

# **Health expenditure Australia 2003–04**

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# **Health expenditure Australia**

## **2003–04**

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### **Australian Institute of Health and Welfare**

Board Chair

Hon. Peter Collins, AM, QC

Director

Dr Richard Madden

Any enquiries about or comments on this publication should be directed to:

Lindy Ingham

Australian Institute of Health and Welfare

GPO Box 570

Canberra ACT 2601

Phone: (02) 6244 1143

E-mail: [expenditure@aihw.gov.au](mailto:expenditure@aihw.gov.au)

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# Preface

In 2003–04, Australia's health expenditure totalled \$78.6 billion, representing 9.7% of gross domestic product (GDP). This compares with 8.3% of GDP in 1993–94. 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 rational discussion about resource allocation.

Regular reporting of national health expenditure statistics is vital to understanding Australia's health system. Such statistics show the volume and proportion of economic resources allocated to the production and consumption of health goods and services, which in turn contribute to the health and wellbeing of the nation. Reporting of health expenditure involves estimates of the overall level of health expenditure as well as expenditure on the different components of the health care system. It also involves identification of the sources of funding for that expenditure.

*Health Expenditure Australia 2003–04* 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 preliminary estimates for Australia for the year 2003–04, and time series data covering the period from 1993–94. It also provides detailed matrices of health expenditure at the national level for the years 2000–01 to 2003–04 and for each of the states and territories for the years 2000–01 to 2002–03 only. All previously published and revised matrices are now available on the Institute's website (<http://www.aihw.gov.au/expenditure/health>).

As was the case in the 2002–03 publication, there have been some revisions to previously published estimates of health expenditure, due to receipt of additional or revised data. Comparisons over time should, therefore, be based on information provided in this publication, rather than by reference to earlier editions. In particular, users should exercise caution when using the preliminary estimates as they are subject to change when more complete data are received from data suppliers.

Richard Madden  
Director  
Australian Institute of Health and Welfare

# Abbreviations and symbols

ABS	Australian Bureau of Statistics
AHCA	Australian Health Care Agreement
AIHW	Australian Institute of Health and Welfare
APNHAN	Asia–Pacific National Health Accounts Network
CPI	Consumer price index
DoHA	Australian Government Department of Health and Ageing
DVA	Australian Government Department of Veterans’ Affairs
FCE	Final consumption expenditure
GDP	Gross domestic product
HEAC	Health Expenditure Advisory Committee
HFCE	Household final consumption expenditure
IPD	Implicit price deflator
NHA	National Health Accounts
OECD	Organisation for Economic Co-operation and Development
PBS	Pharmaceutical Benefits Scheme
PHIIS	Private Health Insurance Incentives Subsidy
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
n.a.	not available
..	not applicable
nec	not elsewhere classified
—	nil or rounded down to zero

# 1 Background and summary

## 1.1 Background

This publication reports on health expenditure in Australia, by area of expenditure and source of funds from 1993–94 to 2002–03. It also provides detailed preliminary estimates for 2003–04 at the national level and some selected estimates at the state and territory level. Expenditure is analysed in terms of who provides the funding for health care and what types of services attract that funding.

The bulk of funding for health expenditure is provided by the Australian Government and the state and territory governments. Therefore, as well as consideration of the whole period from 1993–94 to 2003–04, analyses of trends in expenditure have been linked to the periods covered by the major health care funding agreements between these two levels of government. These are:

- from 1993–94 to 1997–98
- from 1997–98 to 2002–03.

Australia is compared with other member countries of the Organisation for Economic Co-operation and Development (OECD). Some limited comparisons with other countries in the Asia–Pacific region are also presented.

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, wherever possible, chain price indexes provided by the Australian Bureau of Statistics (ABS). Where such chain price indexes are not available, implicit price deflators are used. Because the reference year for both the chain price indexes and the implicit price deflators is 2002–03, the constant price estimates indicate what expenditure would have been had 2002–03 prices applied in all years.

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 with reference to the implicit price deflator for gross domestic product (GDP).

Some expenditure estimates for 1997–98 to 2001–02 have been revised since the publication of *Health Expenditure Australia 2002–03*: these are detailed in Section 6.6.

## 1.2 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 an important role. All of these levels of government collectively are called the public 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). Figure 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 professionals (such as physiotherapists, acupuncturists and podiatrists) and pharmaceutical retailers. Delivery of health care can occur in a diverse range of settings—hospitals, residential care facilities, hospices, rehabilitation centres, community health centres, health clinics, ambulatory care services, the private consulting rooms of health professionals, patients' homes or workplaces, and so on.

In summary, the following are the main features of Australia's health system:

- Universal access to benefits for privately provided medical services under Medicare, which are funded by the Australian Government, with co-payments by users where the services are patient-billed.
- Eligibility for public hospital services, free at the point of service, funded approximately equally by the states and territories and the Australian Government.
- Growing private hospital activity, largely funded by private health insurance, which in turn is subsidised by the Australian Government through its rebates on members' contributions to private health insurance.
- The Australian Government, through its Pharmaceutical Benefits Scheme (PBS), subsidises a wide range of drugs and medicinal preparations outside public hospitals.
- The Australian Government provides most of the funding for high-level residential care and for health research. It also directly funds a wide range of services for eligible veterans.
- State and territory health authorities are primarily responsible for the operations of the public hospital networks, 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 pharmaceuticals, dental services, aids and appliances, medical services and other professional services.



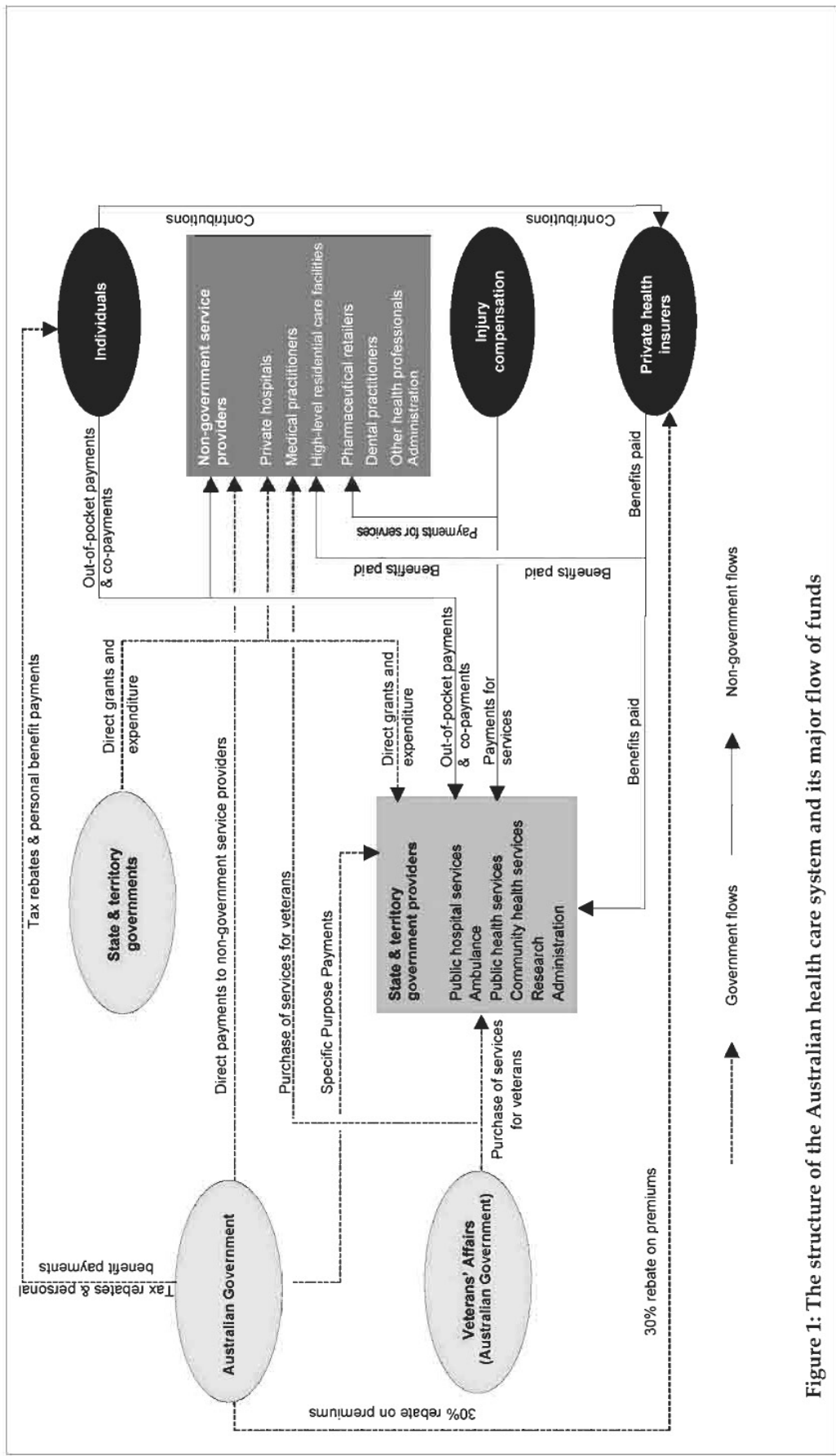


Figure 1: The structure of the Australian health care system and its major flow of funds

## 1.3 Summary of findings

- Total health expenditure in Australia was an estimated \$78.6 billion in 2003–04 (Table 1). This is equivalent to \$3,931 per person (Table 5).
- Health expenditure as a proportion of GDP was estimated at 9.7% in 2003–04, up from 9.6% (\$72.5 billion) in 2002–03 (Table 2).
- Governments funded 68.0% of health expenditure in Australia in 2003–04 (Table 12), while the non-government sector funded 32.0%, an increase of 0.8 percentage points above the proportion in 2002–03.
- Average real growth in funding by individuals (out-of-pocket expenditures) between 1993–94 and 2003–04 was 5.4% per year, 0.8 percentage points above the real growth in health expenditure (4.6%) per year over the period (Tables 1 and 20).
- In 2003–04, \$2.5 billion of health expenditure was funded by the Australian Government through its health insurance rebates (Table 18).
- Real growth in expenditure on health averaged 4.6% between 1993–94 and 2003–04, with the highest annual growth (7.6%) occurring in 2000–01 (Table 1).
- Real expenditure on pharmaceuticals grew rapidly (11.7% annually from 1997–98 to 2002–03), with growth peaking at 16.9% in 2000–01 (Table 16).
- Health prices increased, on average, 0.8% per year more rapidly than the general inflation rate between 1993–94 and 2003–04 (Table 4).
- Excess health inflation was around 1.0% from 2000–01 to 2002–03, after experiencing a decline of 1.3% in 2000–01 (Table 4).

## 1.4 Revisions to ABS estimates

Revisions to ABS estimates of GDP, household final consumption expenditure (HFCE) and Government finance statistics have affected the estimates in this publication, as in previous issues.

GDP estimates for this publication are sourced from the ABS (ABS 2005). The current price GDP estimates in that ABS publication are lower than those published in *Health Expenditure Australia 2002–03*, except for 2002–03 (which is higher than was published). For instance, the 2002–03 current price estimate of GDP was revised up in the June quarter 2005 publication by \$2.0 billion, compared with the published number used in *Health Expenditure Australia 2002–03*. This resulted in a marginal increase in the proportion of GDP spent on health goods and services (the health–GDP ratio) for that year from 9.5% to 9.6%.

Estimated total HFCE has been revised down since the publication of *Health Expenditure Australia 2002–03*. The major revision related to HFCE for medicines, aids and appliances; it was revised down by \$226 million in 2000–01, \$519 million in 2001–02 and \$748 million in 2002–03. This was offset to some extent by the combined upward revision in HFCE for doctors and other health professionals, and HFCE for hospitals and nursing homes (\$253 million in 2001–02 and \$194 million in 2002–03).

ABS estimates of capital formation have been revised downwards since *Health Expenditure Australia 2002–03*. This is the result of an ongoing review of all accrual time series by the

ABS, in consultation with the state Treasuries. Accrual reporting is now established in all jurisdictions and improvements in the quality of the time series data have resulted in some changes to these series. Further revisions are expected progressively over the next year.

## 2 Total health expenditure

Total expenditure on health goods and services, health-related services and capital formation in Australia in 2003–04 was estimated at \$78.6 billion (Table 1). This was an increase of \$6.1 billion over the previous year. Most of this increase between 2002–03 and 2003–04 was in six areas of expenditure (Tables A3 and A4):

- hospitals—up \$1.9 billion
- medical services—up \$1.0 billion
- pharmaceuticals—up \$0.9 billion
- other professional services— up \$0.6 billion
- high-level residential care—up \$0.4 billion
- dental services—up \$0.3 billion.

After allowing for inflation, real growth between 2002–03 and 2003–04 was estimated at 4.5%. This was 0.1 percentage points below the average since 1993–94 (4.6%), and 0.6 percentage points below the 5-year average between 1997–98 and 2002–03 (5.1%) (Table 1).

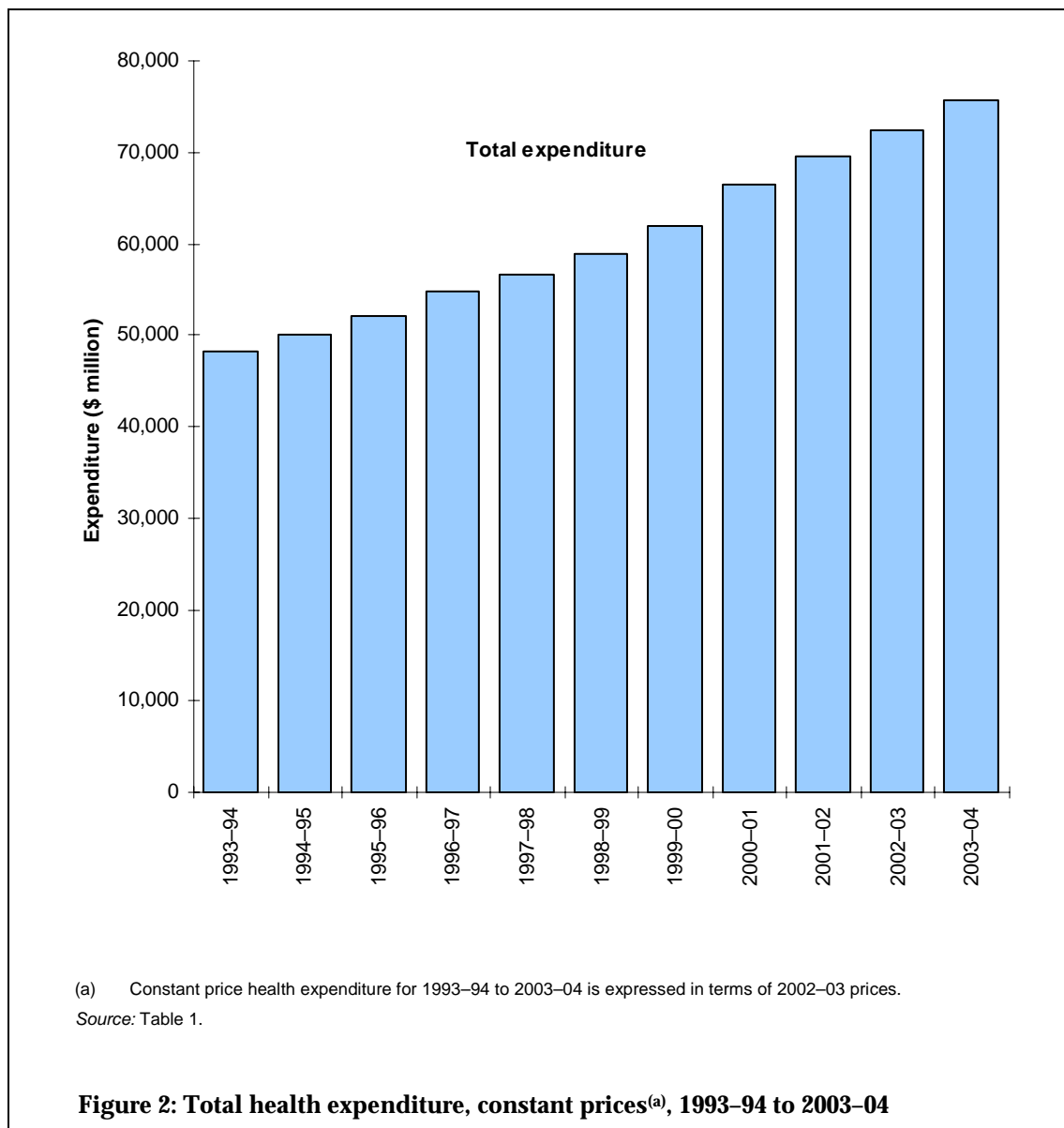
**Table 1: Total health expenditure, current and constant prices<sup>(a)</sup>, and annual growth rates, 1993–94 to 2003–04**

Year	Amount (\$ million)		Growth rate over previous year (%)	
	Current	Constant	Current	Constant
1993–94	36,990	48,112	..	..
1994–95	39,216	49,973	6.0	3.9
1995–96	42,082	52,089	7.3	4.2
1996–97	45,296	54,752	7.6	5.1
1997–98	48,288	56,615	6.6	3.4
1998–99	51,440	58,918	6.5	4.1
1999–00	55,255	61,857	7.4	5.0
2000–01	61,635	66,542	11.5	7.6
2001–02	66,769	69,507	8.3	4.5
2002–03	72,452	72,452	8.5	4.2
2003–04 <sup>(b)</sup>	78,598	75,695	8.5	4.5
<b>Average annual growth rate</b>				
1993–94 to 1997–98			6.9	4.2
1997–98 to 2002–03			8.5	5.1
1993–94 to 2003–04			7.8	4.6

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

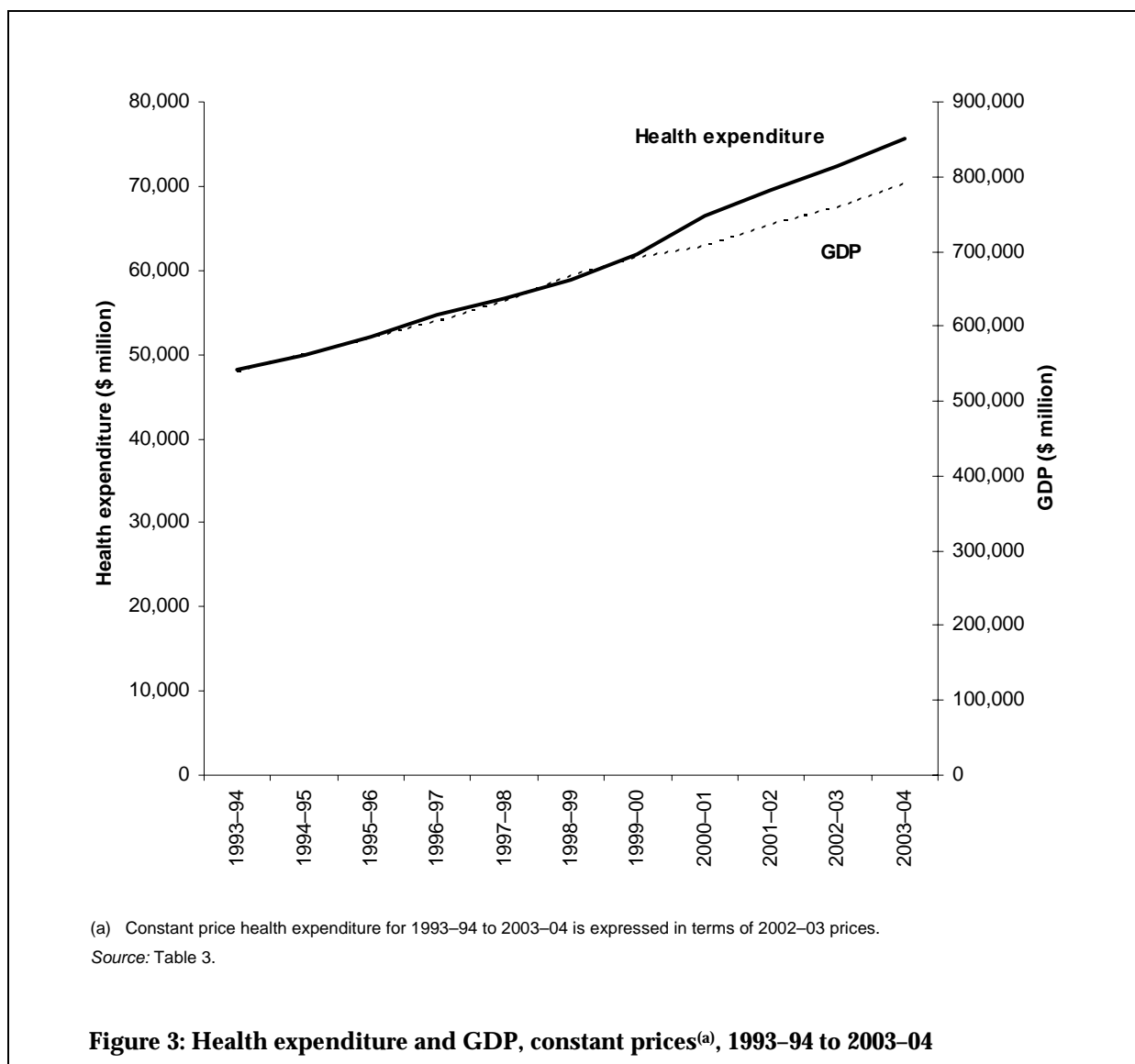
(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.



## 2.1 Health expenditure and the general level of economic activity

Both GDP and health expenditure grew in every year from 1993-94 to 2003-04 (Table 3 and Figure 3). Over the period 1993-94 to 1997-98 health expenditure and GDP grew, in real terms, at the same rate (4.2%). However, real health expenditure has grown more strongly than real GDP in every year since 1999-00.



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, and this is discussed in Chapter 5. The ratio of Australia's health expenditure to GDP (health-GDP ratio) provides an indication of the proportion of overall economic activity contributed by the health sector. It is estimated that spending on health accounted for 9.7% of GDP in 2003-04 —up from 9.6% in the previous year and from 8.3% in 1993-94 (Table 2).

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

- the level of use of goods and services in health can grow at a different rate from the growth in the use of all goods and services in the economy (a quantity effect)
- price changes in the health sector can differ from economy-wide price changes—excess health inflation (a price effect).

**Table 2: Total health expenditure and GDP, current prices, and annual growth rates, 1993–94 to 2003–04**

Year	Total health expenditure		GDP		Ratio of health expenditure to GDP (%)
	Amount (\$ million)	Nominal growth rate (%)	Amount (\$ million)	Nominal growth rate (%)	
1993–94	36,990	..	446,307	..	8.3
1994–95	39,216	6.0	470,168	5.3	8.3
1995–96	42,082	7.3	501,257	6.6	8.4
1996–97	45,296	7.6	527,994	5.3	8.6
1997–98	48,288	6.6	559,139	5.9	8.6
1998–99	51,440	6.5	589,597	5.4	8.7
1999–00	55,255	7.4	623,461	5.7	8.9
2000–01	61,635	11.5	668,426	7.2	9.2
2001–02	66,769	8.3	713,229	6.7	9.4
2002–03	72,452	8.5	758,147	6.3	9.6
2003–04 <sup>(a)</sup>	78,598	8.5	811,643	7.1	9.7
<b>Average annual growth rate</b>					
		6.9		5.8	
		8.5		6.3	
		7.8		6.2	

(a) Based on preliminary AIHW and ABS estimates.

Sources: AIHW health expenditure database and ABS 2005.

The general trend in the health–GDP ratio was a gradual increase over the 11-year period. The largest increase occurred in 2000–01, when the ratio grew by 0.3 percentage points (Table 2), the increase being largely due to volume effects (see Table 3). Between 1999–00 and 2000–01, real growth in expenditure on other professional services, aids and appliances, community health, research and benefit-paid pharmaceuticals accelerated (Table A5).

From 1997–98 to 2002–03, real health expenditure growth averaged 5.1% per year, compared with a real GDP growth rate of 3.7% (Table 3), while average excess health inflation was 0.7% (Table 4).

Preliminary estimates for 2003–04 indicate a continued increase in health–GDP ratio of 0.1 percentage points due to both volume and price effects (Table 2). Real health and real GDP expenditure increased respectively by 4.5% and 4.0% (Table 3); a positive (0.9%) excess health inflation figure contributed to nominal growth (Table 4).

**Table 3: Total health expenditure and GDP, constant prices<sup>(a)</sup>, and annual growth rates, 1993–94 to 2003–04**

Year	Total health expenditure		GDP	
	Amount (\$m)	Growth rate (%)	Amount (\$m)	Growth rate (%)
1993–94	48,112	..	538,345	..
1994–95	49,973	3.9	561,020	4.2
1995–96	52,089	4.2	584,108	4.1
1996–97	54,752	5.1	606,304	3.8
1997–98	56,615	3.4	633,587	4.5
1998–99	58,918	4.1	667,168	5.3
1999–00	61,857	5.0	692,521	3.8
2000–01	66,542	7.6	707,063	2.1
2001–02	69,507	4.5	734,639	3.9
2002–03	72,452	4.2	758,147	3.2
2003–04 <sup>(b)</sup>	75,695	4.5	788,473	4.0
<b>Average annual growth rate</b>				
1993–94 to 1997–98		4.2		4.2
1997–98 to 2002–03		5.1		3.7
1993–94 to 2003–04		4.6		3.9

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Based on preliminary AIHW and ABS estimates.

