and territory. They do not show estimates of the expenditure incurred by each state and territory government for hospital services for residents of that state or territory.

In future *Health expenditure Australia* publications it is proposed to include data on gross expenditures incurred and revenues received by individual states and territories for admitted patients whose usual residence is not within the state or territory in which the expenditure is incurred. These data would be accrual based and represent a move towards reporting on the basis of the state or territory of the usual residence of the patient. Expenditure would also continue to be reported on the basis of the state or territory where the expenditure occurred.

Appendix I: Mean resident population

The mean resident population is the population used internationally, such as by the OECD, to derive per capita GDP. By examining health expenditure on a per person basis, the influence of changes in the overall size of the population is removed from the analysis. At the national level, GDP is the main measure used to indicate the overall level of economic activity. It is also a principal measure used to assist international comparisons of the relative sizes and growth rates of different countries' health sectors. The ratio of Australia's health expenditure to GDP (health to GDP ratio) provides an indication of the proportion of overall economic activity contributed by the health sector.

The mean resident population (mean population) is calculated using quarterly estimated resident population data from the ABS according to the following formula:

$$\text{mean population} = \frac{a + 4b + 2c + 4d + e}{12}$$

where a is the population at the end of the quarter immediately preceding the 12-month period, and b, c, d and e are the populations at the end of each of the four succeeding quarters. The weights used in the formulation of the mean annual population have been derived using a mathematical technique which involves the fitting of two quadratic polynomial functions to a series of points (ABS 1997:38).

Table I1: Australian mean resident population, 1996–97 to 2006–07

Year	Population ('000)
1996–97	18,422.6
1997–98	18,617.0
1998–99	18,820.9
1999–00	19,043.9
2000–01	19,284.1
2001–02	19,536.8
2002–03	19,776.2
2003–04	20,016.2
2004–05	20,261.7
2005–06	20,551.0
2006–07	20,857.8

Sources: ABS 2008c and AIHW health expenditure database.

Table I2: Mean resident population, by state and territory, 1996–97 to 2006–07 ('000)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	6,244.0	4,580.7	3,368.1	1,781.3	1,477.7	474.3	309.1	184.5	18,422.6
1997–98	6,309.2	4,618.1	3,422.2	1,808.9	1,485.6	472.9	309.1	188.4	18,617.0
1998–99	6,376.2	4,663.1	3,474.2	1,837.1	1,493.7	471.8	310.8	191.3	18,820.9
1999–00	6,449.8	4,715.3	3,531.4	1,863.2	1,502.1	471.6	313.8	194.2	19,043.9
2000–01	6,531.0	4,774.0	3,594.4	1,888.5	1,508.4	471.5	317.1	196.5	19,284.1
2001–02	6,605.6	4,835.0	3,671.0	1,914.5	1,516.5	472.3	320.9	198.5	19,536.8
2002–03	6,652.2	4,894.1	3,763.7	1,938.8	1,526.2	475.0	324.3	199.4	19,776.2
2003–04	6,691.1	4,954.1	3,856.4	1,968.3	1,536.1	480.6	326.4	200.8	20,016.2
2004–05	6,732.1	5,016.6	3,947.0	1,999.8	1,546.4	484.7	328.6	204.1	20,261.7
2005–06	6,788.7	5,088.5	4,043.6	2,038.4	1,560.3	488.4	332.2	208.5	20,551.0
2006–07	6,854.7	5,166.0	4,135.0	2,082.4	1,576.3	491.7	336.6	212.8	20,857.8

Source: AIHW health expenditure database.

Table I3: Annual population growth, by state and territory, 1996–97 to 2006–07 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97 to 1997–98	1.0	0.8	1.6	1.5	0.5	–0.3	—	2.1	1.1
1997–98 to 1998–99	1.1	1.0	1.5	1.6	0.5	–0.2	0.6	1.5	1.1
1998–99 to 1999–00	1.2	1.1	1.6	1.4	0.6	—	0.9	1.5	1.2
1999–00 to 2000–01	1.3	1.2	1.8	1.4	0.4	—	1.1	1.2	1.3
2000–01 to 2001–02	1.1	1.3	2.1	1.4	0.5	0.2	1.2	1.0	1.3
2001–02 to 2002–03	0.7	1.2	2.5	1.3	0.6	0.6	1.0	0.4	1.2
2002–03 to 2003–04	0.6	1.2	2.5	1.5	0.6	1.2	0.6	0.7	1.2
2003–04 to 2004–05	0.6	1.3	2.4	1.6	0.7	0.9	0.7	1.6	1.2
2004–05 to 2005–06	0.8	1.4	2.4	1.9	0.9	0.8	1.1	2.2	1.4
2005–06 to 2006–07	1.0	1.5	2.3	2.2	1.0	0.7	1.3	2.0	1.5
Average annual growth rate									
1996–97 to 2001–02	1.1	1.1	1.7	1.5	0.5	–0.1	0.8	1.5	1.2
2001–02 to 2006–07	0.7	1.3	2.4	1.7	0.8	0.8	1.0	1.4	1.3
1996–97 to 2006–07	0.9	1.2	2.1	1.6	0.6	0.4	0.9	1.4	1.2

Source: AIHW health expenditure database.