Sources: AIHW health expenditure database and ABS 2005.

**Table 4: Annual rates of health inflation, 1993–94 to 2003–04 (per cent)**

Period	Health inflation	General inflation <sup>(a)</sup>	Excess health inflation
1993–94 to 1994–95	2.1	1.1	1.0
1994–95 to 1995–96	3.0	2.4	0.5
1995–96 to 1996–97	2.4	1.5	0.9
1996–97 to 1997–98	3.1	1.3	1.7
1997–98 to 1998–99	2.4	0.1	2.2
1998–99 to 1999–00	2.3	1.9	0.4
1999–00 to 2000–01	3.7	5.0	-1.3
2000–01 to 2001–02	3.7	2.7	1.0
2001–02 to 2002–03	4.1	3.0	1.1
2002–03 to 2003–04	3.8	2.9	0.9
<b>Average annual rates of inflation</b>			
1993–94 to 1997–98	2.6	1.6	1.0
1997–98 to 2002–03	3.2	2.5	0.7
1993–94 to 2003–04	3.1	2.2	0.8

(a) Based on the implicit price deflator for GDP.

Note: Components may not add due to rounding.

Sources: AIHW health expenditure database and ABS 2005.



## **Health inflation**

As mentioned previously, 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-GDP ratio. The general level of inflation is measured by reference to the implicit price deflator for GDP, and health inflation is indicated by reference to the total health price index (see Table 4). Australia's health inflation has tended to move ahead of the general level of inflation in most years.

Between 1993-94 and 2003-04, the average rate of general inflation was 2.2% per year (Table 4). Health inflation during that period averaged 3.1% per year, giving an excess health inflation rate of 0.8% per year. In the last four years (1999-00 to 2002-03), health inflation was higher (3.7%, 3.7%, 4.1% and 3.8%, respectively) than at any other time during the period since 1993-94.

## **2.2 Health expenditure per person**

As the population grows, it could be anticipated that health expenditure must also increase, to maintain the average level of 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 2003-04, estimated per person health expenditure averaged \$3,931 (Table 5).

Real growth in per person health expenditure between 1993-94 and 2003-04 averaged 3.4% per year, compared with 4.6% for aggregate national health expenditure (Tables 3 and 5).

The difference between these two growth rates is the result of growth in the overall size of the Australian population.

**Table 5: Average health expenditure per person<sup>(a)</sup>, current and constant prices<sup>(b)</sup>, and annual growth rates, 1993–94 to 2003–04**

Year	Amount (\$)		Growth rate over previous year (%)	
	Current	Constant	Current	Constant
1993–94	2,082	2,708	..	..
1994–95	2,183	2,782	4.9	2.7
1995–96	2,313	2,863	5.9	2.9
1996–97	2,459	2,972	6.3	3.8
1997–98	2,594	3,041	5.5	2.3
1998–99	2,733	3,130	5.4	2.9
1999–00	2,901	3,248	6.2	3.8
2000–01	3,196	3,451	10.2	6.2
2001–02	3,418	3,559	7.0	3.1
2002–03	3,667	3,667	7.3	3.0
2003–04 <sup>(c)</sup>	3,931	3,785	7.2	3.2
<b>Average annual growth rate</b>				
1993–94 to 1997–98			5.6	2.9
1997–98 to 2002–03			7.2	3.8
1993–94 to 2003–04			6.6	3.4

(a) Based on annual mean resident population.

(b) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(c) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

## 2.3 Total health expenditure, by state and territory

As well as being affected by national priorities, health expenditure in Australia is influenced by the different health policy initiatives pursued by the state and territory governments. Consequently, while expenditure broadly aligns with the spread of the population, there are differences between the states and territories in the way health expenditure is distributed. Further, there are changes in average expenditures because of different socioeconomic and demographic profiles, and the mix of public and private providers in the states and territories.

Disaggregation of total health expenditure on a state and territory basis has been undertaken since 1996–97. This has enabled some limited comparison of expenditure patterns over time for each of the states and territories. It is estimated that, during 2003–04, 59.8% (\$47.0 billion) of total national health expenditure was incurred in the two most populous states, New South Wales (\$26.5 billion) and Victoria (\$20.5 billion) (Table 6). These two states account for 58.3% of the total Australian population.

**Table 6: Total health expenditure, current prices, by state and territory, 1996–97 to 2003–04 (\$ million)**

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	15,679	11,310	8,242	3,963	3,550	1,308	764	480	45,296
1997–98	16,551	11,979	8,822	4,561	3,753	1,264	828	530	48,288
1998–99	17,740	12,761	9,368	4,834	3,968	1,321	893	556	51,440
1999–00	18,701	13,654	10,378	5,127	4,438	1,363	971	623	55,255
2000–01	20,708	15,453	11,722	5,689	4,824	1,489	1,060	690	61,635
2001–02	22,428	17,288	12,197	6,092	5,153	1,722	1,165	725	66,769
2002–03	24,291	19,063	12,975	6,640	5,697	1,661	1,278	845	72,452
2003–04 <sup>(a)</sup>	26,471	20,514	14,192	7,183	6,139	1,782	1,407	910	78,598

(a) Based on preliminary AIHW and ABS estimates.

Note: Components may not add due to rounding.

Source: AIHW health expenditure database.

**Table 7: Total health expenditure, constant prices<sup>(a)</sup>, by state and territory, 1996–97 to 2003–04 (\$ million)**

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	19,066	13,854	9,883	4,702	4,191	1,562	927	567	54,752
1997–98	19,438	14,267	10,262	5,254	4,336	1,478	966	615	56,615
1998–99	20,317	14,821	10,731	5,421	4,486	1,486	1,024	632	58,918
1999–00	20,882	15,491	11,602	5,658	4,931	1,511	1,090	691	61,857
2000–01	22,295	16,814	12,681	6,075	5,189	1,601	1,149	739	66,542
2001–02	23,293	18,052	12,751	6,302	5,352	1,790	1,213	755	69,507
2002–03	24,291	19,063	12,975	6,640	5,697	1,661	1,278	845	72,452
2003–04 <sup>(b)</sup>	25,455	19,720	13,688	6,943	5,942	1,721	1,350	876	75,695

(a) Constant price health expenditure for 1996–97 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Based on preliminary AIHW and ABS estimates.

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

Source: AIHW health expenditure database.

**Table 8: Average health expenditure per person<sup>(a)</sup>, current prices, by state and territory, 1996–97 to 2003–04 (\$)**

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	2,511	2,469	2,447	2,225	2,402	2,758	2,473	2,603	2,459
1997–98	2,623	2,594	2,578	2,522	2,526	2,672	2,680	2,811	2,594
1998–99	2,782	2,737	2,696	2,631	2,656	2,800	2,874	2,908	2,733
1999–00	2,899	2,896	2,939	2,752	2,955	2,891	3,094	3,210	2,901
2000–01	3,171	3,237	3,261	3,012	3,198	3,157	3,342	3,512	3,196
2001–02	3,394	3,578	3,324	3,183	3,401	3,647	3,635	3,660	3,418
2002–03	3,648	3,902	3,453	3,429	3,742	3,500	3,962	4,264	3,667
2003–04 <sup>(b)</sup>	3,946	4,150	3,693	3,652	4,011	3,712	4,351	4,571	3,931

(a) Based on annual mean resident population.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

On a per person basis, in 2003–04 the estimated national average level of expenditure on health was \$3,931. Western Australia (\$3,652) had the lowest average level of expenditure while the Northern Territory (\$4,571) had the highest (Table 8).

**Table 9: Annual growth in health expenditure per person<sup>(a)</sup>, constant prices<sup>(b)</sup>, all sources of funding, by state and territory, 1996–97 to 2003–04 (per cent)**

Period	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97 to 1997–98	0.9	2.1	2.2	10.0	2.9	-5.1	4.2	6.1	2.3
1997–98 to 1998–99	3.4	2.9	3.0	1.6	2.9	0.8	5.4	1.2	2.9
1998–99 to 1999–00	1.6	3.4	6.4	2.9	9.3	1.7	5.5	7.8	3.8
1999–00 to 2000–01	5.4	7.2	7.4	5.9	4.8	6.0	4.3	5.6	6.2
2000–01 to 2001–02	3.3	6.1	-1.5	2.4	2.7	11.7	4.5	1.3	3.1
2001–02 to 2002–03	3.5	4.5	-0.6	4.1	5.9	-7.7	4.7	12.0	3.0
2002–03 to 2003–04 <sup>(c)</sup>	4.0	2.2	3.2	2.9	3.7	2.4	5.3	3.2	3.2
<b>Average annual growth rate</b>									
1996–97 to 2003–04 <sup>(c)</sup>	3.2	4.0	2.8	4.2	4.6	1.2	4.8	5.3	3.5
1997–98 to 2002–03 <sup>(d)</sup>	3.4	4.8	2.9	3.4	5.1	2.3	4.9	5.5	3.8

(a) Based on annual mean resident population.

(b) Constant price health expenditure for 1996–97 to 2003–04 is expressed in terms of 2002–03 prices.

(c) Based on preliminary AIHW and ABS estimates.

(d) AHCA period.

Source: AIHW health expenditure database.

During the period covered by the first set of Australian Health Care Agreements (AHCAs) between the Australian Government and the states and territories, that is, from the end of the 1997–98 fiscal year to 2002–03, four states and territories recorded real average annual growth rates per person that were above the national average of 3.8%— Northern Territory (5.5%), South Australia (5.1%), Australian Capital Territory (4.9%) and Victoria (4.8%). Western Australia (3.4%), New South Wales (3.4%), Queensland (2.9%) and Tasmania (2.3%) had growth rates below the national average (Table 9).

**Table 10: Average annual growth in health expenditure, constant prices<sup>(a)</sup>, by state and territory, by area of expenditure, 1996–97 to 2002–03 (per cent)**

Area of expenditure	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
Hospitals	2.3	4.5	3.7	5.5	3.4	0.8	3.9	4.9	3.5
Public (non-psychiatric)	2.8	6.7	4.6	5.0	3.6	1.8	3.8	5.0	4.4
Public (psychiatric)	-2.5	16.3	-3.9	5.0	4.3	9.0	..	..	0.1
Private	1.2	-1.3	2.5	6.6	2.5	-2.2	4.3	4.6	1.4
High-level residential care	0.9	4.4	5.3	4.6	4.8	0.4	12.4	0.2	3.2
Ambulance	6.6	11.9	10.9	7.5	21.0	0.7	10.5	43.8	10.6
<i>Total institutional</i>	2.2	4.7	4.2	5.4	4.2	0.7	4.8	6.5	3.7
Medical services	2.7	2.6	2.9	3.5	2.7	1.7	0.6	2.9	2.7
Other health professionals	3.2	3.3	3.3	0.6	2.4	4.4	1.5	11.1	3.1
Pharmaceuticals	11.7	10.8	10.4	9.9	11.6	10.2	12.4	14.4	11.0
Benefit-paid items	9.7	11.1	11.7	12.1	10.7	10.1	12.5	17.6	10.8
All other items	15.7	10.4	8.6	6.9	13.5	10.5	12.2	10.9	11.5
Aids and appliances	16.4	11.3	9.5	7.5	14.2	10.5	5.2	7.3	12.1
Dental services	2.3	4.1	4.6	12.7	3.6	5.2	6.0	14.1	4.4
Community health, public health, administration, research and other non-institutional	8.3	10.7	5.8	5.8	10.5	-5.8	10.4	6.2	7.7
<i>Total non-institutional</i>	6.2	6.5	5.8	6.5	7.0	2.3	6.4	7.2	6.2
<b>Total recurrent</b>	<b>4.3</b>	<b>5.7</b>	<b>5.1</b>	<b>6.0</b>	<b>5.7</b>	<b>1.6</b>	<b>5.7</b>	<b>6.9</b>	<b>5.1</b>
Capital outlays	-2.9	-7.8	-9.2	-0.3	-5.7	-29.5	1.5	1.2	-5.9
Capital consumption	7.5	18.4	15.4	11.1	7.3	3.8	-4.7	16.3	11.3
<b>Total capital</b>	<b>0.1</b>	<b>-1.6</b>	<b>-2.6</b>	<b>3.5</b>	<b>-2.6</b>	<b>-17.8</b>	<b>-0.9</b>	<b>7.0</b>	<b>-1.2</b>
<b>Direct health expenditure</b>	<b>4.1</b>	<b>5.5</b>	<b>4.6</b>	<b>5.9</b>	<b>5.3</b>	<b>1.0</b>	<b>5.5</b>	<b>6.9</b>	<b>4.8</b>

(a) Constant price health expenditure for 1996–97 to 2003–04 is expressed in terms of 2002–03 prices.

Source: AIHW health expenditure database.

The state-based health expenditure data include estimates of expenditure that has 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 estimates of expenditure within a state are not limited to those areas of responsibility of state and territory governments.

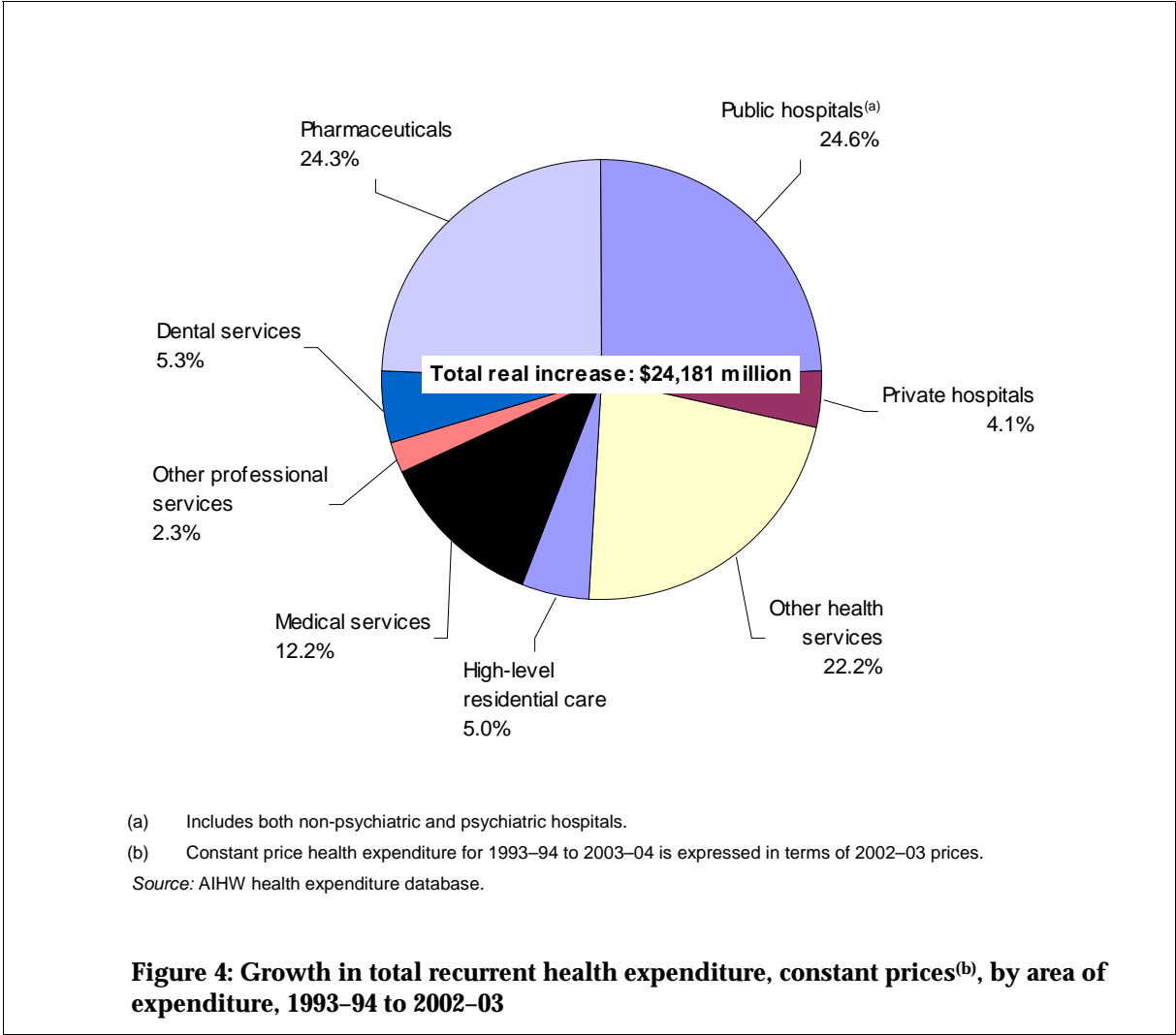
Average annual real growth in total health expenditure over the period 1996–97 to 2002–03 was highest in Northern Territory (6.9%) and lowest in Tasmania (1.0%). The national average for that period was 4.8% (Table 10). These differences largely reflect trends in expenditure on hospitals, ambulance and other health professionals in those states.

To the greatest extent possible, the Australian Institute of Health and Welfare (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.

The work of the Health Expenditure Advisory Committee (HEAC) (see Chapter 6) will, over time, further enhance the quality and comparability of health expenditure data reported in the *Health Expenditure Australia* publications.

## 2.4 Sources of growth in real health expenditure

Expenditure on hospitals accounted for the largest proportion of real growth in recurrent health expenditure between 1993–94 and 2002–03 (28.7%) (Figure 4)—public hospitals (24.6%) and private hospitals (4.1%). Another quarter of the growth over this period came from pharmaceuticals (24.3%), and expenditure on medical services contributed a further 12.2% of growth. Together, these three areas of expenditure accounted for 65.2% of the growth in expenditure during the decade; accordingly, their combined expenditure as a percentage of GDP rose from 5.3% in 1993–94 to 6.1% in 2002–03.



## 2.5 Sources of nominal growth in health expenditure

The nominal growth in health expenditure can be analysed in terms of population growth, inflation and real increase in expenditure per person (or utilisation). 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, and general economic and social conditions.

While it is difficult to precisely quantify the various interrelated effects, it is estimated that of the 111.9% of nominal health expenditure growth between 1993–94 and 2003–04, 39.4% was due to inflation; 12.6% due to population growth and 35.0% to the increase in real expenditure per person (Appendix A tables). The balance is due to the interaction between these elements of growth.

# 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 will 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 2003–04, government funding of health expenditure was \$53.5 billion, compared with \$25.1 billion for non-government sources (Table 11).

In the decade to 2003–04, funding of health expenditure by governments in Australia grew at a higher average annual real rate (5.6%) than did total expenditure on health funded from all sources, which averaged 4.6% per year (Table 17).

As a consequence, the contribution of governments to the funding of total health expenditure increased from 66.4% in 1993–94 to 68.0% in 2003–04 (Table 12). However, between 2002–03 and 2003–04, the government contribution decreased by 0.8 percentage points, from 68.8% in 2002–03. The non-government contribution correspondingly rose from 31.2% to 32.0%.

**Table 11: Total health expenditure, current prices, by broad source of funds, 1993–94 to 2003–04 (\$ million)**

Year	Government			Non-government <sup>(a)</sup>	Total
	Australian Government <sup>(a)</sup>	State/territory and local	Total		
1993–94	16,683	7,868	24,550	12,440	36,990
1994–95	17,551	8,460	26,010	13,205	39,216
1995–96	19,005	9,260	28,265	13,817	42,082
1996–97	19,809	10,391	30,200	15,096	45,296
1997–98	21,450	11,502	32,952	15,336	48,288
1998–99	23,693	11,291	34,984	16,456	51,440
1999–00	26,046	12,672	38,717	16,538	55,255
2000–01	28,826	13,970	42,795	18,840	61,635
2001–02	30,818	14,845	45,662	21,107	66,769
2002–03	33,467	16,352	49,819	22,632	72,452
2003–04 <sup>(b)</sup>	35,729	17,731	53,459	25,139	78,598

(a) Expenditure has been adjusted for tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

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

Source: AIHW health expenditure database.



**Table 12: Total health expenditure, current prices, by broad source of funds, as a proportion of total health expenditure, 1993–94 to 2003–04 (per cent)**

Year	Government			Non-government <sup>(a)</sup>	Total
	Australian Government <sup>(a)</sup>	State/territory and local	Total		
1993–94	45.1	21.3	66.4	33.6	100.0
1994–95	44.8	21.6	66.3	33.7	100.0
1995–96	45.2	22.0	67.2	32.8	100.0
1996–97	43.7	22.9	66.7	33.3	100.0
1997–98	44.4	23.8	68.2	31.8	100.0
1998–99	46.1	21.9	68.0	32.0	100.0
1999–00	47.1	22.9	70.1	29.9	100.0
2000–01	46.8	22.7	69.4	30.6	100.0
2001–02	46.2	22.2	68.4	31.6	100.0
2002–03	46.2	22.6	68.8	31.2	100.0
2003–04 <sup>(b)</sup>	45.5	22.6	68.0	32.0	100.0

(a) Expenditure has been adjusted for tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

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

Source: AIHW health expenditure database.

**Table 13: Total health expenditure, by broad source of funds, as a proportion of GDP, 1993–94 to 2003–04 (per cent)**

Year	Government			Non-government <sup>(a)</sup>	Total
	Australian Government <sup>(a)</sup>	State/territory and local	Total		
1993–94	3.7	1.8	5.5	2.8	8.3
1994–95	3.7	1.8	5.5	2.8	8.3
1995–96	3.8	1.8	5.6	2.8	8.4
1996–97	3.8	2.0	5.7	2.9	8.6
1997–98	3.8	2.1	5.9	2.7	8.6
1998–99	4.0	1.9	5.9	2.8	8.7
1999–00	4.2	2.0	6.2	2.7	8.9
2000–01	4.3	2.1	6.4	2.8	9.2
2001–02	4.3	2.1	6.4	3.0	9.4
2002–03	4.4	2.2	6.6	3.0	9.6
2003–04 <sup>(b)</sup>	4.4	2.2	6.6	3.1	9.7

(a) Expenditure has been adjusted for tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

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

Sources: AIHW health expenditure database and ABS 2005.

Funding can also be expressed as a ratio of health expenditure to GDP. Over the decade from 1993–94 to 2003–04, the Australian Government increased its share from 3.7% to 4.4%. For

state and territory and local governments, the ratio fluctuated around 2.0%, while non-government sources increased their share of GDP, from 2.8% to 3.1% (Table 13).

## **Total recurrent funding**

Recurrent expenditure makes up around 95% of total health expenditure in Australia. Consequently, changes in recurrent health expenditure constitute the bulk of changes in total health expenditure in any period.

In real terms, recurrent funding of health grew by an average of 4.8% a year from 1993–94 to 2003–04 (Table 16). The government sector's recurrent funding grew by 5.6% per year, while non-government recurrent funding grew by 3.3% (Tables 14 and 15). These growth rates are similar to those for total government (5.6%) and total non-government funding (2.8%) of health (Table 17).

Pharmaceuticals consistently experienced the greatest growth in total funding. Real growth in pharmaceuticals averaged 10.1% between 1993–94 and 2003–04. Funding for public hospitals (4.2%) and high-level residential care (3.8%) were the next highest in terms of real growth in funding (Table 16).

## **Government sector funding**

Over the whole period under review, the area that attracted the most rapid real growth in government funding was private hospitals—22.4% per year (Table 14). This was largely a transfer from the non-government sector (private health insurance funds) to the Australian Government brought about by the effect of the rebate to holders of private health insurance cover. The increased use of private hospital services by veterans funded by the Department of Veterans' Affairs (DVA) also contributed to the rapid real growth in government funding. Further, there was some small discontinuity because of the inclusion of state funding of private hospital services, estimated at \$321 million in 2003–04.

The period from 1997–98 to 2002–03, during which the Australian Government's private health insurance incentives were being introduced and revised, saw growth in government recurrent funding of 5.9%. Growth during that period was largely in two areas—private hospitals (21.3% per year) and other professional services (14.9%), both of which were strongly influenced by changes to private health insurance arrangements. The other area that attracted strong growth in government funding after 1997–98 was expenditure on pharmaceuticals (13.0%) (Table 14).

## **Non-government funding**

The area that attracted the fastest real growth in funding by non-government sources between 1993–94 and 2003–04 was pharmaceuticals—8.8% per year (Table 15).

The only area of non-government funding to contract over that period was funding for private hospitals—down 2.4% per year.

Of the two broad periods looked at—1993–94 to 1997–98 and 1997–98 to 2002–03, growth in non-government funding was most rapid in the second, that is, between 1997–98 and 2002–03. It averaged 4.7% over this period, with much of the growth being driven by pharmaceuticals (10.3%).

Between 2002–03 and 2003–04, total non-government funding of recurrent health expenditure grew, in real terms, by 5.2% compared with 4.4% growth for total funding of recurrent health expenditure (Tables 15 and 16).

**Table 14: Government funding of recurrent health expenditure, constant prices<sup>(a)</sup>, by area of expenditure, and annual growth rates, 1993–94 to 2003–04**

Year	High-level residential care		Pharmaceuticals		Medical services		Other prof. services <sup>(c)</sup>		Private hospitals		Public hospitals		Other <sup>(c)</sup>		Total government recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1993–94	2,545	..	1,931	..	7,071	..	301	..	300	..	11,736	..	4,546	..	28,430	..
1994–95	2,576	1.2	2,128	10.2	7,421	4.9	284	-5.6	421	40.4	12,135	3.4	4,754	4.6	29,719	4.5
1995–96	2,737	6.2	2,554	20.1	7,780	4.8	303	6.6	479	13.7	12,690	4.6	5,170	8.8	31,714	6.7
1996–97	2,928	7.0	2,766	8.3	7,963	2.4	298	-1.5	521	8.7	13,490	6.3	5,347	3.4	33,313	5.0
1997–98	3,188	8.9	2,832	2.4	8,132	2.1	311	4.2	850	63.2	14,424	6.9	5,769	7.9	35,504	6.6
1998–99	3,264	2.4	3,109	9.8	8,381	3.1	266	-14.4	1,332	56.8	14,936	3.6	5,561	-3.6	36,850	3.8
1999–00	3,377	3.5	3,548	14.1	8,840	5.5	304	14.4	1,774	33.2	15,242	2.0	6,861	23.4	39,947	8.4
2000–01	3,383	0.2	4,403	24.1	8,928	1.0	641	110.5	1,992	12.3	15,584	2.2	7,727	12.6	42,657	6.8
2001–02	3,469	2.6	4,734	7.5	9,228	3.4	630	-1.7	1,931	-3.0	16,295	4.6	7,970	3.1	44,257	3.8
2002–03	3,642	5.0	5,226	10.4	9,395	1.8	621	-1.4	2,231	15.5	17,550	7.7	8,569	7.5	47,233	6.7
2003–04 <sup>(b)</sup>	3,815	4.7	5,684	8.8	9,827	4.6	603	-2.9	2,269	1.7	18,189	3.6	8,774	2.4	49,160	4.1
<b>Average annual growth rate</b>																
1993–94 to 1997–98		5.8		10.1		3.6		0.8		29.7		5.3		6.1		5.7
1997–98 to 2002–03		2.7		13.0		2.9		14.9		21.3		4.0		8.2		5.9
1993–94 to 2003–04		4.1		11.4		3.3		7.2		22.4		4.5		6.8		5.6

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices. Not adjusted for general tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

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

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

Source: AIHW health expenditure database.

**Table 15: Non-government funding of recurrent health expenditure, constant prices<sup>(a)</sup>, by area of expenditure, and annual growth rates, 1993–94 to 2003–04**

Year	High-level residential care		Pharmaceuticals		Medical services		Other prof. services		Private hospitals		Public hospitals		Other		Total non-government recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1993–94	781	..	2,197	..	1,954	..	1,965	..	4,294	..	1,243	..	4,785	..	17,220	..
1994–95	785	0.4	2,404	9.4	2,091	7.0	1,894	-3.6	4,614	7.4	1,224	-1.5	4,795	0.2	17,806	3.4
1995–96	813	3.7	2,337	-2.8	2,176	4.1	1,790	-5.5	4,689	1.6	1,251	2.2	4,856	1.3	17,911	0.6
1996–97	836	2.7	2,576	10.2	2,235	2.7	2,053	14.7	4,635	-1.1	1,267	1.3	5,024	3.5	18,625	4.0
1997–98	866	3.7	2,937	14.0	2,162	-3.2	1,768	-13.9	4,111	-11.3	1,164	-8.2	4,909	-2.3	17,917	-3.8
1998–99	915	5.6	3,174	8.1	2,255	4.3	1,753	-0.8	3,915	-4.8	1,234	6.0	5,573	13.5	18,820	5.0
1999–00	741	-19.0	3,476	9.5	2,423	7.5	1,667	-4.9	3,534	-9.7	1,213	-1.7	5,299	-4.9	18,352	-2.5
2000–01	770	4.0	3,811	9.6	2,420	-0.1	1,959	17.5	3,418	-3.3	1,334	10.0	6,550	23.6	20,262	10.4
2001–02	810	5.2	4,466	17.2	2,560	5.8	2,107	7.6	3,609	5.6	1,462	9.6	7,088	8.2	22,101	9.1
2002–03	903	11.4	4,786	7.2	2,585	1.0	2,197	4.3	3,362	-6.8	1,371	-6.2	7,394	4.3	22,597	2.2
2003–04 <sup>(b)</sup>	994	10.1	5,108	6.7	2,765	6.9	2,435	10.8	3,367	0.2	1,445	5.4	7,649	3.5	23,762	5.2
<b>Average annual growth rate</b>																
1993–94 to 1997–98		2.6		7.5		2.6		-2.6		-1.1		-1.6		0.6		1.0
1997–98 to 2002–03		0.8		10.3		3.6		4.4		-3.9		3.3		8.5		4.7
1993–94 to 2003–04		2.4		8.8		3.5		2.2		-2.4		1.5		4.8		3.3

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices. Not adjusted for general tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

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

Source: AIHW health expenditure database.

**Table 16: Total funding of recurrent health expenditure, constant prices<sup>(a)</sup>, by area of expenditure, and annual growth rates, 1993–94 to 2003–04**

Year	High-level residential care		Pharmaceuticals		Medical services		Other prof. services <sup>(c)</sup>		Private hospitals		Public hospitals		Other <sup>(c)</sup>		Total recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1993–94	3,326	..	4,128	..	9,025	..	2,266	..	4,594	..	12,979	..	9,331	..	45,649	..
1994–95	3,361	1.1	4,532	9.8	9,512	5.4	2,178	-3.9	5,035	9.6	13,359	2.9	9,549	2.3	47,525	4.1
1995–96	3,550	5.6	4,891	7.9	9,956	4.7	2,093	-3.9	5,167	2.6	13,941	4.4	10,026	5.0	49,625	4.4
1996–97	3,764	6.0	5,342	9.2	10,198	2.4	2,351	12.3	5,156	-0.2	14,757	5.9	10,371	3.4	51,938	4.7
1997–98	4,054	7.7	5,769	8.0	10,294	0.9	2,079	-11.6	4,961	-3.8	15,587	5.6	10,678	3.0	53,422	2.9
1998–99	4,179	3.1	6,284	8.9	10,635	3.3	2,019	-2.8	5,247	5.8	16,170	3.7	11,135	4.3	55,670	4.2
1999–00	4,118	-1.5	7,024	11.8	11,264	5.9	1,971	-2.4	5,308	1.2	16,454	1.8	12,159	9.2	58,299	4.7
2000–01	4,153	0.9	8,214	16.9	11,347	0.7	2,600	31.9	5,410	1.9	16,918	2.8	14,277	17.4	62,919	7.9
2001–02	4,280	3.0	9,200	12.0	11,788	3.9	2,737	5.3	5,540	2.4	17,756	5.0	15,057	5.5	66,358	5.5
2002–03	4,545	6.2	10,011	8.8	11,980	1.6	2,818	3.0	5,593	1.0	18,920	6.6	15,963	6.0	69,830	5.2
2003–04 <sup>(b)</sup>	4,809	5.8	10,792	7.8	12,591	5.1	3,038	7.8	5,636	0.8	19,633	3.8	16,423	2.9	72,922	4.4
<b>Average annual growth rate</b>																
1993–94 to 1997–98		5.1		8.7		3.3		-2.1		1.9		4.7		3.4		4.0
1997–98 to 2002–03		2.3		11.7		3.1		6.3		2.4		4.0		8.4		5.5
1993–94 to 2003–04		3.8		10.1		3.4		3.0		2.1		4.2		5.8		4.8

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices. Not adjusted for general tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

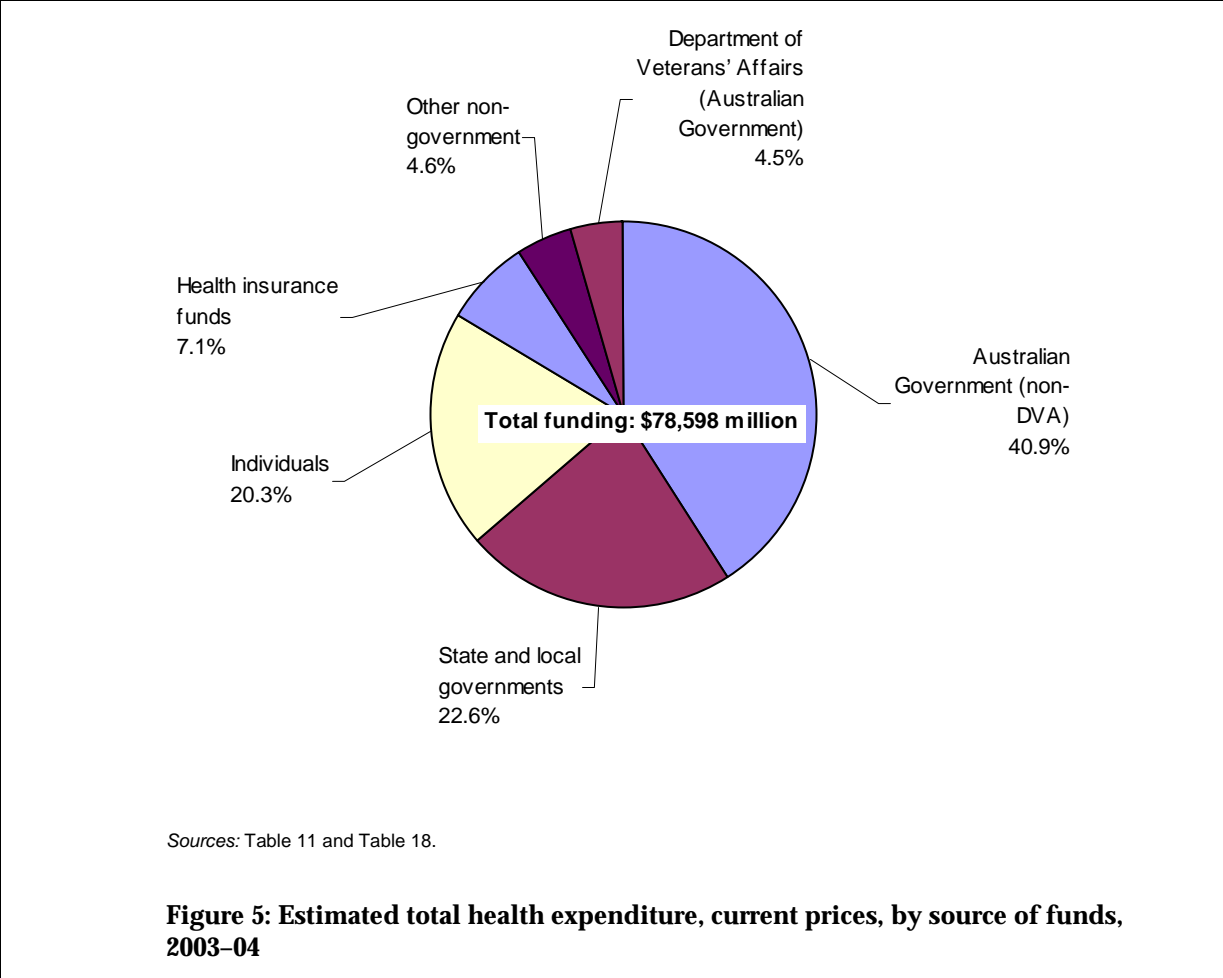
(c) From 2000–01, it includes DVA funding and DoHA hearing services (audiology component) which was previously included in 'other'.

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

Source: AIHW health expenditure database.

### 3.2 Government sources of funds

In 2003-04, the Australian Government’s funding of health expenditure was an estimated \$35.7 billion (Table 11). This was 45.4% of total funding for health by all sources of funds (Table 12 and Figure 5). State, territory and local government sources provided 22.6%.



**Table 17: Total health expenditure, constant prices<sup>(a)</sup>, and annual growth rates, by broad source of funds, 1993–94 to 2003–04**

Year	Government									
	Australian Government <sup>(b)</sup>		State/territory and local		Total		Non-government <sup>(b)</sup>		Total	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1993–94	20,490	..	9,640	..	30,130	..	17,982	..	48,112	..
1994–95	21,268	3.8	10,175	5.6	31,443	4.4	18,530	3.0	49,973	3.9
1995–96	22,510	5.8	10,938	7.5	33,448	6.4	18,641	0.6	52,089	4.2
1996–97	23,125	2.7	12,132	10.9	35,258	5.4	19,494	4.6	54,752	5.1
1997–98	24,639	6.5	13,173	8.6	37,811	7.2	18,804	-3.5	56,615	3.4
1998–99	26,599	8.0	12,617	-4.2	39,216	3.7	19,702	4.8	58,918	4.1
1999–00	28,684	7.8	13,859	9.8	42,543	8.5	19,313	-2.0	61,857	5.0
2000–01	30,809	7.4	14,813	6.9	45,622	7.2	20,920	8.3	66,542	7.6
2001–02	31,825	3.3	15,336	3.5	47,162	3.4	22,345	6.8	69,507	4.5
2002–03	33,467	5.2	16,352	6.6	49,819	5.6	22,632	1.3	72,452	4.2
2003–04 <sup>(c)</sup>	34,774	3.9	17,134	4.8	51,908	4.2	23,786	5.1	75,695	4.5
<b>Average annual growth rate</b>										
1993–94 to 1997–98		4.7		8.1		5.8		1.1		4.2
1997–98 to 2002–03		6.3		4.4		5.7		3.8		5.1
1993–94 to 2003–04		5.4		5.9		5.6		2.8		4.6

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

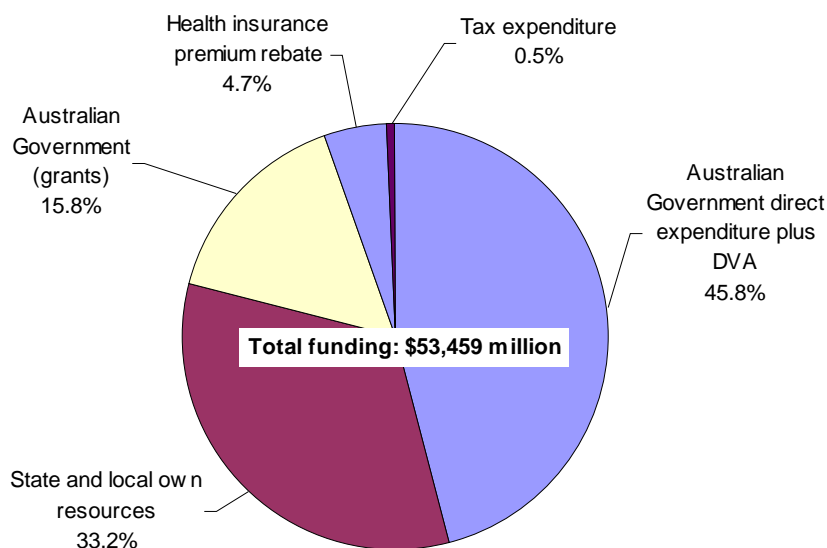
(b) Expenditure has been adjusted for tax expenditures.

(c) Based on preliminary AIHW and ABS estimates.

Note: Components may not add due to rounding.

Source: AIHW health expenditure database.





Sources: Table 11 and Table 18.

**Figure 6: Government sector financing of health expenditure, current prices, by source and type of funding, 2003–04**

## Australian Government

In 2003–04 the Australian Government provided 66.8% of estimated total government funding (Figure 6). This subsection provides more detail on the Australian Government’s funding of recurrent expenditure. Funding for capital formation is discussed in Section 4.2.

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

- payments through the DVA in respect of eligible veterans and their dependants
- specific-purpose payments (SPPs) to the states and territories for health purposes
- direct expenditure by the Australian Government on health programs (such as Medicare, PBS, higher level residential care subsidies)
- rebates and subsidies under the *Private Health Insurance Incentives Act 1997*
- taxation expenditures.

Health expenditure funded by private health insurance subsidies rose from zero (1996–97) to \$2.5 billion in 2003–04 (Table 18).

**Table 18: Total health expenditure by the Australian Government, current prices, by type of expenditure, 1993–94 to 2003–04 (\$ million)**

Year	General expenditure					Non-specific tax expenditure	Total
	DVA	Grants to states	Rebates of health insurance premiums <sup>(a)</sup>	Direct expenditure	Total		
1993–94	1,412	4,404	..	10,771	16,588	95	16,683
1994–95	1,488	4,729	..	11,242	17,459	91	17,551
1995–96	1,540	5,012	..	12,340	18,892	113	19,005
1996–97	1,658	5,202	..	12,822	19,681	128	19,809
1997–98	1,802	5,656	407	13,439	21,305	145	21,450
1998–99	2,144	6,328	963	14,095	23,530	162	23,693
1999–00	2,399	6,556	1,576	15,342	25,873	173	26,046
2000–01	2,698	6,996	2,031	16,897	28,622	203	28,826
2001–02	2,962	7,397	2,105	18,129	30,593	225	30,818
2002–03	3,340	8,102	2,312	19,456	33,211	256	33,467
2003–04 <sup>(b)</sup>	3,561	8,439	2,530	20,908	35,437	291	35,729

(a) Includes rebates of health insurance premiums claimed through the taxation system.

(b) Based on preliminary AIHW estimates.

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

Source: AIHW health expenditure database.

## The Department of Veterans' Affairs

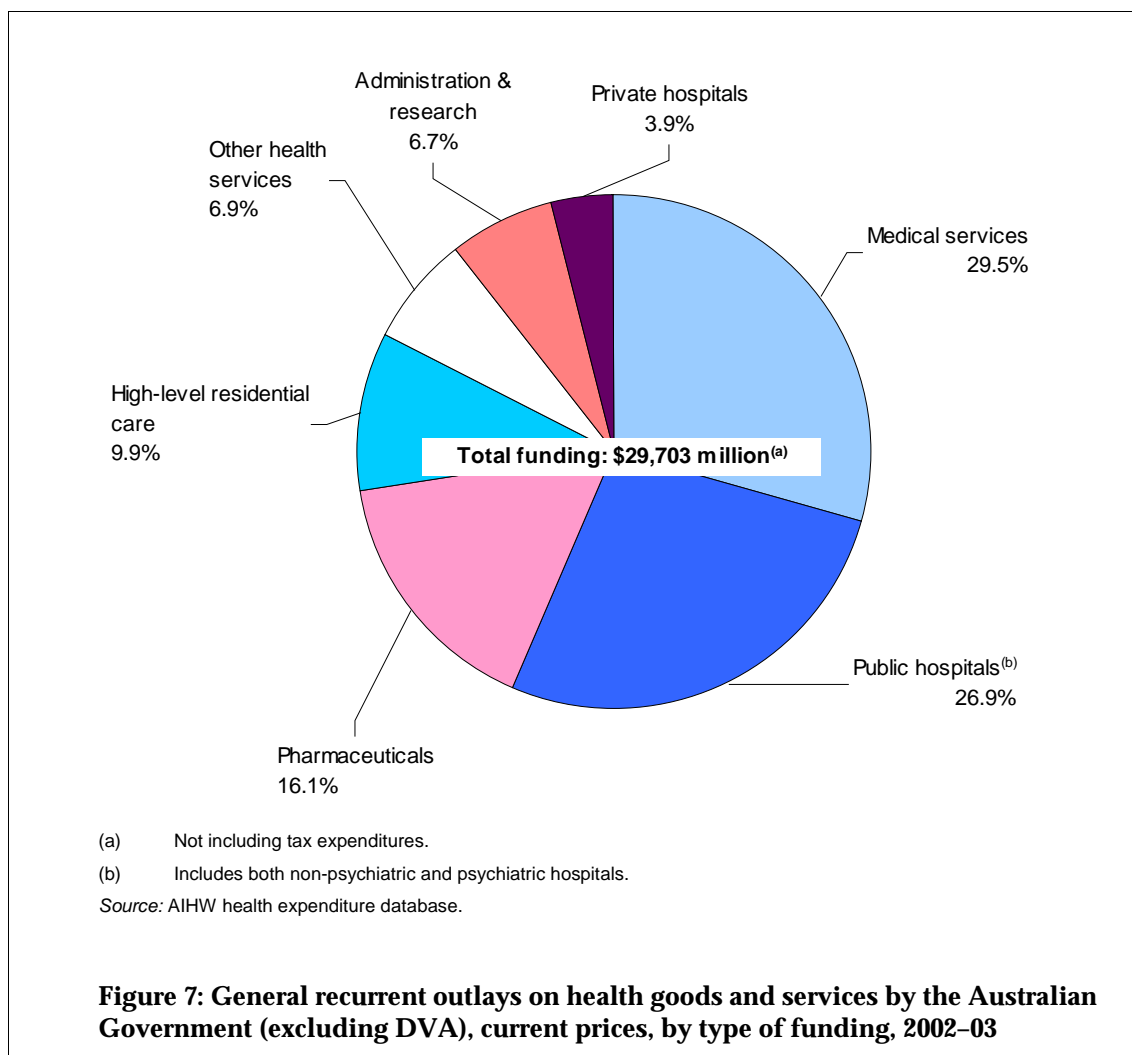
DVA funding of health is through its purchase of health goods and services on behalf of eligible veterans and their dependants. In 2002–03, its funding totalled \$3,340 million (Table 18). Nearly two-thirds of this (61.1%) was for institutional services (mainly hospitals and high-level residential care services). In 2003–04, estimated funding by DVA was \$3,561 million.

## Other Australian Government sources of funding

### *General expenditure*

Expenditures recorded as 'general expenditure' are recurrent expenditures paid out of appropriations by the Australian Government. Most of those expenditures are administered by the Department of Health and Ageing (DoHA). They include:

- SPPs to the states and territories for health purposes
- payments of personal health benefits to individuals—for example, Medicare and pharmaceutical benefits
- subsidies and rebates under the *Private Health Insurance Incentives Act 1997* (including amounts claimed through the taxation system)
- subsidies paid to providers of health services—for example, high-level residential care subsidies.



Nearly one-third of all funding by the Australian Government was for medical services which, in 2002-03, accounted for 29.5% of all its general recurrent outlays on health (Figure 7).

Most of the SPPs by the Australian Government to state and territory governments recorded in the general recurrent outlays on health were provided under the AHCA between these two levels of government. The payments were primarily directed to expenditure in the public hospital systems of the states and territories. Other SPPs that were regarded as expenditure on public hospitals included payments for high-cost drugs and blood transfusion services. A proportion of the 30% rebate on private health insurance was also included as funding by the Australian Government for public hospitals. In 2002-03, payments relating to public hospital care accounted for more than one-quarter (26.9%) of total general recurrent outlays by the Australian Government for health.

The other two main areas for which the Australian Government provided funding were pharmaceuticals, which in 2002-03 accounted for 16.1% of general recurrent outlays, and high-level residential care subsidies, which accounted for 9.9%.

### *Rebates of health insurance contributions (30% rebate)*

There are two methods for claiming the 30% rebate on private health insurance premiums (Table 18). 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.

During 2003–04, the total value of the 30% rebate was \$2.5 billion (Table 18).

### *Non-specific tax expenditures*

As explained above, the 30% rebate claimed through taxation was regarded as part of Australian Government tax expenditures from 1997–98 to 1999–00.

A second form of tax expenditure on health relates to a tax rebate of 20 cents in the dollar that can be claimed in respect of direct health expenditures that exceed a prescribed threshold (in 2003–04 that threshold was \$1,500 per taxpayer). That second form of tax expenditure is referred to in this publication as ‘non-specific tax expenditures’. This is because they cannot be allocated to any particular area(s) of health expenditure (see Chapter 6).

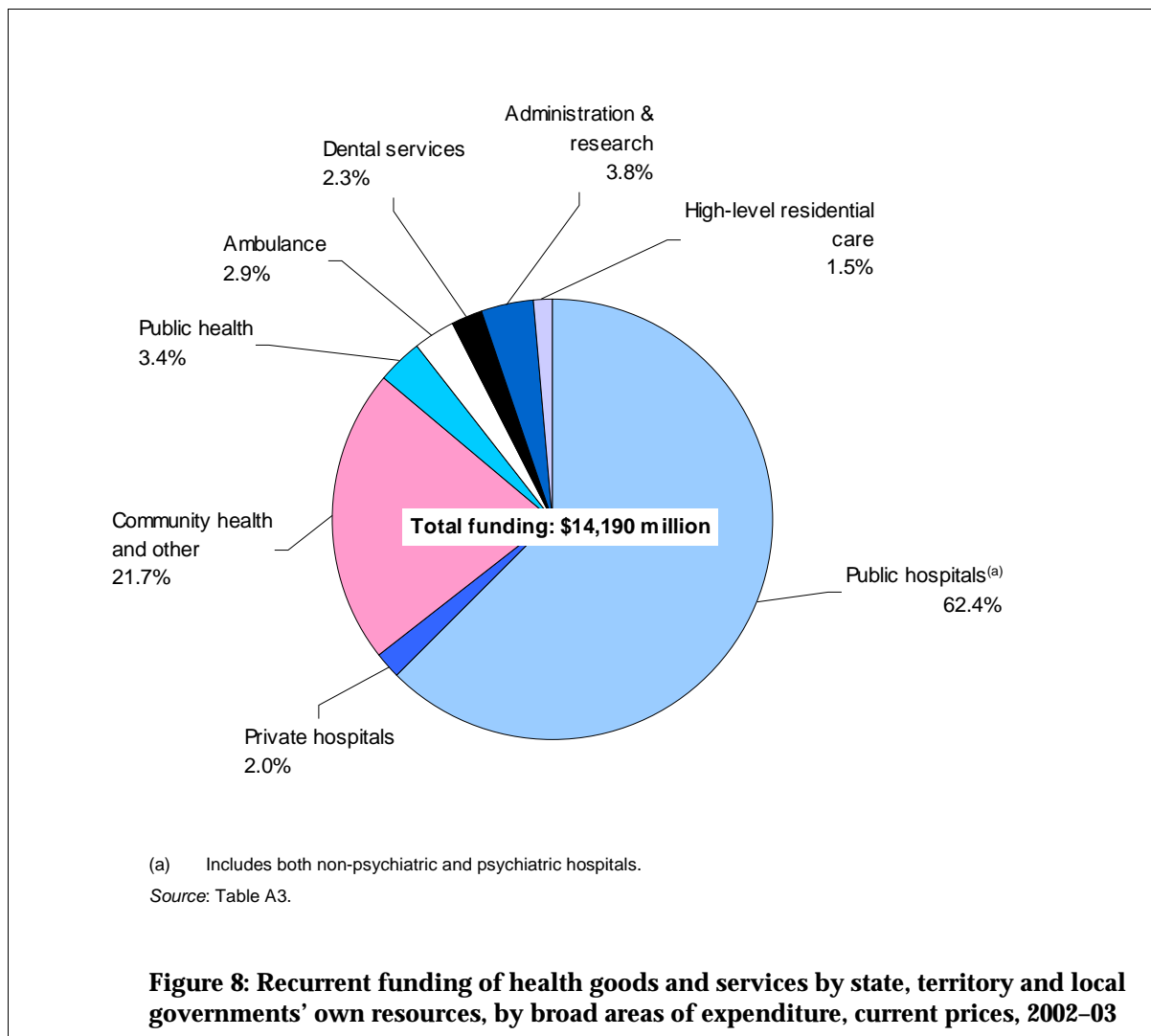
In 2003–04, the total value of such tax expenditures was \$291 million (Table 18).