Glossary

Accrual accounting	The method of accounting now most commonly used by governments in Australia. Relates expenses, revenues and accruals to the period in which they are incurred (see also *Cash accounting*).
Admitted patient	A patient who undergoes a hospital's formal admission process to receive treatment and/or care. This treatment and/or care are provided over a period of time and can occur in hospital and/or in the person's home (for hospital-in-the-home patients).
Aids and appliances	See Table 7.1.
Australian Government administered expenses	Expenses incurred by the Department of Health and Ageing in administering resources on behalf of the government to contribute to the specified outcome (for example, most grants in which the grantee has some control over how, when and to whom funds can be expended, including Public Health Outcome Funding Agreement payments and specific purpose payments to state and territory governments) (see also *Australian Government departmental expenses*).
Australian Government departmental expenses	Those expenses incurred by the Department of Health and Ageing in the production of the department's outputs. This mostly consists of the cost of employees but also includes suppliers of goods and services, particularly those where the Australian Government retains full control of how, when and to whom funds are to be provided.
Australian Government expenditure	Total expenditure actually incurred by the Australian Government on its own health programs. It does not include the funding provided by the Australian Government to the states and territories by way of grants under section 96 of the Constitution.
Australian Government funding	The sum of Australian Government expenditure and section 96 grants to states and territories. This also includes the 30% Private health insurance premium rebates.
Australian Health Care Agreements	The Australian Government, via a series of 5 year agreements, provides funding to each state and territory to support the provision of free public hospital services and some related state health services to all Australians. See Box 4 for details.
Average annual growth rate	To calculate the average annual growth rate in, for example, health expenditure between 1996–97 and 2006–07 you would apply the following formula: (($million in 2006–07/$million in 1996–97)^(1/10)–1)*100.
Benefit-paid pharmaceuticals	See Table 7.1.

Capital consumption	See Table 7.1.
Capital expenditure	See Table 7.1. This term is used in this publication to refer to what the ABS calls Gross fixed capital formation. See capital formation.
Capital formation	Gross fixed capital formation is the value of acquisitions less disposals of new or existing fixed assets. Assets consist of tangible or intangible assets that have come into existence as outputs from processes of production, and that are themselves used repeatedly or continuously in other processes of production over periods of time longer than one year. See *Australian national accounts: concepts, sources and methods* (ABS cat. no. 5216.0, November 2000) for further details.
Cash accounting	Relates receipts and payments to the period in which the cash transfer actually occurred. Does not have the capacity to reflect non-cash transactions, such as depreciation (see also *Accrual accounting*).
Chain price index	An annually re-weighted index providing a close approximation to measures of pure price change.
Community health services	See Table 7.1.
Constant prices	Constant price expenditure adjusts current prices for the effects of inflation, that is, it aims to remove the effects of inflation. Constant price estimates for expenditure aggregates have been derived using either annually re-weighted chain price indexes or implicit price deflators (IPDs). The reference year for both the chain price indexes and the IPDs is 2006–07 in this report. Constant price estimates indicate what expenditure would have been had 2006–07 prices applied in all years. Hence, expenditures in different years can be compared on a dollar for dollar basis, using this measure of changes in the volume of health goods and services.
Current prices	The term 'current prices' refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and volume.
Dental services	See Table 7.1.
Excess health inflation	The difference where the health inflation rate exceeds the general inflation rate, that is, the rate of increase in the price of goods and services in the health care sector exceeds the rate of increase in the price of goods and services in the economy as a whole.
General inflation	The increase in the general price level of goods and services in the economy.

Government Finance Statistics	Provides details of revenues, expenses, cash flows, assets and liabilities of the Australian public sector and comprises units which are owned and/or controlled by the Australian Government, state and territory governments and local governments. See ABS 2005b for further details.
Government Purpose Classification	An ABS classification that classifies current outlays, capital outlays and selected other transactions of the non-financial public sector in terms of the government purposes for which the transactions are made. See ABS 2005b for further details.
Gross domestic product (GDP)	A statistic commonly used to indicate national income. It is the total market value of goods and services produced within a given period after deducting the cost of goods and services used up in the process of production but before deducting allowances for the consumption of fixed capital.
Health administration	See Table 7.1.
Health inflation	The increase in the price level of goods and services in the health sector.
Health research	See Table 7.1.
Highly specialised drugs	Under Section 100 of the National Health Act, certain drugs can only be supplied to community patients through hospitals because only the hospitals can provide the facilities or staff necessary to oversee the appropriate use of the drugs. These drugs are funded by the Australian Government.
Household final consumption expenditure	Net expenditure on goods and services by households and by private non-profit institutions serving households.
Implicit price deflator (IPD)	An index obtained using the ratio of current price expenditure to constant price expenditure.
Individuals' out-of-pocket funding	Payments by individuals' comprised of situations where individuals meet the full cost of a good or service as well as where they share the cost of goods and services with third-party payers—for example, private health insurance funds or the Australian Government.
Injury compensation insurers	Workers' compensation and compulsory third-party motor vehicle insurers.
Inpatient	An OECD term that roughly equates with the Australian 'admitted patient' classification (see *Admitted patient*).
Institutional health	Includes expenditure on hospitals (both public and private) and patient transport services.
Jurisdictions	State, territory and local governments.