## **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 provided by non-government sources (usually in the form of user fees).

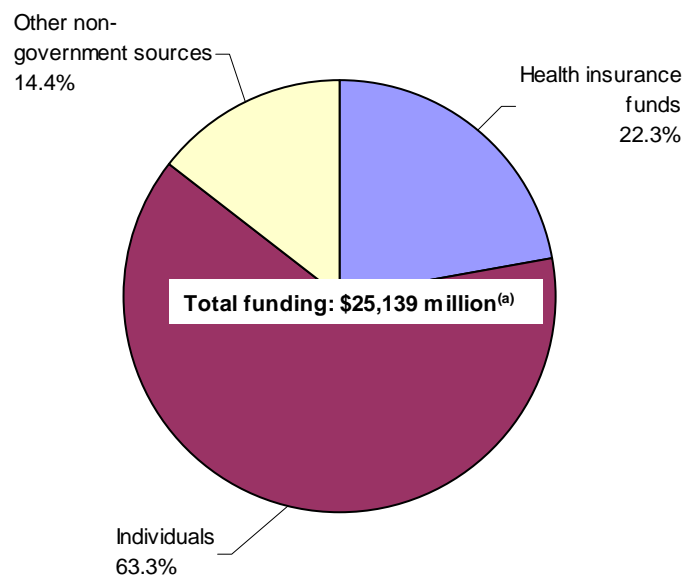
In terms of the types of health goods and services funded by the states and territories and by local government authorities, spending on public hospitals dominates, accounting for 62.4% of recurrent funding provided by those government sources in 2002–03 (Figure 8).

In real terms, funding for health by state, territory and local governments increased, by an average of 5.9% per year between 1993–94 and 2003–04, the annual growth having peaked at 10.9% in 1996–97 (Table 17).



### 3.3 Non-government sources of funds

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 63.3% (\$15.9 billion) of estimated non-government funding of health goods and services during 2003-04 (Table 19 and Figure 9). That proportion rose by 12.9 percentage points in the decade to 2003-04. Private health insurance funds provided 22.3% (\$5.6 billion) in 2003-04, down from 32.8% in 1993-94. The remaining 14.4% (\$3.6 billion) came from other non-government sources (mainly compulsory motor vehicle, third-party and workers' compensation insurers), which experienced a fall in their share of health funding, by 2.4 percentage points, in the decade to 2003-04.



(a) Individuals' expenditure adjusted for non-specific tax expenditures.  
 Source: Table 19.

**Figure 9: Estimated funding of health goods and services by non-government sources, current prices, 2003-04**

Non-government funding, which averaged around 33% of total health expenditure each year between 1993-94 and 1996-97 and around 31% between 1997-98 and 2001-02, was 32.0% in 2003-04 (Table 12). The fall after 1996-97 was largely due to the influence of the Australian Government's subsidy for private health insurance. The effect of that subsidy is that the benefits paid for private health goods and services used by insured people became jointly funded by the Australian Government (through the contribution rebates) and the funds' members.

**Table 19: Non-government sector funding of total health expenditure, current prices, by source of funds, 1993–94 to 2003–04**

Year	Private health insurance funds <sup>(a)</sup>		Individuals <sup>(b)</sup>		Other non-government <sup>(c)</sup>		All non-government sources <sup>(a)(b)(c)</sup>	
	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
1993–94	4,075	32.8	6,272	50.4	2,092	16.8	12,440	100.0
1994–95	4,201	31.8	6,702	50.8	2,303	17.4	13,205	100.0
1995–96	4,426	32.0	6,743	48.8	2,649	19.2	13,817	100.0
1996–97	4,700	31.1	7,541	50.0	2,856	18.9	15,096	100.0
1997–98	4,271	27.8	8,037	52.4	3,029	19.7	15,336	100.0
1998–99	3,855	23.4	9,312	56.6	3,290	20.0	16,456	100.0
1999–00	3,601	21.8	9,511	57.5	3,425	20.7	16,538	100.0
2000–01	4,123	21.9	11,463	60.8	3,254	17.3	18,840	100.0
2001–02	4,975	23.6	12,870	61.0	3,262	15.5	21,107	100.0
2002–03	5,268	23.3	14,230	62.9	3,135	13.9	22,632	100.0
2003–04 <sup>(d)</sup>	5,603	22.3	15,922	63.3	3,614	14.4	25,139	100.0

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

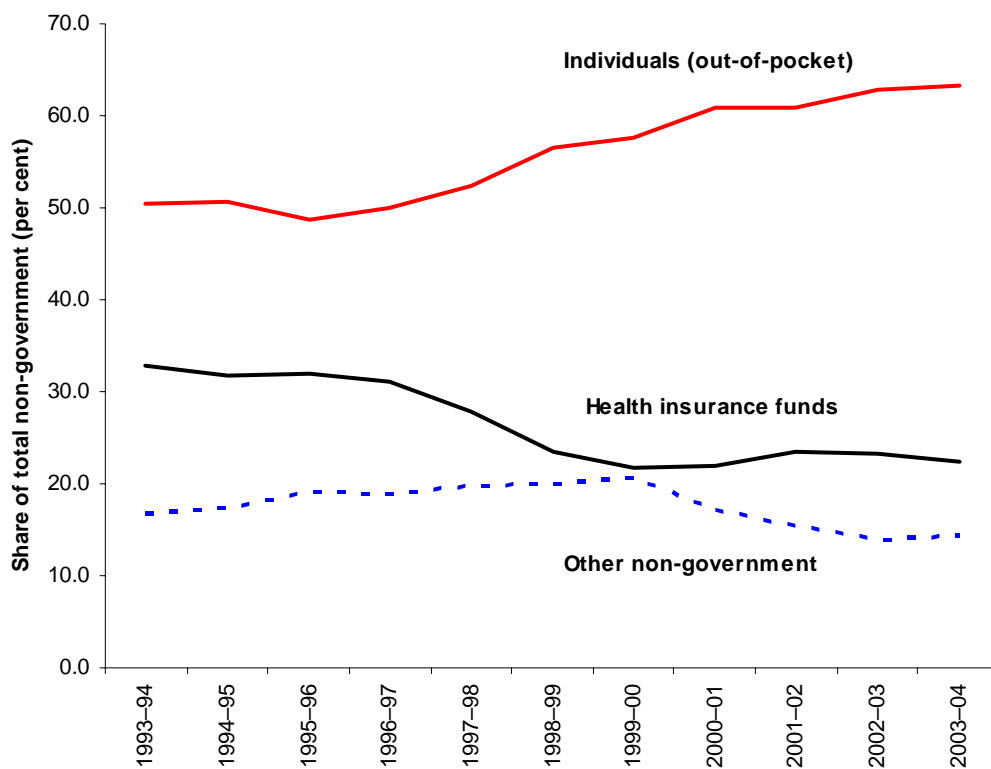
(b) Adjusted for non-specific tax expenditures.

(c) Includes expenditure on capital formation.

(d) Based on preliminary AIHW and ABS estimates.

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

Source: AIHW health expenditure database.



Source: Table 19.

**Figure 10: Non-government sector funding of total health expenditure, current prices, by source of funds, 1993-94 to 2003-04**



**Table 20: Non-government sector funding of total health expenditure, by source of funds, constant prices<sup>(a)</sup>, and annual growth rates, 1993–94 to 2003–04**

Year	Private health insurance funds <sup>(b)</sup>		Individuals <sup>(c)</sup>		Other non-government <sup>(d)</sup>		All non-government sources <sup>(b)(c)(d)</sup>	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1993–94	6,445	..	8,924	..	2,613	..	17,982	..
1994–95	6,525	1.2	9,139	2.4	2,866	9.7	18,530	3.0
1995–96	6,528	—	8,834	–3.3	3,279	14.4	18,641	0.6
1996–97	6,498	–0.5	9,544	8.0	3,453	5.3	19,494	4.6
1997–98	5,537	–14.8	9,686	1.5	3,581	3.7	18,804	–3.5
1998–99	4,891	–11.7	10,985	13.4	3,826	6.9	19,702	4.8
1999–00	4,402	–10.0	11,007	0.2	3,904	2.0	19,313	–2.0
2000–01	4,783	8.6	12,584	14.3	3,554	–9.0	20,920	8.3
2001–02	5,376	12.4	13,544	7.6	3,425	–3.6	22,345	6.8
2002–03	5,268	–2.0	14,230	5.1	3,135	–8.5	22,632	1.3
2003–04 <sup>(e)</sup>	5,240	–0.5	15,114	6.2	3,433	9.5	23,786	5.1
<b>Average annual growth rate</b>								
1993–94 to 1997–98		–3.7		2.1		8.2		1.1
1997–98 to 2002–03		–1.0		8.0		–2.6		3.8
1993–94 to 2003–04		–2.0		5.4		2.8		2.8

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

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

(c) Adjusted for non-specific tax expenditures.

(d) Includes expenditure on capital formation.

(e) Based on preliminary AIHW estimates.

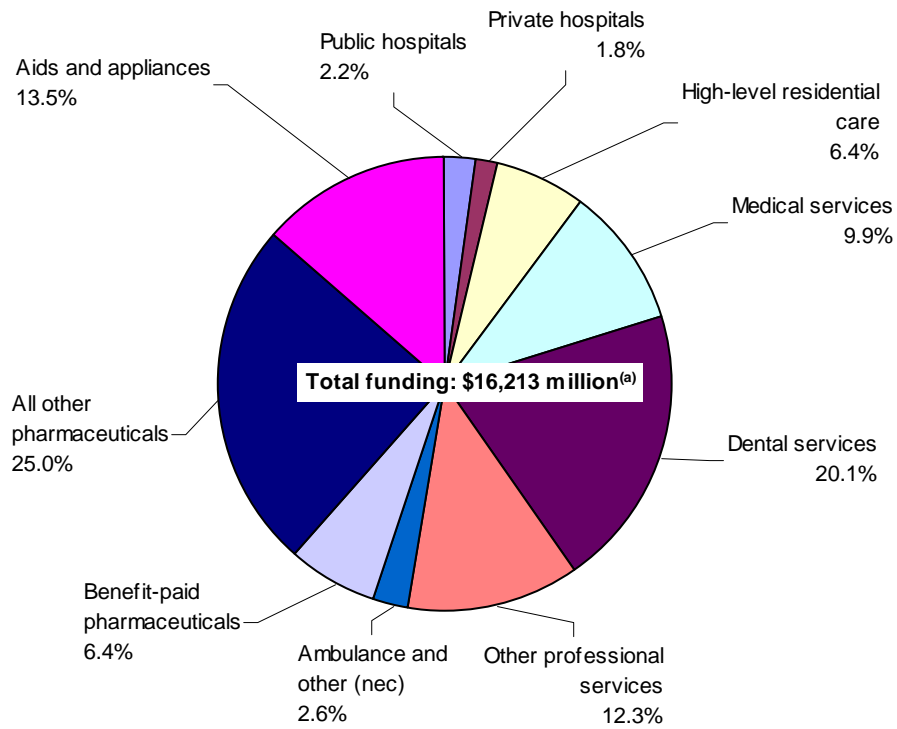
Note: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

## Individuals

In 2003–04, of the estimated \$16.2 billion out-of-pocket recurrent expenditure by individuals on health care goods and services (Figure 11):

- 31.4% was spent on pharmaceuticals
  - 6.4% on PBS and Repatriation Pharmaceutical Benefits Scheme (RPBS) patient contributions
  - 25.0% on other pharmaceuticals (see Glossary for a detailed definition)
- 20.1% on dental services
- 13.5% on aids and appliances
- 9.9% on medical services.

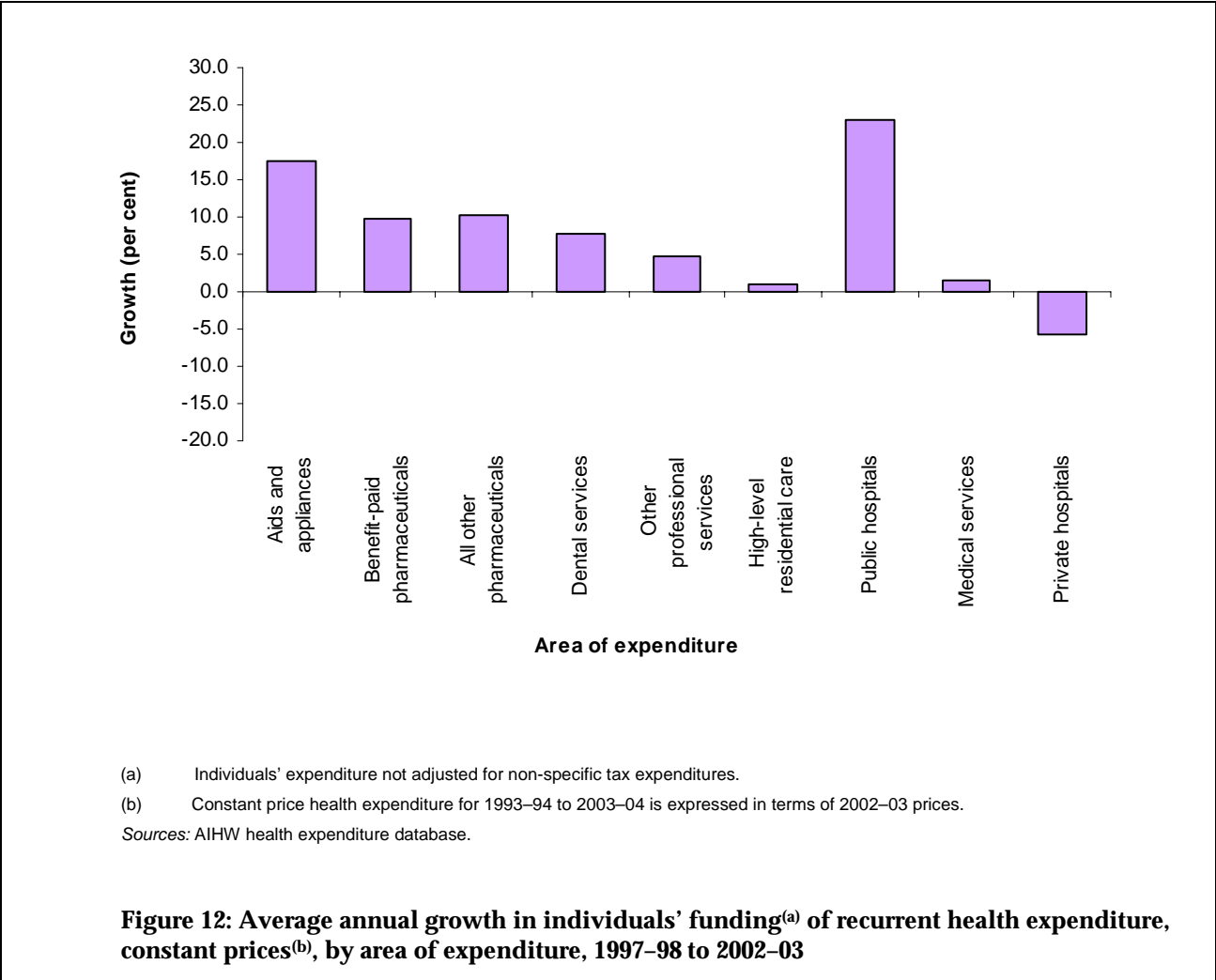


(a) Individuals' expenditure not adjusted for non-specific tax expenditures.

Source: Table A4.

**Figure 11: Recurrent expenditure by individuals, in current prices, by area of expenditure, 2003-04**

From 1997–98 to 2002–03, the main areas of real growth in individuals’ out-of-pocket funding were for public hospitals, aids and appliances, pharmaceuticals, and dental services (Figure 12). Many of these increases resulted from increases in the ABS’s estimates of HFCE over the period with the exception of public hospitals. These are, coincidentally, areas of expenditure for which substantial capped benefits are paid out of ancillary tables offered by health funds. There may be a relationship between the increasing health insurance coverage in recent years and an accompanying increase in out-of-pocket expenditure (where the costs of the goods or services exceed the maximum benefits paid by private health funds in a year). Changes to the type of health insurance cover offered may also affect out-of-pocket expenditure. For example, the introduction of in-hospital medical services no-gap cover schemes in August 2000 may be affecting the negative growth in out-of-pocket expenditure on private hospitals over the period.



In real terms, average out-of-pocket health expenditure per person grew by 4.2% a year in the decade from 1993–94 to 2003–04 (Table 21). Over this period, the area of out-of-pocket expenditure that had the most rapid real growth was aids and appliances, at 9.6% per year. Other areas of expenditure that showed high real growth rates were ambulance and pharmaceuticals at 9.2% and 7.6% per annum respectively. In contrast, average per person

out-of-pocket expenditure on hospitals declined over this decade at 2.3% per annum. This was due to an average decline in per person out-of-pocket expenditure on private hospitals.

**Table 21: Average out-of-pocket recurrent health expenditure per person, constant prices<sup>(a)</sup>, and annual growth rates, by area of expenditure, 1993–94 to 2003–04**

Year	Hospitals		High-level residential care		Ambulance and other (nec)		Medical services		Dental services		Other professional services		Pharmaceuticals		Aids and appliances		Total recurrent expenditure		
	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	
1993–94	39	..	44	..	8	..	68	..	111	..	77	..	120	..	42	..	509	..	
1994–95	43	11.3	44	-0.7	5	-39.5	69	2.1	112	0.6	69	-10.1	130	8.3	43	2.6	515	1.2	
1995–96	27	-37.6	45	2.3	8	52.0	71	3.1	109	-2.2	65	-7.0	124	-4.6	45	3.7	493	-4.3	
1996–97	31	13.1	45	0.4	8	5.4	72	0.7	112	2.0	79	21.6	135	9.3	46	2.5	526	6.8	
1997–98	26	-16.3	46	3.1	8	-0.3	71	-1.1	110	-1.3	67	-14.4	154	13.9	48	3.2	529	0.6	
1998–99	44	72.5	47	2.1	21	158.6	74	4.8	111	0.5	63	-6.3	164	6.7	65	36.0	593	12.1	
1999–00	41	-7.1	39	-17.7	13	-38.1	78	5.4	110	-0.8	60	-5.0	177	8.1	68	4.5	588	-0.9	
2000–01	41	-0.9	40	2.7	15	19.0	75	-3.9	129	17.5	72	20.3	192	8.2	100	47.6	664	12.9	
2001–02	38	-6.7	41	3.9	18	18.3	72	-4.5	147	13.8	76	5.1	222	15.7	92	-8.2	705	6.3	
2002–03	30	-20.0	46	10.1	20	10.0	72	0.4	150	2.4	80	5.3	235	5.8	101	9.6	733	3.9	
2003–04 <sup>(b)</sup>	31	1.3	50	8.8	20	1.2	72	0.5	154	2.4	89	12.0	248	5.7	106	5.3	770	5.0	
<b>Average annual growth rate</b>																			
1993–94 to 1997–98		-9.9		1.3		-0.9		1.2		-0.3		-3.4		6.5		3.0		1.0	
1997–98 to 2002–03		3.4		-0.3		19.9		0.4		6.4		3.5		8.8		16.1		6.7	
1993–94 to 2003–04		-2.3		1.2		9.2		0.7		3.3		1.5		7.6		9.6		4.2	

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices. Not adjusted for general tax expenditures.

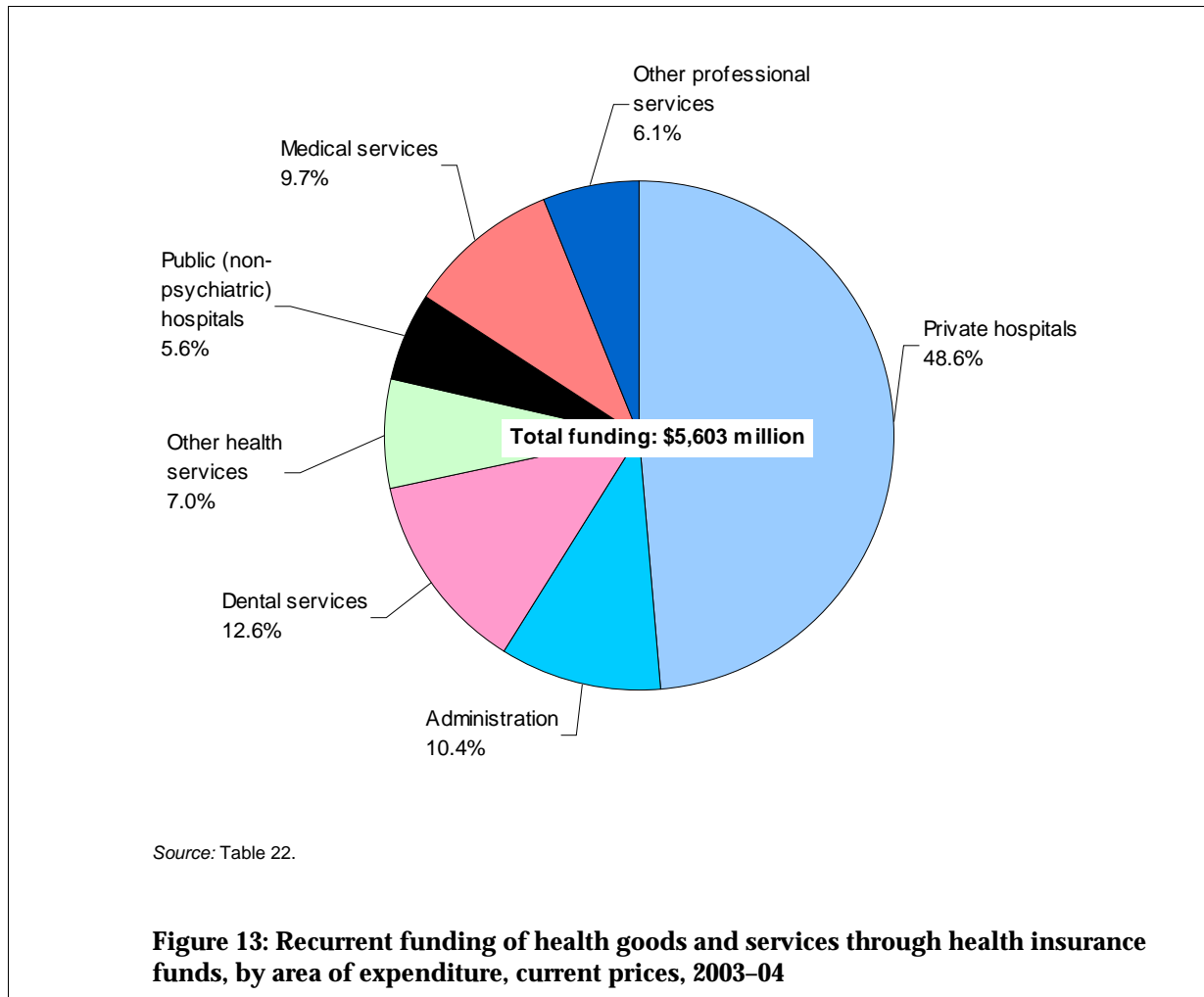
(b) Based on preliminary AIHW estimates.

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

Source: AIHW health expenditure database.

## Private health insurance

Funding by private health insurance funds is chiefly directed at private hospital services. During 2003–04, private hospitals accounted for 48.6% of the \$5.6 billion in funding provided by health insurance funds (Figure 13). Other major areas of expenditure that received funding were dental services (12.6%), administration (10.4%) and medical services (9.7%).



## General benefits and administration

Gross health benefits paid through the health insurance funds in 2003–04 amounted to \$7,290 million—up \$535 million from \$6,755 million in 2002–03 and up \$1,009 million since 2001–02 (Table 22). A further \$843 million was used to fund administration during 2003–04; this showed a steady increase from \$804 million in 2001–02 and \$825 million in 2002–03.

The position of the health insurance funds overall continued to improve in 2003–04, after experiencing a net operating loss, before abnormal and extraordinary items, of \$32 million in 2001–02 (Table 23).