Local government	A public sector unit where the political authority underlying its function is limited to a local government area or other region within a state or territory, or the functions involve policies that are primarily of concern at the local level.
Medical durables	Therapeutic devices, such as glasses, hearing aids and wheelchairs that can be used more than once.
Medical services	See Table 7.1.
Medications	Comprises benefit-paid pharmaceuticals and other medications. See Table 7.1.
Nominal expenditure	Expenditure expressed in terms of current prices.
Non-admitted patient	Patients who receive care from a recognised non-admitted patient service/clinic of a hospital.
Non-institutional health	Includes expenditure on medical services, other health practitioners, medications (including benefit paid and all other medications), aids and appliances, community health, public health, dental services, administration, research and other non-institutional health n.e.c.
Non-specific tax expenditure	See Table 7.1.
Other health practitioner services	See Table 7.1.
Other medications	See Table 7.1.
Other non-institutional health n.e.c.	Miscellaneous expenditures that could not, at that time, be allocated to the specific 'non-institutional' health expenditure areas in the matrix. In other years, better quality of description may have allowed those types of expenditures to be more precisely allocated. The expenditure category remains in order to show those data over long time series.
Outpatient	An OECD term that roughly equates with the Australian 'non-admitted patient' classification (see above).
Over-the-counter medicines	Therapeutic medicinal preparations that can be purchased from pharmacies and supermarkets.
Over-the-counter therapeutic medical non-durables	Non-prescription therapeutic goods that tend to be single-use items, such as bandages, elastic stockings, condoms and other mechanical contraceptive devices, from pharmacies or supermarkets.
Patient transport services	See Table 7.1.
Pharmaceutical Benefits Scheme (PBS)	A national, government-funded scheme that subsidises the cost of a wide range of pharmaceutical drugs, and that covers all Australians to help them afford standard medications.

Private Health Insurance Incentives Scheme (PHIIS)	The PHIIS, which was introduced on 1 July 1997, sought to encourage more people to take out private health insurance by providing a subsidy to low-income earners who did, and a tax penalty to high-income earners who did not. Middle-income earners were not the target of this policy and as such they were neither eligible for the tax subsidy nor liable to incur a tax penalty regardless of their private health insurance status. The scheme ceased operation on 31 December 1998.
Private hospital	See Table 7.1.
Private patient	A person admitted to a private hospital, or a person admitted to a public hospital who is treated by a doctor of their own choice and/or who has private ward accommodation. This means that the patient will be charged for medical services, food and accommodation.
Public health activities	Nine types of activities undertaken or funded by the key jurisdictional health departments that address issues related to populations, rather than individuals. These activities comprise: • communicable disease control • selected health promotion • organised immunisation • environmental health • food standards and hygiene • breast cancer screening • cervical screening • prevention of hazardous and harmful drug use • public health research. These activities do not include treatment services.
Public health services	See Table 7.1.
Public hospital	See Table 7.1.
Public hospital services	See Table 7.1.
Public patient	A patient admitted to a public hospital who is treated by doctors of the hospital's choice and accepts shared ward accommodation if necessary. This means that the patient is not charged.
Purchasing power parity	This exchange rate is one which adjusts for differences in the prices of goods and services between countries. It shows how much the same good or service will cost across countries.

Real expenditure	Expenditure expressed in terms which have been adjusted for inflation (for example, in 2006–07 dollars). This enables comparisons to be made between expenditures in different years.
Rebates of health insurance premiums	There are two types of rebates of health insurance premiums. This sometimes causes confusion. The first rebate is where the 30% rebate is taken as a reduced premium payable by the individual with private health cover (with the health funds being reimbursed by the Australian Government). The second rebate is taken as an income tax rebate, where individuals with private health cover elect to claim through the tax system at the end of the financial year for the 30% rebate, having paid the health funds 100% of their premiums up front.
Recurrent expenditure	Expenditure incurred by organisations on a recurring basis, for the provision of health services. This excludes capital expenditure. In the Australian health accounts it also excludes government depreciation (capital consumption).
Repatriation Pharmaceutical Benefits Scheme (RPBS)	This scheme provides assistance to eligible veterans (with recognised war or service-related disabilities) and their dependants for both pharmaceuticals listed on the PBS and a supplementary repatriation list, at the same cost as patients entitled to the concessional payment under the PBS.
Specific-purpose payments (SPPs)	Australian Government payments to the states and territories under the provisions of section 96 of the Constitution, to be used for purposes specified in agreements between the Australian Government and individual state and territory governments. Some are conditional on states and territories incurring a specified level or proportion of expenditure from their own resources.
State and territory dental services	See Table 7.1.
Therapeutic	Having to do with the treating or curing of a disease.
Total health price index	The ratio of total health expenditure in current prices to total health expenditure in chain volume terms.

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