**Table 22: Expenditure on health goods and services funded through health insurance funds, current prices, 2001–02 to 2003–04 (\$ million)**

Area of expenditure	2001–02			2002–03			2003–04		
	Gross benefits paid	Premium rebates <sup>(a)</sup>	Net benefits paid	Gross benefits paid	Premium rebates <sup>(a)</sup>	Net benefits paid	Gross benefits paid	Premium rebates <sup>(a)</sup>	Net benefits paid
<b>Expenditure</b>									
Hospitals	3,783	1,124	2,659	4,058	1,238	2,820	4,407	1,371	3,036
Public (non-psychiatric)	375	112	264	411	125	285	458	142	316
Private	3,407	1,013	2,395	3,648	1,113	2,535	3,949	1,228	2,721
Ambulance	127	38	89	133	40	92	130	40	89
Medical services	598	178	415	700	213	486	789	245	543
Other health professionals	420	125	295	470	143	327	499	155	343
Pharmaceuticals	64	19	45	75	23	52	71	22	49
Aids and appliances	330	98	232	341	104	237	367	114	253
Community and public health	1	--	--	1	--	--	1	--	1
Dental services	960	285	674	977	298	679	1,027	319	708
<b>Total health benefits and levies</b>	<b>6,281</b>	<b>1,866</b>	<b>4,410</b>	<b>6,755</b>	<b>2,061</b>	<b>4,694</b>	<b>7,290</b>	<b>2,268</b>	<b>5,023</b>
Health administration	804	239	565	825	252	573	843	262	581
<b>Direct expenditure on health goods and services</b>	<b>7,085</b>	<b>2,105</b>	<b>4,975</b>	<b>7,580</b>	<b>2,312</b>	<b>5,268</b>	<b>8,133</b>	<b>2,530</b>	<b>5,603</b>
<b>Items not included in estimates on health goods and services</b>									
Non-health ancillaries	72	21	50	73	22	51	46	14	31
Outstanding claims adjustment	42	12	30	-1	--	-1	91	28	63

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

Note: Components may not add due to rounding.

Sources: PHIA C A quarterly reports; Department of the Treasury, Tax Expenditures Statement, various years.

**Table 23: Health insurance funds reported expenses and revenues, current prices, 2001–02 to 2003–04 (\$ million)**

	Amount 2001–02	Amount 2002–03	Amount 2003–04
<b>Operating expenses and revenue of funds</b>			
<b>Expenses</b>			
Total cost of benefits <sup>(a)</sup>	6,459	6,953	7,525
State levies (ambulance)	99	102	105
Management expenses	804	826	852
<b>Total expenses (not including provision adjustments)</b>	<b>7,362</b>	<b>7,881</b>	<b>8,482</b>
<b>Revenue</b>			
Contributions income	7,266	7,885	8,637
Other revenue	66	194	296
<b>Total revenue</b>	<b>7,331</b>	<b>8,079</b>	<b>8,932</b>
Operating profit (loss) before abnormals and extraordinary items	(32)	196	447

(a) Includes adjustment to provisions for outstanding claims.

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

Sources: PHIAAC Annual Reports: Operations of the Registered Health Benefits Organisations 2001–02 to 2003–04.



**Table 24: Expenditure on health goods and services and administration through private health insurance funds, constant prices<sup>(a)</sup>, and annual growth rates, 1993–94 to 2003–04**

Year	Gross payments through health insurance funds		Reimbursement for rebates allowed by funds		Rebates through taxation system		Net payments from health insurance funds resources	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1993–94	6,445	..	..	..	..	..	6,445	..
1994–95	6,525	1.2	..	..	..	..	6,525	1.2
1995–96	6,528	—	..	..	..	..	6,528	—
1996–97	6,498	–0.5	..	..	..	..	6,498	–0.5
1997–98	6,059	–6.8	319	..	203	..	5,537	–14.8
1998–99	6,099	0.7	984	208.2	225	10.6	4,891	–11.7
1999–00	6,294	3.2	1,662	68.9	229	2.1	4,402	–10.0
2000–01	7,100	12.8	2,118	27.4	200	–12.9	4,783	8.6
2001–02	7,626	7.4	2,080	–1.8	170	–14.7	5,376	12.4
2002–03	7,580	–0.6	2,146	3.2	166	–2.3	5,268	–2.0
2003–04 <sup>(b)</sup>	7,626	0.6	2,217	3.3	169	1.7	5,240	–0.5
<b>Average annual growth rate</b>								
1993–94 to 1997–98		–1.5		..		..		–3.7
1997–98 to 2002–03		4.6		46.4		–3.9		–1.0
1993–94 to 2003–04		1.7		..		..		–2.0

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Based on preliminary AIHW estimates.

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

Source: AIHW health expenditure database.

The initial effect of the introduction of the Australian Government subsidy in 1997 was a sharp drop in net funding by health insurance funds in each year up to 1999–00, followed by a recovery after the introduction of the lifetime health cover arrangements in the September quarter of 2000. Net expenditure in real terms was almost constant in 2002–03 and 2003–04, at \$5,268 million and \$5,240 million respectively. However, this was still below the 1997–98 level of \$5,537 million (Table 24 and Figure 14).

In 2003–04, it was estimated that health insurance funds spent on average \$605 per person covered on health (in 2002–03 prices). Fund members in South Australia on average attracted the highest amount per person covered (\$706) while people in the Australian Capital Territory attracted the least per person covered (\$370). When comparing average annual growth rates in constant prices over the period 1996–97 to 2003–04, all states and territories recorded reductions in the amount spent through health insurance. Fund members in Victoria had the greatest decline in their per person expenditure of 10.1% per annum (Table 25).

**Table 25: Average expenditure on health insurance funds per person<sup>(a)</sup> covered, constant prices,<sup>(b)</sup> by state and territory, 1996–97 to 2003–04 (\$)**

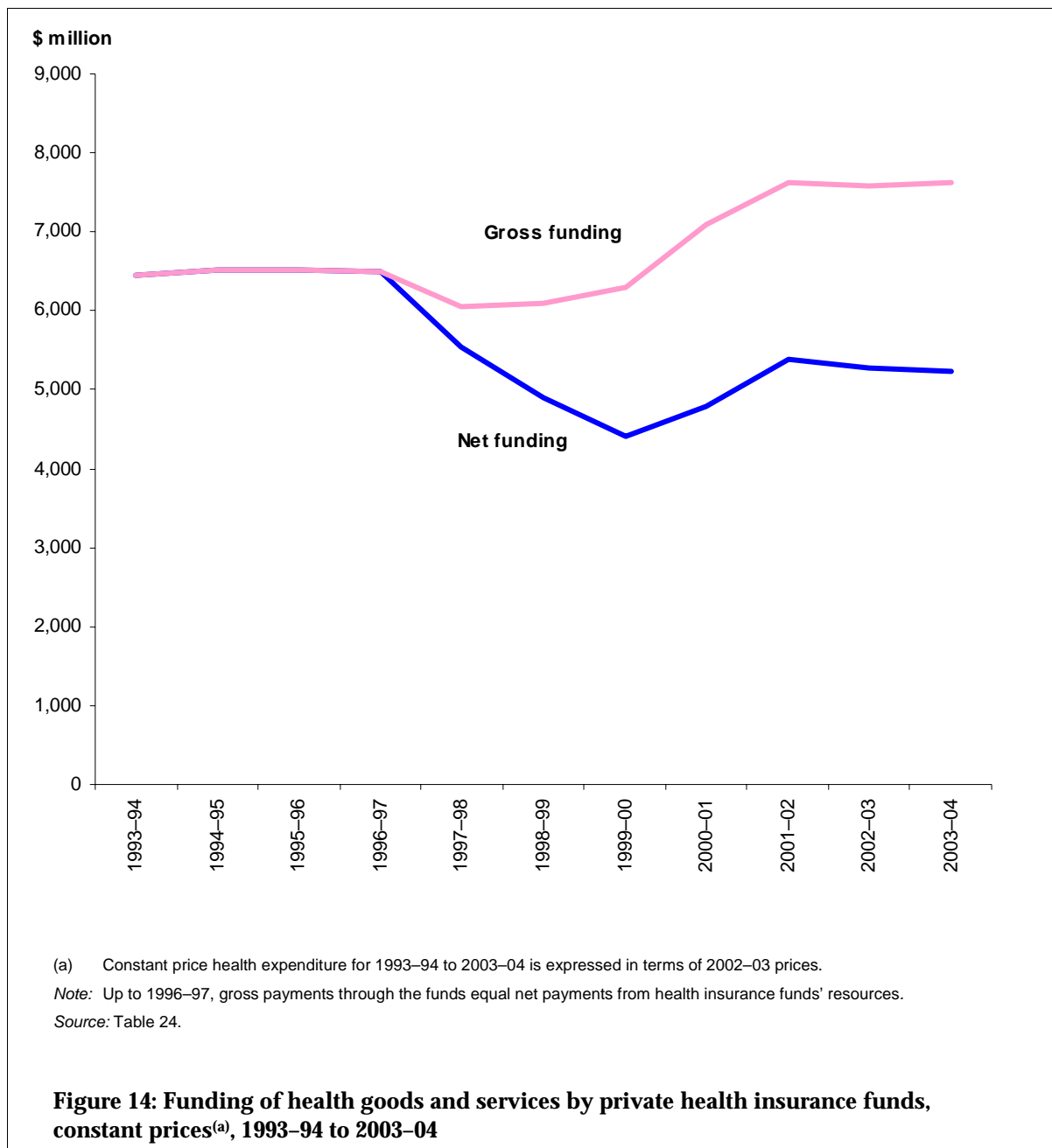
Period	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	1,069	1,136	1,087	960	1,191	1,082	533	616	1,075
1997–98	941	1,012	943	855	1,051	940	478	539	947
1998–99	847	898	883	764	956	784	451	510	854
1999–00	641	716	687	637	773	632	389	401	671
2000–01	534	538	574	535	638	595	340	336	547
2001–02	607	566	667	623	734	679	365	401	615
2002–03	600	552	650	634	724	656	362	378	606
2003–04 <sup>(c)</sup>	602	539	663	635	706	664	370	383	605
<b>Average annual growth rate</b>									
1996–97 to 1997–98	-11.9	-10.9	-13.2	-10.9	-11.7	-13.1	-10.2	-12.5	-11.8
1997–98 to 2002–03	-8.6	-11.4	-7.2	-5.8	-7.2	-6.9	-5.4	-6.9	-8.5
1996–97 to 2003–04	-7.9	-10.1	-6.8	-5.7	-7.2	-6.7	-5.1	-6.6	-7.9

(a) Based on annual mean resident population.

(b) Constant price health expenditure for 1996–97 to 2003–04 is expressed in terms of 2002–03 prices.

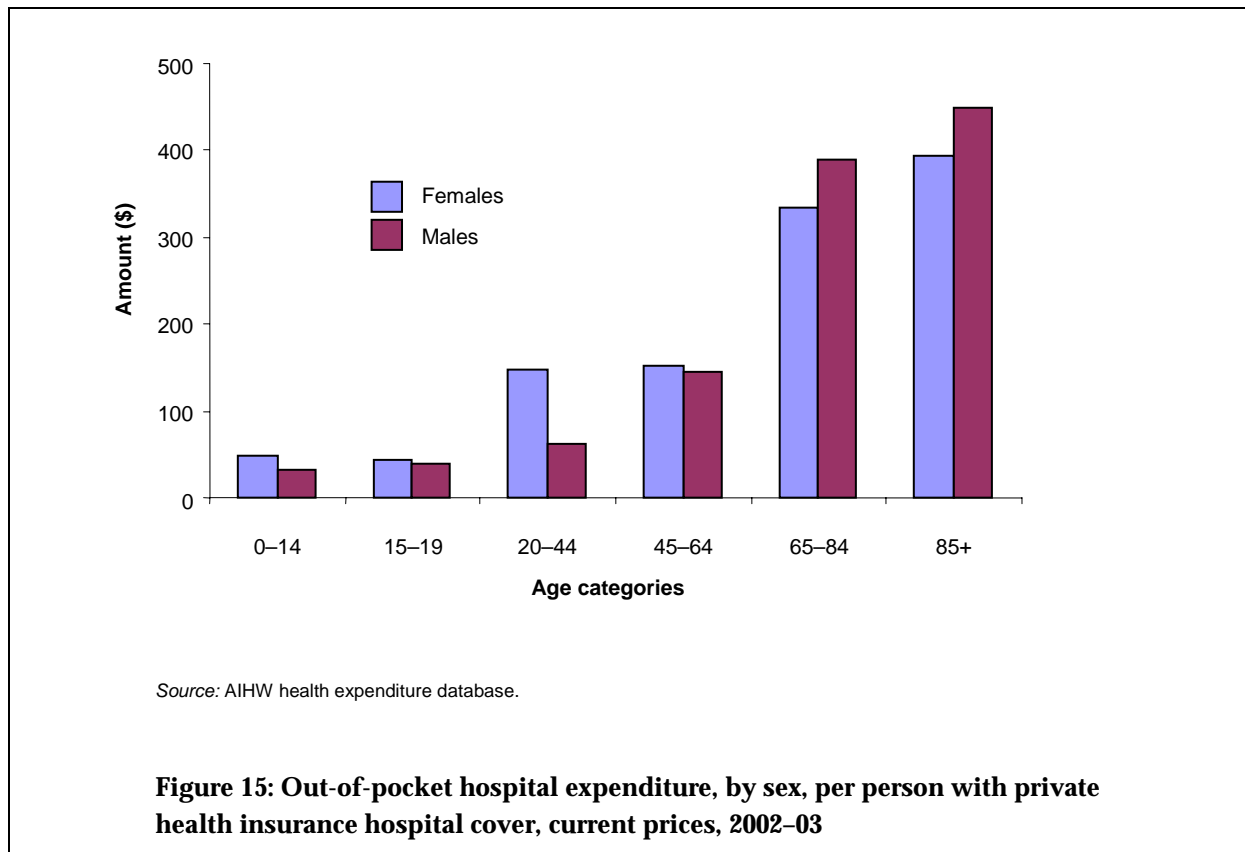
(c) Based on preliminary AIHW estimates.

Source: AIHW health expenditure database.



In 2002-03, males aged 65 years or over with private health insurance cover for hospital care attracted average out-of-pocket expenditures that were substantially higher than those for females in the same age groups with similar types of insurance cover (Figure 15). For all other age categories, out-of-pocket expenditures by females were higher than for males.

The greatest difference between the sexes, when it came to out-of-pocket expenditure on hospital services, was in the age category 20-44 years. Females in this category spent, on average, more than twice the rate of males. This reflects the additional out-of-pocket outlays on hospital services faced by women in their child-bearing years.



## Injury compensation insurers

Worker's compensation insurers and third-party motor vehicle insurers comprise the funding for injury compensation insurers. In 2003-04 injury compensation insurers spent (in 2002-03 prices), \$1,822 million on health goods and services. Workers' compensation insurers and third-party motor vehicle insurers accounted for \$1,114 million and \$708 million respectively of this expenditure. Over the period 1993-94 to 2003-04 expenditure by workers' compensation insurers rose on average by 3.9% per year while the annual increase over this decade was 5.9% for third-party insurers (Table 26).

**Table 26: Expenditure by injury compensation insurers, constant prices<sup>(a)</sup>, and annual growth rates, 1993–94 to 2003–04**

Year	Workers' compensation insurers		Third-party insurers		Total injury insurers	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1993–94	762	..	400	..	1,162	..
1994–95	859	12.7	493	23.4	1,352	16.3
1995–96	884	2.9	459	-6.8	1,343	-0.6
1996–97	870	-1.6	507	10.3	1,377	2.5
1997–98	845	-2.8	473	-6.6	1,319	-4.2
1998–99	917	8.5	550	16.1	1,467	11.3
1999–00	947	3.2	555	0.9	1,502	2.3
2000–01	938	-0.9	500	-9.9	1,438	-4.3
2001–02	945	0.7	646	29.4	1,591	10.7
2002–03	971	2.8	638	-1.4	1,609	1.1
2003–04 <sup>(b)</sup>	1,114	14.7	708	11.0	1,822	13.3
<b>Average annual growth rate</b>						
1993–94 to 1997–98		2.6	4.3		3.2	
1997–98 to 2002–03		2.8	6.1		4.1	
1993–94 to 2003–04		3.9	5.9		4.6	

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Based on preliminary AIHW estimates.

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

Source: AIHW health expenditure database.

### 3.4 Aboriginal and Torres Strait Islander funding, 2001–02

In July 2005, the AIHW published *Expenditures on health for Aboriginal and Torres Strait Islander peoples, 2001–02*. These statistics provide a different slice of the health expenditure data for 2001–02 presented in this publication (although there will be some slight differences in aggregates because of revisions to data since July 2005).

Estimated expenditure on health services for Aboriginal and Torres Strait Islander people for 2001–02 was, on average, \$3,901 per Indigenous person (Table 27). Governments were responsible for 92.7% (\$3,614 per person) of this funding. The non-government sector contributed 7.3% or \$287 per person.

By way of comparison, government funding for health for all Australians in 2001–02 was estimated at 68.4% of total funding (Table 12).

In 2001–02, the three areas of expenditure that attracted the highest spending for Indigenous Australians were:

- public (non-psychiatric) hospitals (\$1,774 per person)
- community health services (\$959 per person)
- medical services (\$217 per person).

The first two of these service types—public (non-psychiatric) hospitals and community health services— together accounted for most (70.1%) of the recurrent expenditure on health for Indigenous Australians during 2001–02. By way of contrast, total expenditure (for all Australians) on these services represented less than one-third (30.8%) of recurrent health expenditure (Table A2).

This reflects the much higher reliance that Indigenous people place on these largely publicly funded health services to meet their health needs and their much lower use of privately funded health goods and services.

**Table 27: Recurrent expenditure on health for Aboriginal and Torres Strait Islander peoples, per person, current prices, by service type and broad sources of funding, 2001–02 (\$)**

Area of expenditure	Government			Non-government	Total recurrent expenditure
	Australian Government	State/territory and local	Total		
Hospitals	769.64	1,030.65	1,800.29	52.46	1,852.75
Public (non-psychiatric)	756.12	975.81	1,731.93	41.94	1,773.87
Public (psychiatric)	—	51.41	51.41	2.38	53.79
Private	13.52	3.43	16.94	8.14	25.08
High-level residential care	66.57	25.51	92.08	16.75	108.83
Ambulance and other (nec)	27.51	103.82	131.33	5.63	136.95
<i>Total institutional</i>	<i>863.72</i>	<i>1,159.98</i>	<i>2,023.71</i>	<i>74.83</i>	<i>2,098.54</i>
Medical services	184.35	—	184.35	32.85	217.19
Other health professionals	14.43	—	14.43	22.33	36.76
Pharmaceuticals <sup>(a)</sup>	78.49	3.24	81.73	62.63	144.36
Benefit-paid items	77.57	—	77.57	14.63	92.20
All other items	0.92	3.24	4.16	48.00	52.16
Aids and appliances <sup>(b)</sup>	3.06	1.46	4.52	29.99	34.51
Other non-institutional	495.95	712.53	1,208.48	50.54	1,259.03
Community health and other	365.74	593.00	958.74	0.56	959.30
Public health <sup>(c)</sup>	68.00	90.15	158.15	—	158.15
Dental services	3.29	—	3.29	44.31	47.59
Health administration <sup>(d)</sup>	58.92	29.39	88.31	5.67	93.99
Other health services <sup>(e)</sup>	42.53	54.45	96.99	13.46	110.44
<i>Total non-institutional</i>	<i>818.82</i>	<i>771.68</i>	<i>1,590.50</i>	<i>211.79</i>	<i>1,802.29</i>
<b>Total recurrent expenditure</b>	<b>1,682.54</b>	<b>1,931.66</b>	<b>3,614.20</b>	<b>286.63</b>	<b>3,900.83</b>
<i>Share of total funding (%)</i>	<i>43.1</i>	<i>49.5</i>	<i>92.7</i>	<i>7.3</i>	<i>100.0</i>

(a) The Northern Territory was the only jurisdiction to report funding on pharmaceutical expenditure.

(b) Four jurisdictions reported funding of aids and appliances expenditure: New South Wales, Victoria, Queensland and the Australian Capital Territory.

(c) Includes public health research. No public health research was reported for Queensland.

(d) State and territory health administration includes Queensland, Western Australia, South Australia and Tasmania. The other states and territories distributed administration across areas of expenditure.

(e) Includes research other than public health research. No state research was reported for Tasmania.

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

Source: AIHW 2005b.

# 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. This follows the format suggested by the World Health Organization (WHO) (AIH 1985).

The broad areas of health expenditure that are classified as institutional health expenditure are:

- hospitals
- high-level residential care (formerly nursing homes)
- ambulance (patient transport) services
- other institutional health services (not elsewhere classified).

Non-institutional expenditure takes in:

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

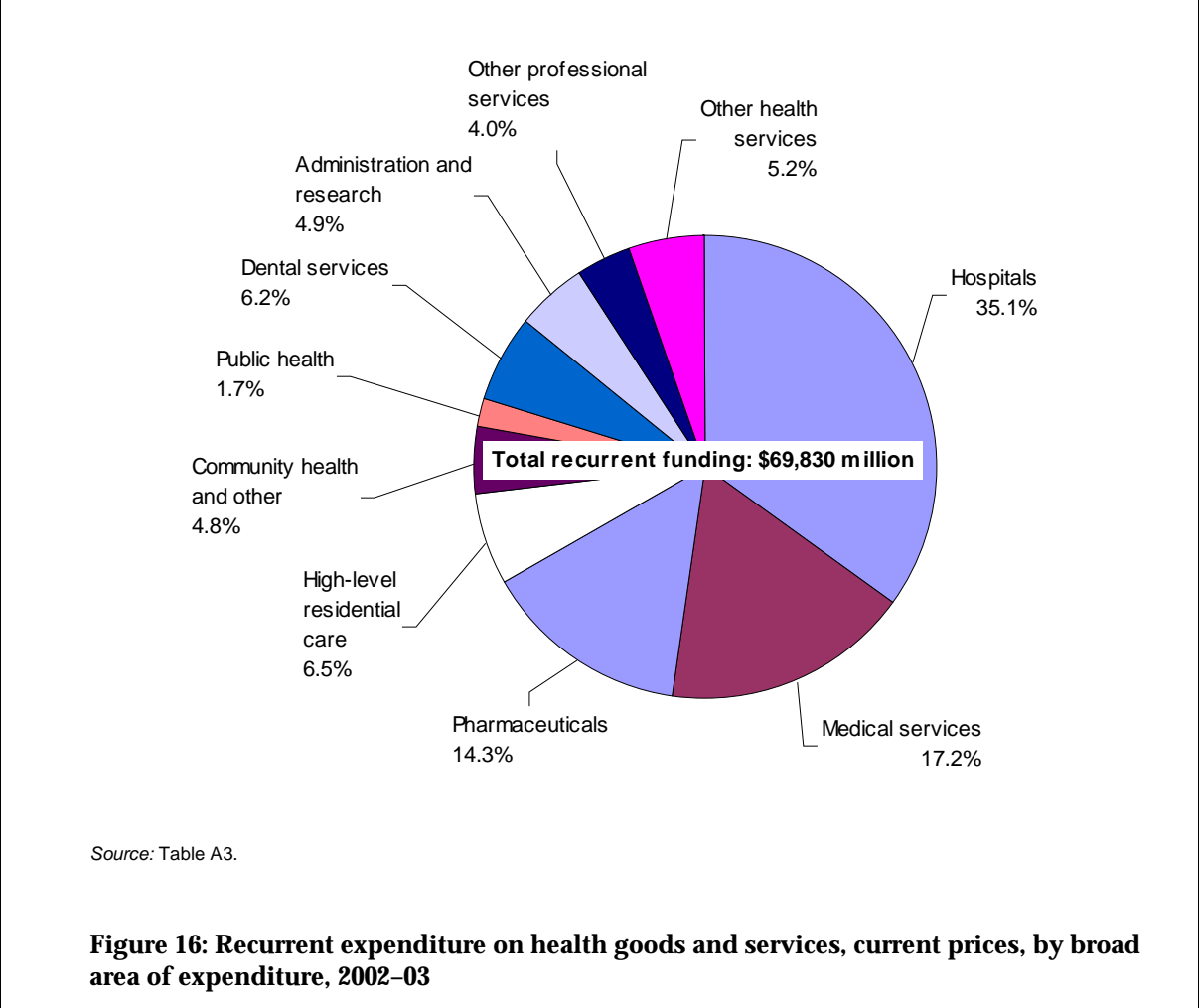
Over the period 1993–94 to 2002–03, total institutional services has decreased its share of total health expenditure from 46.9% to 43.2% (Table A6) while total non-institutional goods and services has increased its share from 53.1% to 56.8%.

Of the areas of health goods and services that attract recurrent expenditure, hospitals and medical services account for more than half. In 2002–03 hospitals were estimated to have accounted for 35.1% of total recurrent expenditure on health services, and medical services 17.2% (Figure 16).

Within these two categories, however, there is substantial overlap. For example, public hospitals spent \$2,890 million on salaried medical staff and visiting medical officers during 2002–03 (AIHW 2004a). While these are payments in respect of staff that provide ‘medical’ services, they are included in the gross operating costs of the public hospitals and are counted as expenditure on public hospitals. Further, some other expenditures that make up the estimates of expenditure on hospitals (for example, salaries of technical staff involved in

providing diagnostic services) relate to the provision of services to public patients in hospitals that could usually be classified as ‘medical’ services (pathology and radiology).

Expenditures classified as medical services, on the other hand, include medical services provided to private patients in public and private hospitals.



## Institutional health services

### Hospitals

In terms of the amount of expenditure involved, hospitals are the largest providers of health services in Australia. In the Australian context there are three broad categories of hospitals:

- public (non-psychiatric) hospitals
- private hospitals
- public (psychiatric) hospitals.

The first two of these fall within the description of ‘general hospitals’ under the OECD’s international classification of health care providers. The third category, public (psychiatric) hospitals, refers to those remaining ‘stand-alone’ public hospitals that cater almost exclusively for the needs of people with mental illness.



**Table 28: Recurrent expenditure on hospitals, constant prices<sup>(a)</sup>, by broad type of hospital, and annual growth rates, 1993–94 to 2003–04**

Year	Public hospitals						All hospitals recurrent expenditure	
	Public (non-psychiatric)		Public (psychiatric)		Private hospitals		Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)		
1993–94	12,367	..	612	..	4,594	..	17,573	..
1994–95	12,773	3.3	586	–4.2	5,035	9.6	18,394	4.7
1995–96	13,398	4.9	544	–7.3	5,167	2.6	19,109	3.9
1996–97	14,274	6.5	483	–11.1	5,156	–0.2	19,913	4.2
1997–98	15,149	6.1	439	–9.2	4,961	–3.8	20,548	3.2
1998–99	15,723	3.8	447	2.0	5,247	5.8	21,417	4.2
1999–00	15,990	1.7	464	3.8	5,308	1.2	21,763	1.6
2000–01	16,502	3.2	416	–10.4	5,410	1.9	22,328	2.6
2001–02	17,268	4.6	488	17.3	5,540	2.4	23,296	4.3
2002–03	18,435	6.8	485	–0.5	5,593	1.0	24,513	5.2
2003–04 <sup>(b)</sup>	19,118	3.7	515	6.1	5,636	0.8	25,270	3.1
<b>Average annual growth rate</b>								
1993–94 to 1997–98		5.2		–8.0		1.9		4.0
1997–98 to 2002–03		4.0		2.0		2.4		3.6
1993–94 to 2003–04		4.5		–1.7		2.1		3.7

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Based on preliminary AIHW and ABS estimates.

Note: Components may not add due to rounding.

Source: AIHW health expenditure database.

In real terms, expenditure on the general hospitals—public (non-psychiatric) and private hospitals—grew by 4.5% and 2.1% per year, respectively, between 1993–94 and 2003–04. Expenditure on public (psychiatric) hospitals, on the other hand, fell in most years, averaging a real annual decrease of 1.7% (Table 28).

The relative growth in expenditures on the different types of hospitals is often interrelated, with policy initiatives moving expenditures sometimes in the same direction and sometimes in opposite directions.

One important influence on growth in expenditure on hospitals is the Australian Government's policy for funding hospital services. In the case of the public (non-psychiatric) hospitals, funding is governed by bilateral agreements between the Australian Government and the various state and territory governments (the Australian Health Care Agreements or AHCAs). Private funding for hospitals is also influenced by the Australian Government's private health insurance initiatives. This is because private health insurance provides the bulk of funding for private hospitals and for private patients in public (non-psychiatric) hospitals.

The latest series of AHCAs for which estimates are included in this publication covered the 5 years from 1 July 1998 to 30 June 2003. Since then, new agreements have been negotiated to cover the period from 1 July 2003 to 30 June 2008.

To date there have been three major incentives relating to private health insurance:

- in July 1997, the introduction of the means-tested Private Health Insurance Incentives Subsidy (PHIIS)
- in January 1999, the replacement of the PHIIS with an open-ended 30% rebate on private health insurance premiums
- in July 2000, the introduction of the 'lifetime' cover initiatives to encourage more people to take out and maintain private hospital insurance cover.

During the 5-year AHCA period that ended in June 1998, expenditure on public (non-psychiatric) hospitals grew, in real terms, at an average of 5.2% per year, compared with an average growth for private hospitals of 1.9% per year (Table 28). From 1997–98 (the last year of the previous agreement period and the year the PHIIS was introduced) to 2002–03, public (non-psychiatric) hospitals experienced a lower average rate of real growth in expenditure (4.0% per year) than they had previously. This translated into increased growth in expenditure on private hospitals, which rose to 2.4% per year for the 5-year period ending 2002–03.

In 2003–04, government accounted for the majority of the funding for general hospitals (80.3%). Non-government sources contributed the remainder of the funding (19.7%). Over the 11-year period from 1993–94 to 2003–04 (Table 29) governments increased their share of funding of general hospitals by 7.3 percentage points.

**Table 29: Funding of general hospitals<sup>(a)</sup>, current prices, by broad source of funds, 1993–94 to 2003–04 (per cent)**

Year	Government			Non-government <sup>(b)</sup>	Total
	Australian Government <sup>(b)</sup>	State/territory and local	Total		
1993–94	42.0	31.0	73.0	27.0	100.0
1994–95	40.8	32.1	72.9	27.1	100.0
1995–96	38.9	33.8	72.7	27.3	100.0
1996–97	37.4	35.7	73.1	26.9	100.0
1997–98	39.0	37.0	76.0	24.0	100.0
1998–99	42.8	34.7	77.5	22.5	100.0
1999–00	44.8	34.5	79.3	20.7	100.0
2000–01	45.8	33.7	79.5	20.5	100.0
2001–02	44.8	33.6	78.4	21.6	100.0
2002–03	44.3	36.1	80.4	19.6	100.0
2003–04 <sup>(c)</sup>	43.7	36.6	80.3	19.7	100.0

(a) Public (non-psychiatric) and private hospitals.

(b) Funding by the Australian Government and non-government sources has been adjusted for tax expenditures in respect of private health incentives claimed through the taxation system.

(c) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

## Public (non-psychiatric) hospitals

More than 90% of all funding for public (non-psychiatric) hospitals comes from governments. The Australian Government's contribution—estimated at 46.4% in 2003–04 (Table 30)—was largely in the form of SPPs under the AHCA. The states and territories,

which have the major responsibility for operating and regulating public hospitals that operate within their jurisdictions, met the balance of the net operating costs of the hospitals. In 2003–04, the states and territories provided 46.2% of the funding for public (non-psychiatric) hospitals.

The non-government contribution declined over the decade from 9.8% in 1993–94 to 7.5% in 2003–04.

**Table 30: Funding of public (non-psychiatric) hospitals, current prices, by broad source of funds, 1993–94 to 2003–04**

Year	Government				Non-government	
	Australian Government		State/territory and local		Amount (\$ m)	Share (%)
	Amount (\$ m)	Share (%)	Amount (\$ m)	Share (%)		
1993–94	5,071	51.1	3,871	39.0	977	9.8
1994–95	5,180	49.7	4,263	40.9	979	9.4
1995–96	5,278	47.3	4,843	43.5	1,025	9.2
1996–97	5,465	45.3	5,558	46.0	1,048	8.7
1997–98	5,898	45.1	6,191	47.4	984	7.5
1998–99	6,651	47.7	6,219	44.6	1,072	7.7
1999–00	6,979	48.1	6,447	44.5	1,078	7.4
2000–01	7,497	48.5	6,732	43.6	1,227	7.9
2001–02	7,982	47.8	7,316	43.8	1,393	8.3
2002–03	8,696	47.2	8,388	45.5	1,351	7.3
2003–04 <sup>(a)</sup>	9,191	46.4	9,152	46.2	1,477	7.5

(a) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

The shares of funding for public (non-psychiatric) hospitals met by the two major levels of government—Australian, and state and territory—fluctuate from year to year. Over the life of the Third Medicare Agreement (predecessor of the AHCA), the Australian Government share fell back 6.0 percentage points from 51.1% in 1993–94 to 45.1% in 1997–98. It rose again by 2.6 percentage points in the first year of the first AHCA, and ended some 2.1 percentage points higher in the last year of the first AHCA compared with the last year of the previous agreement. The non-government share fluctuated within a narrow band over this period (Table 30). See Box 1 below for the periods of all health service funding agreements between the Australian Government and the states/territories.

**Box 1: Australian Government–state/territory health funding agreement periods**

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

*Second Medicare Agreement: 1 July 1988 to 30 June 1993*

*Third Medicare Agreement: 1 July 1993 to 30 June 1998*

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

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

**Table 31: Recurrent funding of public (non-psychiatric) hospitals, constant prices<sup>(a)</sup>, by source of funds, and annual growth rates, 1993–94 to 2003–04**

Year	Government						Total recurrent funding					
	Australian Government <sup>(b)</sup>			State/territory and local			Total		Non-government <sup>(b)</sup>			
	Amount (\$m)	Growth (%)		Amount (\$m)	Growth (%)		Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)		
1993–94	6,323	..	..	4,826	..	..	11,149	..	1,218	..	12,367	..
1994–95	6,348	0.4	8.3	5,224	8.3	3.8	11,573	3.8	1,200	-1.5	12,773	3.3
1995–96	6,344	-0.1	11.4	5,821	11.4	5.1	12,165	5.1	1,233	2.7	13,398	4.9
1996–97	6,453	1.7	13.0	6,577	13.0	7.1	13,030	7.1	1,244	0.9	14,274	6.5
1997–98	6,831	5.9	9.1	7,176	9.1	7.5	14,007	7.5	1,141	-8.2	15,149	6.1
1998–99	7,499	9.8	-2.3	7,013	-2.3	3.6	14,512	3.6	1,210	6.0	15,723	3.8
1999–00	7,694	2.6	1.3	7,107	1.3	2.0	14,801	2.0	1,189	-1.8	15,990	1.7
2000–01	8,003	4.0	1.1	7,187	1.1	2.6	15,191	2.6	1,311	10.3	16,502	3.2
2001–02	8,257	3.2	5.3	7,570	5.3	4.2	15,827	4.2	1,442	10.0	17,268	4.6
2002–03	8,696	5.3	10.8	8,388	10.8	7.9	17,084	7.9	1,351	-6.3	18,435	6.8
2003–04 <sup>(c)</sup>	8,866	2.0	5.3	8,828	5.3	3.6	17,694	3.6	1,424	5.4	19,118	3.7
<b>Average annual growth rate</b>												
1993–94 to 1997–98		2.0	10.4		10.4	5.9		5.9		-1.6		5.2
1997–98 to 2002–03		4.9	3.2		3.2	4.1		4.1		3.4		4.0
1993–94 to 2003–04		3.4	6.2		6.2	4.7		4.7		1.6		4.5

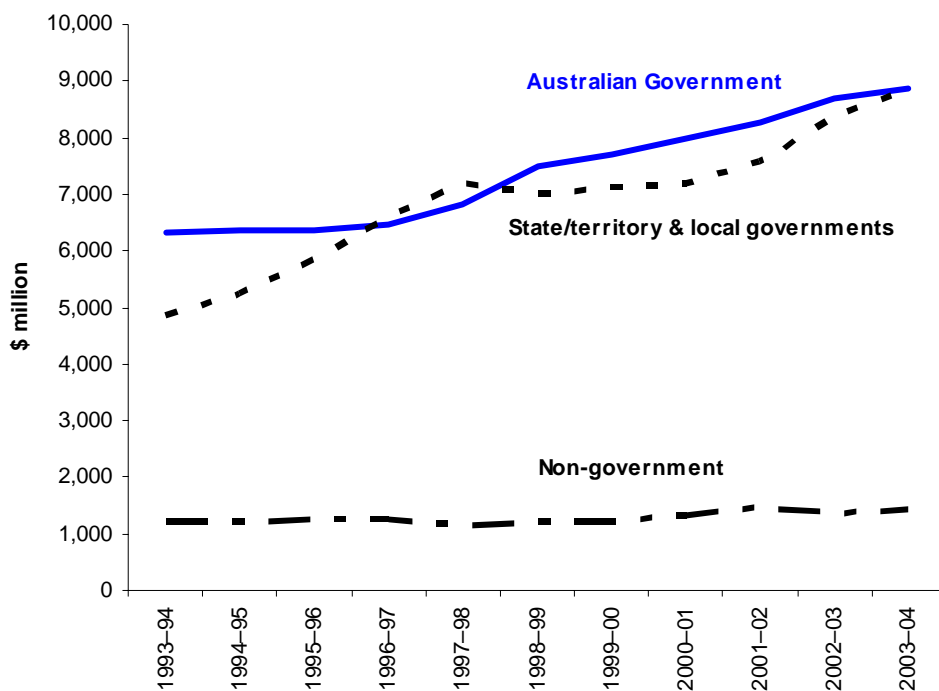
(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Funding by the Australian Government and non-government sources has been adjusted for tax expenditures in respect of private health incentives claimed through the taxation system.

(c) Based on preliminary AIHW and ABS estimates.

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

Source: AIHW health expenditure database.

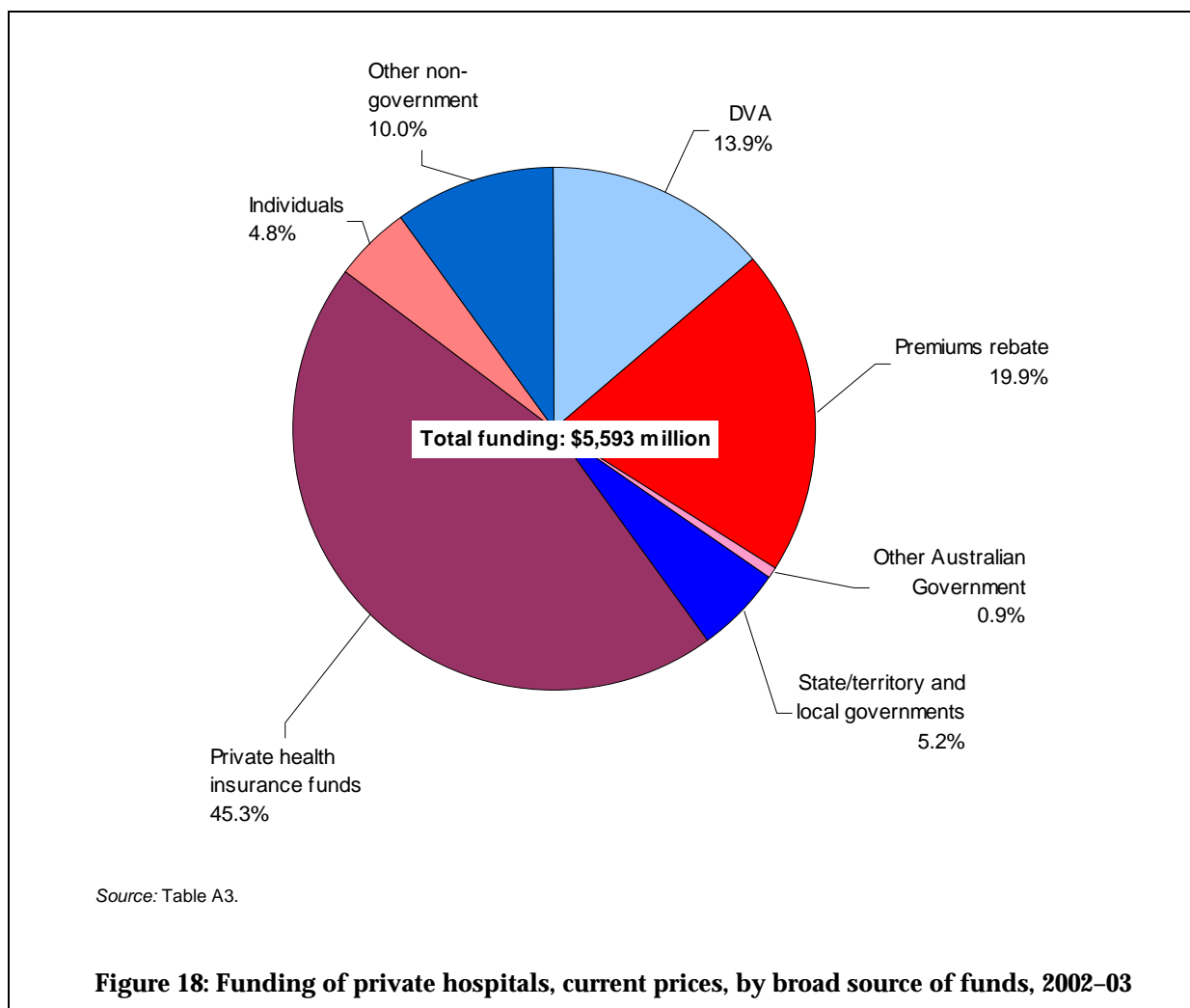


(a) Constant price health expenditure for 1993-94 to 2003-04 is expressed in terms of 2002-03 prices.  
Source: Table 31.

**Figure 17: Funding of public (non-psychiatric) hospitals, constant prices<sup>(a)</sup>, by broad source of funds, 1993-94 to 2003-04**

## Private hospitals

Total expenditure on private hospitals in 2002-03 was estimated at \$5,593 million (Figure 18). Almost two-thirds (65.2%) of this was sourced through private health insurance funds. This comprised 45.3% out of the premiums paid by members and other revenues flowing to the funds, and the remaining 19.9% being indirectly funded out of the rebates paid by the Australian Government in respect of contributors' premiums. In 2003-04 those rebates, in total, amounted to \$2.5 billion, and \$1.2 billion of that is estimated to have been directed to the funding of private hospitals (Table 22).



### Public (psychiatric) hospitals

Public (psychiatric) hospitals are stand-alone institutions operated by, or on behalf of, state and territory governments. Their main function is to provide psychiatric care to admitted patients. It should be noted that public (non-psychiatric) hospitals also provide psychiatric care to admitted patients, sometimes in general wards and sometimes in dedicated psychiatric wards. The related expenditure, however, is captured as part of expenditure on public (non-psychiatric) hospital care.

Total expenditure on public (psychiatric) hospitals in 2002-03 is estimated at \$485 million (Table A3). Almost all of this (\$466 million) was funded by state and territory governments.

### High-level residential care services

The technical notes (Chapter 6) explain the concepts behind the definition of high-level residential care.

Total recurrent expenditure on high-level residential care in 2002-03 was estimated at \$4,545 million. Of this, the Australian Government funded \$3,435 million, state and territory and local governments funded \$207 million and the non-government sector \$903 million (Table A3).

From 1993-94 to 2002-03, real growth in expenditure on high-level residential care was 3.5% per year compared with 4.7% per year for total health expenditure (Table A5). For the period

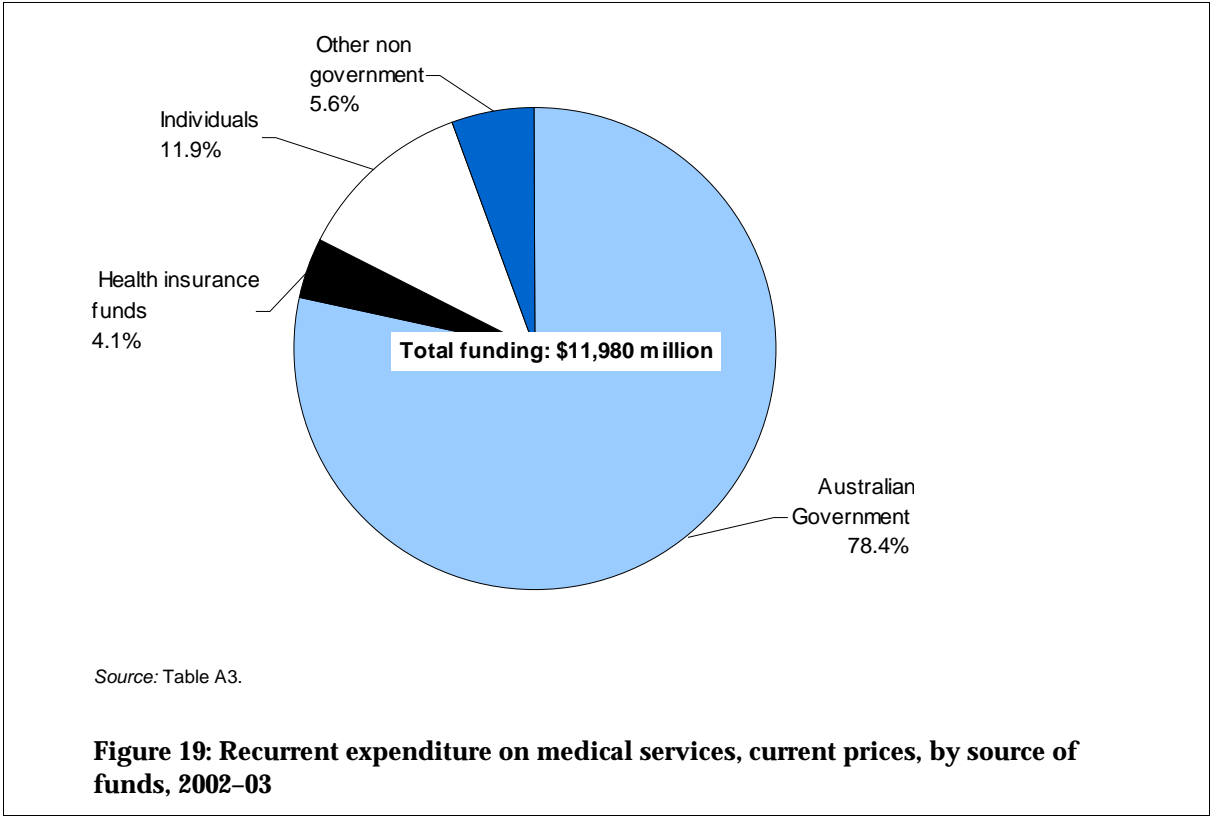
1997–98 to 2002–03, the differential between the two growth rates widened to 2.8 percentage points—for high-level residential care the growth rate was 2.3% per year, while for total health expenditure it was 5.1% per year.

**Non-institutional health services**

**Medical services**

Between 1993–94 and 2003–04, expenditure on medical services increased, in real terms, at an average of 3.4% per year. The real growth rates were similar over the Third Medicare Agreement and the First Australian Health Care Agreement (3.3% and 3.1% respectively) (Table 32).

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 \$12.0 billion spent on medical services in 2002–03, 78.4% was funded by the Australian Government (Figure 19). 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.



Because it provides the bulk of the funding for medical services, the Australian Government’s expenditure was the main determinant of growth. Between 1993–94 and

2003–04, the Australian Government’s real expenditure grew by 3.3%, while expenditure by individuals rose by 1.9% (Table 32).

The effect of government policies to encourage the take-up of private health insurance is reflected in the real growth in funding of medical services by the various sectors. From 1999–00, with the introduction of the 30% rebate and the subsequent ‘lifetime’ cover incentives, real growth in funding by the health funds accelerated sharply, while real growth in funding by the Australian Government slowed and individuals’ funding became negative. As health insurance coverage began to flatten off, and even fall, for people aged 64 and below, from 2002–03, funding by individuals showed positive growth while that of health funds slowed considerably.

**Table 32: Recurrent funding of medical services, constant prices<sup>(a)</sup>, by source of funds, and annual growth rates, 1993–94 to 2003–04**

Year	Australian Government <sup>(b)</sup>		Individuals		Health insurance funds		Other non-government		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1993–94	7,071	..	1,200	..	365	..	388	..	9,025	..
1994–95	7,421	4.9	1,239	3.2	375	2.8	476	22.7	9,512	5.4
1995–96	7,780	4.8	1,294	4.4	381	1.6	500	5.1	9,956	4.7
1996–97	7,963	2.4	1,319	1.9	369	–3.2	546	9.2	10,198	2.4
1997–98	8,132	2.1	1,318	–0.1	306	–17.2	539	–1.4	10,294	0.9
1998–99	8,381	3.1	1,396	5.9	292	–4.6	567	5.3	10,635	3.3
1999–00	8,840	5.5	1,490	6.7	323	10.7	610	7.7	11,264	5.9
2000–01	8,928	1.0	1,449	–2.7	384	18.9	586	–3.9	11,347	0.7
2001–02	9,228	3.4	1,401	–3.3	487	26.7	672	14.7	11,788	3.9
2002–03	9,395	1.8	1,423	1.6	486	–0.2	675	0.4	11,980	1.6
2003–04 <sup>(c)</sup>	9,827	4.6	1,447	1.7	492	1.2	825	22.2	12,591	5.1
<b>Average annual growth rate</b>										
1993–94 to 1997–98		3.6		2.4		–4.3		8.5		3.3
1997–98 to 2002–03		2.9		1.6		9.7		4.6		3.1
1993–94 to 2003–04		3.3		1.9		3.0		7.8		3.4

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Australian Government and health insurance funds expenditures have not been adjusted for rebates claimed as tax expenditures.

(c) Based on preliminary AIHW and ABS estimates.

Note: Components may not add due to rounding.

Source: AIHW health expenditure database.

## Other professional services

Expenditure on other professional services was largely funded by individual users of services (55.9% in 2002–03) and totalled \$2.8 billion in that year (Table A3).

In real terms, expenditure on other professional services grew at an average of 2.5% per year between 1993–94 and 2002–03 (Table A5). In the years 1997–98 to 2002–03 it accelerated to 6.3% per year, 1.2 percentage points higher than the growth in total health expenditure (5.1%) over that period.



## **Community health and other**

In 2002–03, expenditure by state and territory governments and by local government authorities totalled \$3.1 billion out of a total of \$3.4 billion spent on community health services (Table A3). In 2003–04, community health was estimated at \$3.6 billion (Table A4).

### **Public health**

While reliable estimates are not available for earlier years, since 1998–99, 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 2002b and 2004c). In these years public health expenditure was estimated at:

- 2000–01—\$1.0 billion
- 2001–02—\$1.1 billion
- 2002–03—\$1.2 billion.

Over these 3 years the Australian Government's direct funding share of total public health expenditure has been respectively 54.0%, 52.8% and 59.6% (calculated from Tables A1, A2 and A3).

In 2003–04, it is estimated to increase to \$1.3 billion, with the Australian Government's share being 52.6% (Table A4).

### **Dental services**

Individuals contributed 68.1% of the total expenditure of \$4.4 billion for dental services in 2002–03 (Table A3). For the period 1993–94 to 2002–03, real growth in expenditure on dental services was 3.9%, some 0.8 percentage points below that of real growth in total health expenditure (Table A5).

For the period 1997–98 to 2002–03, however, real growth for dental services (5.7%) exceeded that for total health expenditure by 0.6 percentage points.

### **Pharmaceuticals and other non-durable health goods**

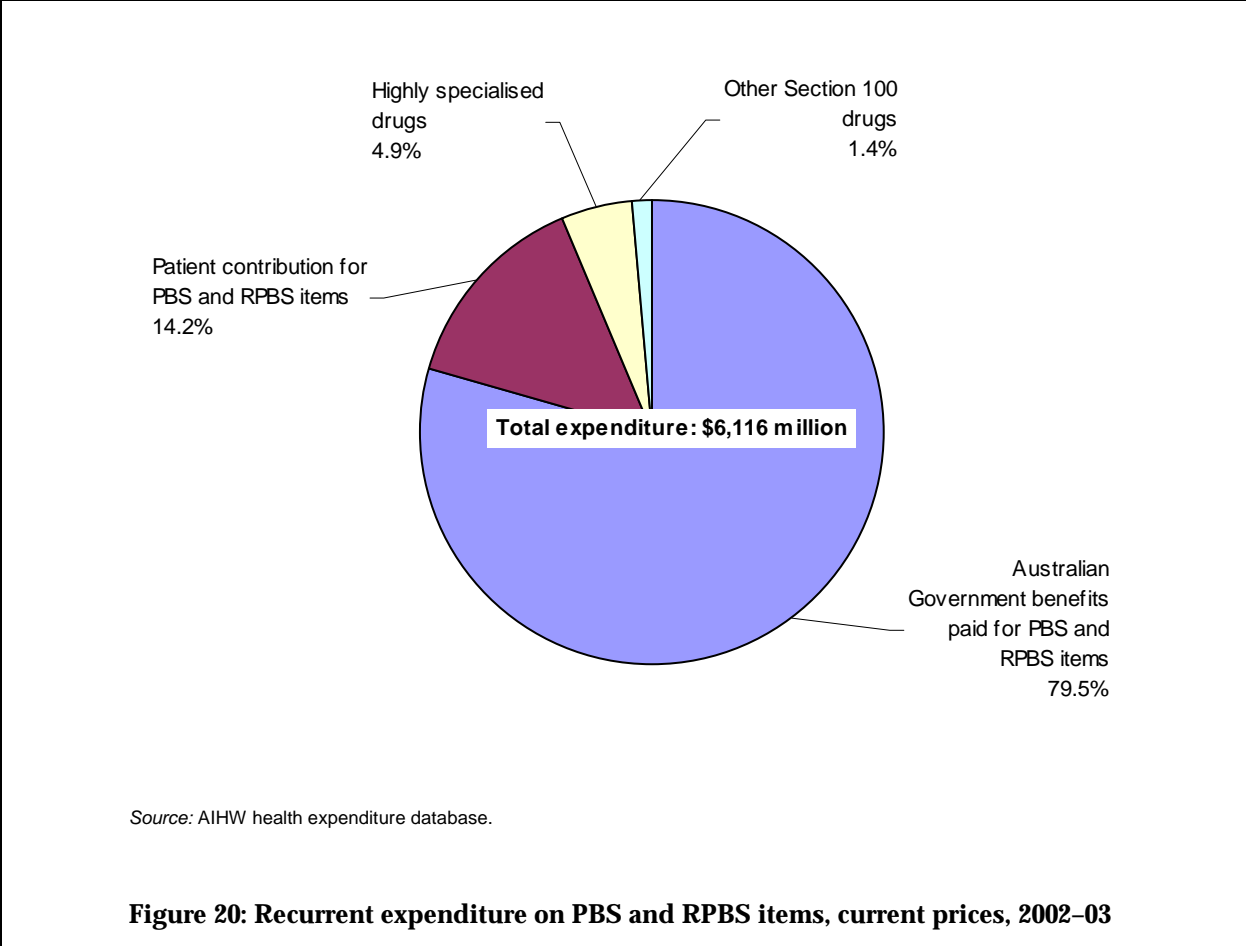
In real terms, total expenditure on pharmaceuticals increased by 10.3% from 1993–94 to 2002–03, to reach \$10.0 billion in 2002–03 (Tables A3 and A5). While total expenditure experienced consistent growth between 1993–94 and 2001–02, expenditure on benefit-paid items and non-benefit items fluctuated greatly from year to year. This is due to the effects of the co-payment in determining what items attract benefits. The benefit-paid items category includes only those items listed under the Schedule of Pharmaceutical Benefits for which benefits were actually paid. Items that are listed on the PBS but have a price below the statutory patient co-payment are recorded in the 'all other pharmaceuticals' category.

### **Benefit-paid items**

In real terms, recurrent expenditure on benefit-paid items grew at an average of 11.0% per year from 1993–94 to 2003–04 (Table 33). The period of most rapid growth among the AHCA periods was from 1997–98 to 2002–03, when growth averaged 12.4% per year, greater than the overall rate of growth in health expenditure (5.1%). Growth in that period was shared

between the Australian Government's (12.9% per year) and individuals' (9.7% per year) expenditures.

In 2002–03, the total amount spent on pharmaceuticals for which benefits were paid was \$6,116 million. Benefits paid by the Australian Government for PBS and RPBS items accounted for 79.5% of this expenditure. Of the remaining expenditure, 14.2% of the total was due to patient contributions for PBS and RPBS items, 4.9% to highly specialised drugs and 1.4% to other Section 100 drugs (Figure 20).



**Table 33: Recurrent expenditure on benefit-paid pharmaceuticals, constant prices<sup>(a)</sup>, by source of funds, and annual growth rates, 1993–94 to 2003–04**

Year	Australian Government		Individuals		Total recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1993–94	1,931	..	405	..	2,335	..
1994–95	2,126	10.1	470	16.2	2,596	11.2
1995–96	2,542	19.6	501	6.5	3,043	17.2
1996–97	2,754	8.3	557	11.2	3,311	8.8
1997–98	2,811	2.1	599	7.7	3,411	3.0
1998–99	3,102	10.3	629	5.0	3,731	9.4
1999–00	3,534	13.9	682	8.4	4,216	13.0
2000–01	4,320	22.2	776	13.7	5,096	20.9
2001–02	4,678	8.3	842	8.5	5,520	8.3
2002–03	5,166	10.4	951	12.9	6,116	10.8
2003–04 <sup>(b)</sup>	5,624	8.9	1,036	9.0	6,660	8.9
<b>Average annual growth rate</b>						
1993–94 to 1997–98		9.9		10.3		9.9
1997–98 to 2002–03		12.9		9.7		12.4
1993–94 to 2003–04		11.3		9.9		11.0

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Based on preliminary AIHW estimates.

Note: Components may not add due to rounding.

Source: AIHW health expenditure database.

## All other pharmaceuticals

In real terms, recurrent expenditure on other pharmaceutical items (see Table 43 for definition) grew by an average of 8.7% between 1993–94 and 2003–04 (Table 34). To some extent, this growth mirrors that for benefit-paid items. This is due to the effect of the PBS patient co-payment threshold and the increased availability of cheaper alternatives to those items on the PBS that would have attracted pharmaceutical benefits. Expenditure by the Australian Government from 1997–98 is entirely composed of the proportion of the private health insurance rebate allocated to pharmaceuticals.

The main sources of funding for other pharmaceutical items were individuals' out-of-pocket expenditure and ancillary tables provided by private health insurance funds. The most rapid period of growth (10.6%) was from 1997–98 to 2002–03, which can largely be attributed to growth in expenditure by individuals (10.4%).

**Table 34: Recurrent funding of other pharmaceuticals, constant prices<sup>(a)</sup>, by source of funds, and annual growth rates, 1993–94 to 2003–04**

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 (%)
1993–94	—	..	—	..	50	..	1,743	..	1,793	..
1994–95	—	..	2	..	48	-3.9	1,886	8.2	1,935	8.0
1995–96	—	..	12	662.7	49	3.1	1,787	-5.3	1,848	-4.5
1996–97	—	..	12	0.5	49	-1.4	1,971	10.3	2,031	9.9
1997–98	3	..	17	44.4	33	-31.3	2,304	16.9	2,358	16.1
1998–99	8	126.1	—	..	31	-7.8	2,514	9.1	2,553	8.3
1999–00	14	84.0	—	..	32	3.8	2,762	9.8	2,808	10.0
2000–01	83	489.7	—	..	37	14.6	2,998	8.6	3,118	11.0
2001–02	54	-35.3	2	..	45	24.1	3,579	19.4	3,680	18.0
2002–03	60	11.1	—	..	52	14.2	3,783	5.7	3,895	5.8
2003–04 <sup>(b)</sup>	60	0.6	—	..	47	-9.0	4,025	6.4	4,132	6.1
<b>Average annual growth rate</b>										
1993–94 to 1997–98		..		..		-9.5		7.2		7.1
1997–98 to 2002–03		77.5		..		9.2		10.4		10.6
1993–94 to 2003–04		..		..		-0.5		8.7		8.7

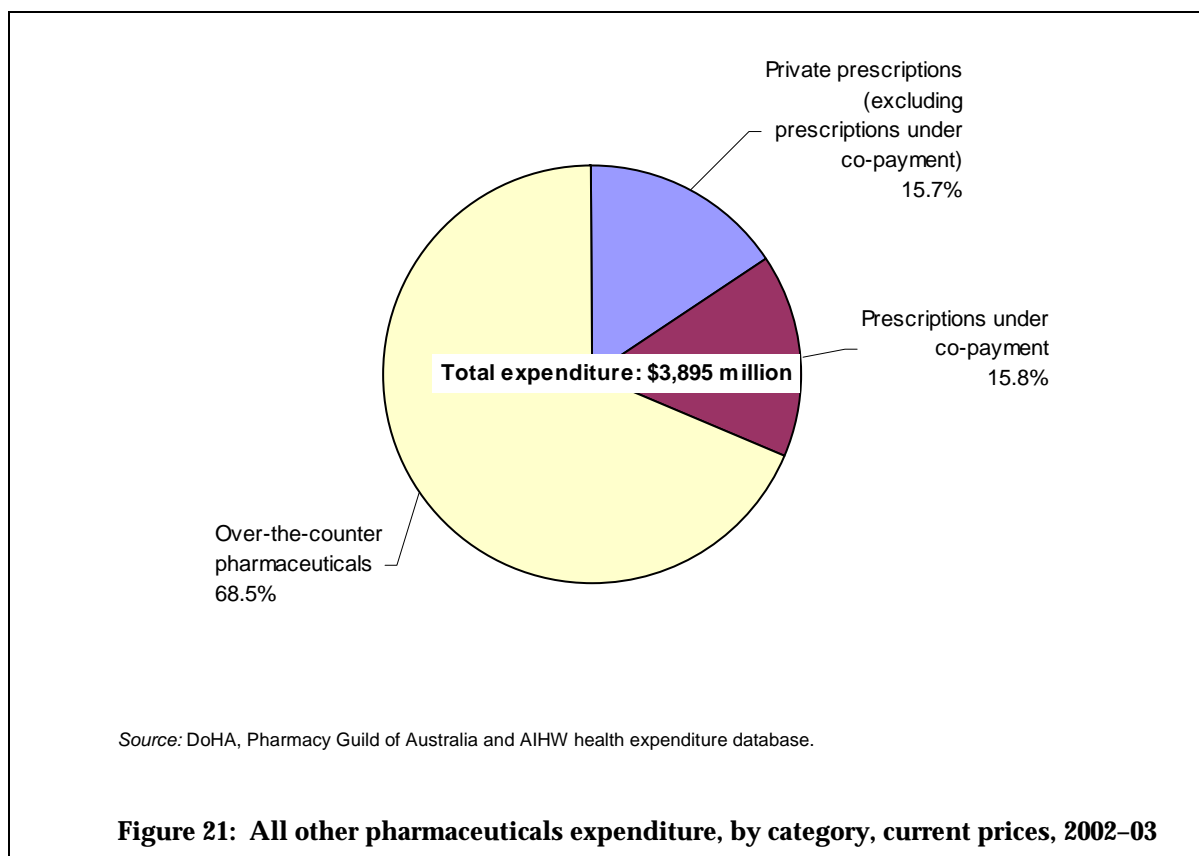
(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Based on preliminary AIHW estimates.

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

Source: AIHW health expenditure database.

In 2002–03, expenditure on private prescriptions and over-the-counter pharmaceuticals was \$3,895 million. Over-the-counter pharmaceuticals accounted for the largest share of this expenditure at 68.5%. Private scripts accounted for the remainder of the expenditure (31.5%) (Figure 21).



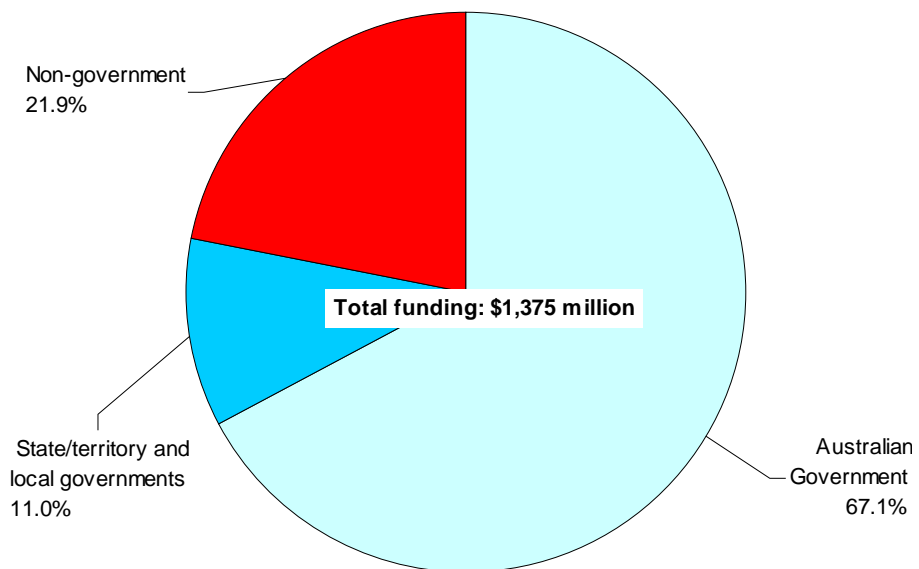
### Aids and appliances

Expenditure on health aids and appliances grew 9.0% per year in real terms over the period 1993-94 to 2002-03. The fastest year of growth was 1999-00 to 2000-01, when it grew by 30.3% (Table A5). Changes in the methodology surrounding the treatment of private health insurance benefits paid for contractual ancillary services, and revisions to the ABS estimate of HFCE for medicines, aids and appliances have affected this series (see Chapter 6).

In 2002-03 expenditure on aids and appliances was \$2,501 million, of which almost 80% was funded by individuals' out-of-pocket expenditure (calculated from Table A3).

### Research

Total estimated expenditure on health research in 2002-03 was \$1,375 million (Table A3). In real terms, estimated expenditure grew at an average of 7.9% per year between 1993-94 and 2003-04 (Table 35). Much of the expenditure in 2002-03 (67.1%) was funded by the Australian Government (Figure 22). State and territory and local governments provided 11.0% of funding for research and a further 21.9% was provided by non-government sources.



Source: Table A3.

**Figure 22: Recurrent expenditure on health research, current prices, by broad source of funds, 2002-03**

**Table 35: Recurrent funding for health research, constant prices<sup>(a)</sup>, and annual growth rates, by broad source of funds, 1993–94 to 2003–04**

Year	Government						Total recurrent funding	
	Australian Government		State/territory and local		Non-government			
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1993–94	493	..	75	..	111	..	679	..
1994–95	498	1.1	117	55.9	124	11.5	739	8.8
1995–96	534	7.2	102	-12.6	131	5.6	767	3.8
1996–97	551	3.2	122	19.7	142	8.0	815	6.2
1997–98	501	-9.1	112	-8.1	151	6.9	764	-6.2
1998–99	580	15.8	106	-5.7	138	-8.7	824	7.8
1999–00	628	8.3	126	19.0	218	57.8	972	18.0
2000–01	784	24.9	152	21.0	263	20.5	1,200	23.4
2001–02	780	-0.5	185	21.7	311	18.2	1,277	6.4
2002–03	923	18.3	151	-18.6	302	-3.1	1,375	7.7
2003–04 <sup>(b)</sup>	962	4.3	153	1.4	331	9.7	1,446	5.2
<b>Average annual growth rate</b>								
1993–94 to 1997–98		0.4		10.6		8.0		3.0
1997–98 to 2002–03		13.0		6.1		14.8		12.5
1993–94 to 2003–04		6.9		7.4		11.5		7.9

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Based on preliminary AIHW and ABS estimates.

Note: Components may not add due to rounding.

Source: AIHW health expenditure database.

## 4.2 Capital formation

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 fluctuates greatly from year to year (Table 36 and Figure 23). 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 2002–03 was \$1,566 million, 2.2% of total health expenditure (Tables 1 and 36). In 2003–04, it is estimated to have increased, in real terms, by 6.1%, to \$1,662 million.

Australian Government funding of capital is often by way of grants and subsidies to other levels of government or to non-government organisations. In the early 1990s, the estimates of Australian Government funding of capital were somewhat distorted by the negative outlays that resulted from the disposal of the Repatriation General Hospitals.

State and 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 between one-third and one-half of all capital outlays in any year. This is largely the result of investment in private hospitals and residential care facilities.

**Table 36: Outlays on capital, constant prices<sup>(a)</sup>, by source of funds, 1993–94 to 2003–04 (\$ million)**

Year	Government		Non-government	Total
	Australian Government	State/territory and local		
1993–94	71	964	882	1,917
1994–95	6	1,050	838	1,894
1995–96	61	945	866	1,872
1996–97	48	1,188	1,022	2,258
1997–98	57	1,477	1,056	2,589
1998–99	169	1,100	1,067	2,336
1999–00	33	1,402	1,153	2,588
2000–01	123	1,634	875	2,632
2001–02	166	1,467	477	2,110
2002–03	139	1,135	292	1,566
2003–04 <sup>(b)</sup>	157	1,201	304	1,662

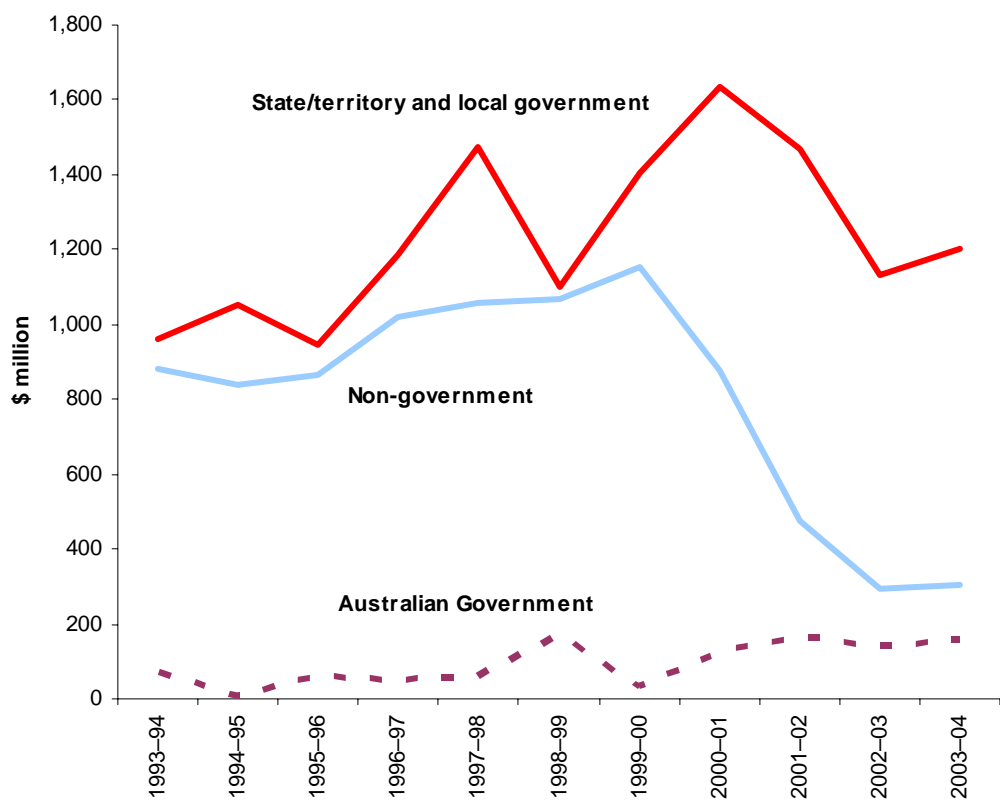
(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Based on preliminary AIHW and ABS estimates.

Note: Components may not add due to rounding.

Source: AIHW health expenditure database.





(a) Constant price health expenditure for 1993-94 to 2003-04 is expressed in terms of 2002-03 prices.

Source: Table 36.

**Figure 23: Outlays on capital, constant prices<sup>(a)</sup>, by broad source of funds, 1993-94 to 2003-04**

## 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 this item from ABS Government finance statistics. Traditionally within the National Health Accounts (NHA) tables, capital consumption has been excluded from recurrent expenditure and has been grouped with capital expenditure to add to total health expenditure.

Capital consumption (depreciation) by governments, in real terms, was estimated at \$1,056 million in 2002–03. Of this, 74.4% was related to hospitals (Table 38).

It was estimated to have increased, in real terms, by 5.2% in 2003–04 (Table 37), to \$1,110 million.

**Table 37: Estimated capital consumption by governments, current and constant prices<sup>(a)</sup>, and annual growth rates, 1993–94 to 2003–04**

Year	Current prices	Constant prices	Real growth (%)
	\$ million	\$ million	
1993–94	523	546	..
1994–95	529	554	1.5
1995–96	571	592	7.0
1996–97	531	556	-6.1
1997–98	579	604	8.5
1998–99	877	913	51.2
1999–00	934	970	6.2
2000–01	970	991	2.2
2001–02	1,018	1,039	4.9
2002–03	1,056	1,056	1.6
2003–04 <sup>(b)</sup>	1,121	1,110	5.2

(a) Constant price health expenditure for 1993–94 to 2003–04 is expressed in terms of 2002–03 prices.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

**Table 38: Government sector shares of capital consumption expenditure by area of expenditure (per cent) and total capital consumption expenditure, current prices (\$ million), 2001–02 and 2002–03**

Area of expenditure	Australian Government		State and local government		Total government	
	2001–02	2002–03	2001–02	2002–03	2001–02	2002–03
Hospitals	..	..	79.92	78.33	76.26	74.42
Public (non-psychiatric)	..	..	76.55	76.77	73.05	72.95
Public (psychiatric)	..	..	3.36	1.55	3.21	1.48
High-level residential care	..	..	0.92	1.94	0.88	1.85
<i>Total institutional</i>	..	..	<i>80.84</i>	<i>80.27</i>	<i>77.14</i>	<i>76.27</i>
Benefit-paid pharmaceuticals	..	..	0.05	—	0.05	—
All other pharmaceuticals	..	..	0.03	—	0.03	—
Aids and appliances	..	..	0.02	—	0.02	—
Community health and other <sup>(a)</sup>	..	..	13.56	15.45	12.94	14.68
Public health	19.15	12.96	2.65	2.04	3.40	2.59
Health administration	72.34	81.48	2.75	1.75	5.93	5.72
Research	8.51	5.56	0.10	0.49	0.49	0.74
<i>Total non-institutional</i>	<i>100.00</i>	<i>100.00</i>	<i>19.16</i>	<i>19.73</i>	<i>22.86</i>	<i>23.73</i>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Total expenditure (\$ million)</b>	<b>28</b>	<b>29</b>	<b>990</b>	<b>1,027</b>	<b>1,018</b>	<b>1,056</b>

(a) Includes ambulance

Source: AIHW health expenditure database.

# 5 International comparisons

The countries included in this comparison are current members of the OECD, and also some countries that are members of the Asia-Pacific National Health Accounts Network (APNHAN). The comparison, which looks at the period from 1993 to 2003, provides an indication of the relative efforts being made to meet the need for health goods and services and capital formation in countries with similar economic and social structures, or with which Australia has important economic and social links. 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. It is also important to acknowledge that there is no definitive relationship between what a country spends on health and the health status of its population.

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, services and capital investment. Fluctuations in the health-GDP ratio can, however, be misleading because they can 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) to convert expenditures in each of the countries first into US dollars and then into Australian dollars. The PPPs used are for the whole of the GDP because of the poor reliability of health-specific ones, particularly in the early part of the period.

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.

## 5.1 Health expenditure in OECD countries

The unweighted average health expenditure to GDP ratio for all those 29 OECD countries that submitted data in 1993, 1998 and 2003 was respectively 7.8, 7.9% and 8.8%. Australia's average was slightly higher in each of these periods (respectively, 8.3%, 8.7% and 9.7%). A similar story applies to health expenditure in per capita terms.

The United States was by far the highest spender on health care, spending 15.0% of GDP in 2003 and an average expenditure per person that was around double the amount for Australia (\$7,607 per person compared with \$3,931 for Australia) (Table 39).

**Table 39: International comparison of health expenditure as a proportion of GDP and per person, OECD countries, 1993 to 2003<sup>(a)</sup>**

Country	1993		1998		2003	
	Health to GDP (%)	Per person (A\$)	Health to GDP (%)	Per person (A\$)	Health to GDP (%)	Per person (A\$)
Australia	8.3	2,082	8.7	2,733	9.7	3,931
Austria	7.8	2,236	7.6	2,558	7.5	3,108
Belgium	8.1	2,145	8.5	2,627	9.6	3,816
Canada	9.9	2,699	9.2	3,009	9.9	4,054
Czech Republic	6.7	1,018	6.6	1,187	7.5	1,752
Denmark	8.8	2,362	8.4	2,801	9.0	3,730
Finland	8.3	1,916	6.9	2,101	7.4	2,859
France	9.4	2,517	9.3	2,928	10.1	3,919
Germany	9.9	2,664	10.6	3,253	11.1	4,045
Greece	8.8	1,443	9.4	1,801	9.9	2,715
Hungary	7.7	855	7.3	1,014	8.4	1,713
Iceland	8.4	2,338	8.7	2,987	10.5	4,205
Ireland	7.0	1,392	6.2	1,941	7.4	3,309
Italy	8.0	2,049	7.7	2,363	8.4	3,048
Japan	6.5	1,829	7.2	2,283	n.a.	n.a.
Korea	4.3	607	4.5	807	5.6	1,450
Luxembourg	6.2	2,534	5.8	3,010	6.9	5,002
Mexico	5.8	532	5.4	559	6.2	787
Netherlands	8.6	2,279	8.2	2,678	9.8	4,018
New Zealand	7.2	1,494	7.8	1,898	8.1	2,546
Norway	8.0	2,271	8.5	3,030	10.3	5,139
Poland	5.9	507	6.0	727	6.5	1,004
Portugal	7.3	1,181	8.4	1,699	9.6	2,426
Slovak Republic	n.a.	n.a.	5.7	732	5.9	1,049
Spain	7.5	1,459	7.5	1,776	7.7	2,477
Sweden	8.6	2,203	8.3	2,568	9.4	3,649
Switzerland	9.4	3,217	10.3	3,904	11.5	5,104
Turkey	3.7	268	4.8	409	7.4	693
United Kingdom	6.9	1,651	6.9	2,066	n.a.	n.a.
United States	13.2	4,498	13.0	5,368	15.0	7,607
<b>Average (unweighted) (29)<sup>(b)</sup></b>	<b>7.8</b>	<b>1,871</b>	<b>7.9</b>	<b>2,279</b>	<b>8.8</b>	<b>3,240</b>
<b>Average (weighted) (29)<sup>(b)(c)</sup></b>	<b>9.6</b>	<b>2,301</b>	<b>9.7</b>	<b>2,775</b>	<b>10.9</b>	<b>3,856</b>

(a) See definition of 'OECD financial year' in Box 2.

(b) Excludes the Slovak Republic. Averages for 2003 incorporate 2002 data for Japan and the United Kingdom.

(c) Averages weighted by GDP or population.

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

Sources: AIHW health expenditure database; OECD 2005.

In 2003, Australia's three tiers of government contributed an average of 68.0% to total health expenditure, which was 4.0 percentage points below the OECD unweighted average of

72.0%. Over the decade, the government contribution to the funding of health care in Australia edged up by 1.6 percentage points, while the government share for the OECD overall decreased by 0.6 percentage points (Table 40).

**Table 40: Government health expenditure as a proportion of total health expenditure, OECD countries, 1993 to 2003<sup>(a)</sup> (per cent)**

Country	1993	1998	2003
Australia	66.4	68.0	68.0
Austria	74.2	69.7	67.6
Belgium <sup>(b)</sup>	n.a.	74.8	74.5
Canada	72.7	70.6	69.9
Czech Republic	94.8	91.9	90.1
Denmark	82.7	82.0	83.0
Finland	76.1	76.3	76.5
France	76.5	76.0	76.3
Germany	80.2	78.6	78.2
Greece	54.5	52.1	51.3
Hungary	87.4	74.8	72.4
Iceland	83.3	82.0	83.5
Ireland	73.3	76.5	78.0
Italy	76.3	71.6	75.1
Japan	79.2	80.8	n.a.
Korea	35.5	44.4	49.4
Luxembourg	92.9	92.4	89.9
Mexico	43.2	46.0	46.4
Netherlands	73.6	64.1	62.4
New Zealand	76.6	77.0	78.7
Norway	84.6	84.7	83.7
Poland	73.8	65.4	69.9
Portugal	63.0	67.1	69.7
Slovak Republic	n.a.	91.6	88.3
Spain	76.6	72.2	71.2
Sweden	87.4	85.8	85.2
Switzerland	54.3	54.9	58.5
Turkey	66.4	71.9	70.9
United Kingdom	85.1	80.4	n.a.
United States	43.1	44.3	44.4
<b>Average (unweighted) (28)<sup>(c)</sup></b>	<b>72.6</b>	<b>71.5</b>	<b>72.0</b>
<b>Average (weighted) (28)<sup>(d)</sup></b>	<b>59.7</b>	<b>59.5</b>	<b>59.1</b>

(a) See definition of 'OECD financial year' in Box 2.

(b) Data for Belgium are for recurrent government expenditure on health, rather than total government expenditure on health.

(c) Excludes Belgium and the Slovak Republic.

(d) Weighted by total health expenditure.

Sources: AIHW health expenditure database; OECD 2005.

**Table 41: Out-of-pocket health expenditure per person, and as shares of total health expenditure, non-government health expenditure and household final consumption expenditure, OECD countries, 1993 and 2003<sup>(a)</sup>**

Country	1993				2003			
	Per person out-of-pocket expenditure (A\$)	Share of total (%)	Share of non-govt (%)	Share of HFCE (%)	Per person out-of-pocket expenditure (A\$)	Share of total (%)	Share of non-govt (%)	Share of HFCE (%)
Australia	353	17.0	50.4	2.4	796	20.3	63.3	3.3
Austria	n.a.	n.a.	n.a.	n.a.	595	19.2	59.2	2.7
Belgium	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Canada	402	14.9	54.6	2.6	605	14.9	49.6	2.7
Czech Republic	52	5.2	100.0	0.7	146	8.4	84.6	1.3
Denmark	385	16.3	94.0	2.9	589	15.8	92.5	3.1
Finland	385	20.1	83.9	3.2	544	19.0	81.2	2.9
France	285	11.3	48.2	1.9	393	10.0	42.2	1.8
Germany	269	10.1	51.2	1.8	421	10.4	47.9	2.0
Greece	n.a.	n.a.	n.a.	n.a.	1,262	46.5	95.4	6.9
Hungary	107	12.6	100.0	1.7	421	24.6	88.9	3.9
Iceland	390	16.7	100.0	2.5	693	16.5	100.0	3.3
Ireland	210	15.1	56.5	1.9	441	13.4	60.7	2.3
Italy	406	19.8	83.7	2.7	632	20.7	83.3	2.9
Japan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Korea	342	56.2	87.2	4.8	608	41.9	82.8	4.4
Luxembourg	141	5.6	78.5	0.7	351	7.0	70.3	1.2
Mexico	292	55.0	96.9	4.5	397	50.5	94.2	4.5
Netherlands	n.a.	n.a.	n.a.	n.a.	315	7.8	20.8	1.6
New Zealand	268	17.9	76.6	2.3	400	15.7	73.5	2.2
Norway	338	14.8	96.3	2.5	798	15.5	95.4	3.6
Poland	133	26.2	100.0	2.5	266	26.4	87.8	2.6
Portugal	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Slovak Republic	n.a.	n.a.	n.a.	n.a.	123	11.7	100.0	1.2
Spain	283	19.4	82.7	2.4	586	23.7	82.0	3.2
Sweden	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Switzerland	1,067	33.2	72.6	5.4	1,609	31.5	76.0	6.2
Turkey	84	31.5	93.7	1.7	142	20.4	69.9	2.3
United Kingdom	177	10.7	72.0	1.2	n.a.	n.a.	n.a.	n.a.
United States	757	16.8	29.6	3.3	1,071	14.1	25.3	3.0
<b>Average (unweighted) (21)<sup>(b)</sup></b>	<b>339</b>	<b>21.3</b>	<b>81.4</b>	<b>2.6</b>	<b>676</b>	<b>24.1</b>	<b>87.0</b>	<b>3.6</b>
<b>Average (weighted) (21)<sup>(b)(c)</sup></b>	<b>431</b>	<b>17.6</b>	<b>39.8</b>	<b>2.9</b>	<b>655</b>	<b>16.0</b>	<b>35.8</b>	<b>2.9</b>

(a) See definition of 'OECD financial year' in Box 2.

(b) Excludes Austria, Belgium, Greece, Japan, Netherlands, Portugal, Slovak Republic, Sweden and the United Kingdom.

(c) Averages weighted by population, health expenditure or HFCE.

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

Sources: AIHW health expenditure database; OECD 2005.

Australia's per person out-of-pocket expenditure (\$353 in current prices) was \$78 below the weighted mean in 1993 but \$141 above the weighted mean in 2003 (Table 41). Out-of-pocket expenditure as a percentage of total expenditure, non-government expenditure and HFCE all rose between the two periods. These trends were the reverse of the overall OECD averages—while expenditure rose in nominal terms between the two years (Table 39), out-of-pocket expenditure as a percentage of total health expenditure and non-government expenditure fell but as a percentage of household final consumption expenditure it remained constant (Table 41).

## 5.2 Health expenditure in the Asia–Pacific region

The APNHAN has, in recent years, developed some experimental national estimates of expenditure on health for some countries in the region. APNHAN is a collaborative partnership of experts and both government and non-government agencies in the region with responsibilities for, or interest in, the development and maintenance of national health accounting systems throughout the region. To this end, APNHAN provides a mechanism for regional collaboration and cooperation in this technical field, and for dialogue between regional experts and agencies.

There is a very broad range of economies within the Asia–Pacific region, including highly developed economies like Japan, Australia, South Korea, Taiwan and Hong Kong, as well as developing economies like Malaysia, Thailand, Vietnam, Indonesia and Bangladesh.

APNHAN provided the AIHW with estimates of expenditure for varying years (2000 to 2003) for six economies within the region—Bangladesh, Hong Kong, Japan, Korea, Taiwan and Thailand—hence caution should be used when making comparisons with Australian data (see footnotes to Table 42).

In 2000 Australia had the highest health–GDP ratio, at 9.2%, while Japan (7.0%) had the second-highest ratio. For the other countries in Table 42, Taiwan, Korea and Hong Kong had ratios of 6.3%, 6.0% and 6.0%, respectively, for the years they reported. The two other countries for which estimates were available—Thailand (3.0%) and Bangladesh (3.2%)—had very low health–GDP ratios.

A similar pattern emerged in relation to average expenditure per person. Australia (\$3,196 per person) and Japan (\$3,572 per person) had average expenditures that were around double to triple those of Hong Kong, Korea and Taiwan. Bangladesh (\$13 per person) and Thailand (\$88 per person) had very low average expenditures on health.

There are many reasons underlying these substantial differences between the levels of resourcing for health in these countries. In the case of Bangladesh, for example, the funds available to governments to provide support for that country's health system are quite limited. Only 21.1% of total health funding was provided by the Bangladeshi government in 2001. In Thailand, on the other hand, the government provides well over half of the funding for health (58%), yet its health–GDP ratio is comparable with that of Bangladesh and its average annual expenditure per person on health is only \$88.



**Table 42: Health expenditure comparison for selected Asia-Pacific countries<sup>(a)</sup>**

Country	Health to GDP (%)	Per person (A\$)	Government to total (%)	Per person out-of-pockets (A\$)	Out-of-pockets to total (%)	Out-of-pockets to non-government (%)
Australia <sup>(b)</sup>	9.2	3,196	69.4	592	18.6	60.8
Bangladesh <sup>(c)</sup>	3.2	13	21.1	529	63.8	97.7
Hong Kong <sup>(d)</sup>	6.0	1,821	57.0	544	30.0	69.8
Japan <sup>(b)</sup>	7.0	3,572	80.0	625	17.0	89.5
Korea <sup>(d)</sup>	6.0	1,532	54.7	567	37.0	81.7
Taiwan <sup>(e)</sup>	6.3	1,091	64.9	n.a.	27.0	81.8
Thailand <sup>(d)</sup>	3.0	88	58.0	28	32.0	74.4

(a) See definition of 'OECD financial year' in Box 2.

(b) Data for the year 2000.

(c) Data for the financial year 2001–02.

(d) Data for the year 2001.

(e) Data for the year 2003.

Sources: AIHW health expenditure database; Tharanga Fernando, APNHAN.

# 6 Technical notes

## 6.1 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 the OECD's System of Health Accounts (SHA).

### 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, Health Insurance Commission and the Private Health Insurance Advisory Council (PHIAC)—and each state and territory health department. 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 AIHW's health expenditure collections with all other Australian subnational 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.

## 6.2 Definition of health expenditure

The term 'health expenditure' refers to expenditure on health goods and services, health-related services and health-related investment. Health goods and services expenditure includes expenditure on health goods (pharmaceuticals, aids and appliances) and health services (clinical interventions); and health-related services including expenditure on public health, research and administration. These expenditures are collectively termed recurrent expenditure. Health-related investment is often referred to as capital formation or capital expenditure.

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 professionals)
- 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 national benefit
- expenditure on capital transfers by government to underwrite medical indemnity insurance or premiums paid by individuals for private health insurance cover. Such expenditure, while having a health-related purpose, is regarded as expenditure on insurance rather than expenditure on a health good or service. Such funds become health expenditure to the extent that they are drawn upon when they are used to purchase health goods and services.

Total health and health-related expenditure reported for Australia (both domestically and internationally) is slightly underestimated in that it excludes health expenditure by the Australian Defence Force, some school health expenditure and some expenditure incurred by corrective services institutions in the various states and territories. Difficulties in separating expenditures incurred by local governments on particular health functions from those of state and territory governments means that these funding sources are often combined. However, the ABS data indicate that the contribution of local governments would be quite small.

**Table 43: Areas of health expenditure used in this report**

<b>Term</b>	<b>Definition</b>
Public (non-psychiatric) hospitals	Hospitals operated by, or on behalf of, state and territory governments that provide a range of general hospital services. Such hospitals are recognised under the AHCA's.
Private hospitals	Privately owned and operated institutions that provide a range of general hospital services. In health expenditure publications the term includes private free-standing day hospital facilities.
Public (psychiatric) hospitals	Hospitals operated by, or on behalf of, state and territory governments that provide treatment and care specifically to patients with psychiatric disorders.
High-level residential care	Care provided to residents in residential care facilities who have been classified as having a need for and are receiving a very high level of care (i.e. patients classified in RCS categories 1–4).
Residential care facilities	Establishments that provide long-term care involving regular basic nursing care to chronically ill, frail, disabled or convalescent persons or senile in-patients. They must be approved by DoHA and licensed by a state or territory government.
Ambulance services	Public or registered non-profit organisations which provide patient transport (or ambulance) services associated with out-patient or residential episodes to and from health care facilities.  Excludes patient transport expenses that are included in the operating costs of public hospitals.
Medical services	Services listed in the Medical Benefits Schedule 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.  Expenditure on medical services includes services provided to private in-patients in hospitals as well as some expenditure that is not based on fee-for-service (i.e. alternative funding arrangements).  Excludes expenditure on medical services provided to public patients in public hospitals and medical services provided at out-patient clinics in public hospitals.
Other professional services	Services provided by registered 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.
Benefit-paid pharmaceuticals	Pharmaceuticals in the PBS and the RPBS (see Glossary) for which the Australian Government paid a benefit.
Other pharmaceuticals	Pharmaceuticals for which no PBS or RPBS benefit was paid.  Includes: <ul style="list-style-type: none"> <li>• 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</li> <li>• medicines dispensed through private prescriptions for items not listed in the PBS or RPBS</li> <li>• over-the-counter medicines such as aspirin, cough and cold medicines, vitamins and minerals, some herbal and other complementary medicines, and a range of medical non-durables, such as bandages, band aids and condoms.</li> </ul>

*(continued)*

**Table 43 (continued): Areas of health expenditure used in this report**

<b>Term</b>	<b>Definition</b>
Aids and appliances	<p>Durable medical goods dispensed to out-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.</p> <p>Excludes prostheses fitted as part of in-patient care in a hospital.</p>
Community health	<p>Non-residential health services offered by public or registered non-profit establishments to patients/clients, in an integrated and coordinated manner in a community setting, or the coordination of health services elsewhere in the community.</p> <p>Includes:</p> <ul style="list-style-type: none"><li>• domiciliary nursing service</li><li>• well baby clinics</li><li>• health services provided to particular groups such as Aboriginal and Torres Strait Islander people, as well as family planning services, alcohol and drug rehabilitation, etc.</li><li>• specialised mental health programs for patients with mental illness that are delivered in a community setting.</li></ul>
Public health	<p>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, injury and disability, in the whole population or specified population subgroups.</p>
Dental services	<p>A range of services provided by registered dental practitioners.</p> <p>Includes maxiofacial surgery items listed in the Medical Benefits Schedule.</p>
Health administration	<p>Activities related to the formulation and administration of government and non-government policy in health and in the setting and enforcement of standards for medical and paramedical personnel and for hospitals, clinics, etc.</p> <p>Includes the regulation and licensing of providers of health services.</p>
Health research	<p>Research undertaken at tertiary institutions, in private non-profit organisations and in government facilities that has a health socioeconomic objective.</p> <p>Excludes commercially oriented research carried out or commissioned by private business, the costs of which are assumed to have been included in the prices charged for the goods and services (e.g. pharmaceuticals that have been developed and/or supported by research activities).</p>
Capital expenditure	<p>Expenditure on large-scale fixed assets (e.g. new buildings and equipment with a useful life extending over a number of years).</p>

## **6.3 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 often 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.

The AIHW gathers information on which to base its estimates of health expenditure from a wide range of sources. The ABS, the DoHA, 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 government in respect of a particular state/territory table 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 concerned.

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.

### **Expenditure by the Australian Government**

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

- SPPs to the states and territories for public hospitals
- other SPPs to the states and territories for health
- high-level residential care subsidies
- Medicare benefits payments

- pharmaceutical benefit payments.

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. Expenditures on public health that are not part of SPPs to the states and territories have been allocated according to the allocation of public health SPPs.

## **Expenditure by state, territory and local governments**

The ABS produces annual estimates of public finance, which form part of the NHA. These include expenses and revenues for all levels of government.

Until 1996–97, public finance data were reported on a cash basis. From 1997–98, reporting has been on an accrual basis for most jurisdictions. Where states or territories have not reported on an accrual basis, their cash accounts have been modified by the ABS to conform to accrual definitions. State and territory data included in the ABS's public finance database are provided by each of the state and territory treasuries. Government Purpose Classifications (GPCs) developed by the ABS are used to allocate expenses and revenues by function.

There have always been difficulties associated with the way the government expenditures in the public finance database have been allocated to purpose (function). This is particularly the case at the lower levels of disaggregation.

Since the move to accrual-based accounting, the emphasis of the ABS and the Treasury departments has been on ensuring that transaction-type classifications of expenditure are correct (that is, ensuring that expenses and revenues are correctly classified in the state and territory accounts). To date, less attention has been given to the verification of expenditure according to function. As a consequence, the ABS's estimates of total expenditure only by state and local governments are used in this publication as a guide to the overall movements in state and local government recurrent funding for health from one year to the next.

The AIHW relies on data from state and territory health authorities for its estimates of state and local government expenditure and funding for:

- public hospitals
- high-level residential care
- dental services.

These have proved consistent over time, whereas there has been a lack of consistency in the ABS public finance data for these types of services.

On the other hand, in most years the ABS public finance database estimates have been used for state, territory and local government expenditure on:

- administration
- ambulance services.

The ABS Research and Experimental Development Survey series has provided information about research. Estimates of state and territory expenditure on community and public health

services are then derived by subtraction. Thus, this is a residual category and has been somewhat volatile.

In 1998–99 and 2001–02, as part of the process for collection of data for studies into expenditure on health goods and services for Aboriginal and Torres Strait Islander peoples, each of the states and territories provided detailed estimates of expenditure for programs for which they had primary responsibility. That information has been extensively checked and verified with the provider agencies. Because of the rigorous processes gone through in verifying the accuracy of the data, the AIHW has, wherever possible, incorporated them in the state/territory estimates of health expenditure for those years.

It should also be noted that the estimates of expenditure on public hospitals in this publication reflect the level of expenditure on goods and services provided in hospitals, including community health services that are operated by public hospitals. The estimates of community health services exclude expenditure on community health services that is already included in the gross operating expenditures of public hospitals. This complicates state-by-state comparisons as far as those services are concerned, because the proportion of community health services delivered by hospitals (and included in the hospital operating costs) varies from state to state.

## **Expenditure 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.

Funding by health insurance funds on health goods and services within a state or territory is assumed to be equal to the level of expenditure by health insurance funds that operate from that state or territory. In the case of New South Wales and the Australian Capital Territory, it is assumed that their combined total expenditure is equal to the total funding by health insurance funds registered in New South Wales. This is then split between New South Wales and the Australian Capital Territory according to the relative numbers of available private hospital beds in the two jurisdictions. In all years from 1997–98, funding by health insurance funds has been reduced by the extent of the Australian Government subsidy through the PHIS and the 30% rebate on private health insurance contributions.

Estimates of expenditure by individuals on:

- patient transport (ambulance services)
- dental services
- other professional services
- non-benefit pharmaceuticals
- aids and appliances

are based on ABS estimates of HFCE. Funding of these services by private health insurance funds are deducted from HFCE estimates to arrive at the estimates of individuals' out-of-pocket funding.



## Blank cells in expenditure matrices

The national and the state and territory matrices in Appendixes A and B have some cells for which there is no expenditure recorded. The reasons for this are manifold, 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 so small that it rounds to less than \$500,000
- (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 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 governments' 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. Some data has been inserted in the 2002–03 matrices. The AIHW is negotiating with state and territory health departments to obtain data that would support estimates of their funding of private hospitals 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 (nec)'. 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 that data over long time series.

## Population

The per capita estimates of expenditure are calculated using estimates of annual mean resident population, which are calculated using quarterly population estimates from the ABS.

## 6.4 International comparisons

The countries chosen for international comparisons are, like Australia, members of the OECD. 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 may differ from one country to another (see Box 2 for examples).

**Box 2: Periods equating to OECD year 2003**

<b>Country</b>	<b>Financial year</b>
<i>Australia</i>	<i>1 July 2003 to 30 June 2004</i>
<i>Canada</i>	<i>1 April 2003 to 31 March 2004</i>
<i>France</i>	<i>1 January 2003 to 31 December 2003</i>
<i>Germany</i>	<i>1 January 2003 to 31 December 2003</i>
<i>Japan</i>	<i>1 April 2003 to 31 March 2004</i>
<i>Netherlands</i>	<i>1 January 2003 to 31 December 2003</i>
<i>New Zealand</i>	<i>1 July 2003 to 30 June 2004</i>
<i>Sweden</i>	<i>1 January 2003 to 31 December 2003</i>
<i>United Kingdom</i>	<i>1 April 2003 to 31 March 2004</i>
<i>United States</i>	<i>1 October 2002 to 30 September 2003</i>

## 6.5 Preliminary estimates

Estimates throughout this report are derived from the AIHW's health expenditure database. This contains comprehensive estimates for all areas of expenditure and all sources of funds for years up to and including 2002–03. It also contains estimates in respect of some areas of expenditure and some sources of funds for 2003–04.

In order to provide an indication of the likely level of expenditure for the latest year possible, the AIHW has devised methods for developing preliminary estimates that can substitute for these missing data for 2003–04. The shaded cells in (Table A4) indicate that all or part of the data that are used in the estimates for these cells are based on very preliminary data and are likely to be changed when more precise data become available. Unshaded cells, on the other hand, are fully based on data from the health expenditure database and are unlikely to be changed substantially. Of course, estimates for all areas and sources of funding for all years are subject to revision if better data become available. Some estimates contained in this publication differ from those previously published by the AIHW, because of this type of ongoing revision. These are discussed in detail in the Revisions section below.

## 6.6 Revisions of definitions and estimates

### Definitions

#### High-level residential care

'High-level residential care' refers to services of a type that would have been provided to patients in institutions that were formerly classified as nursing homes.

Facilities that were formerly classified as nursing homes are now incorporated into the class of facility known as 'residential care facilities'. Aged persons' hostels are also included in this class of facilities, as are aged persons' complexes.

Residents in such facilities are classified according to the level of care that they need and receive, and there are eight such care-level categories. For the purpose of maintaining consistency with international reporting, residents who are classified into the four highest categories are included as receiving 'health care' and the associated expenditure is included in this publication as high-level residential care.

All residents whose care needs do not come within the four highest levels of care are regarded as receiving welfare services, and none of the expenditure related to that care is classified as health services expenditure. In Australia this distinction is made to conform with the OECD requirement that expenditure on residential care relates to aged people and people with a disability who require nursing care. This is different in intensity of care from, say, limited medical assistance (such as the supervision of compliance with medication in hostel-type care) which is expenditure associated with welfare services rather than health expenditure.

#### Public and community health

In this publication there is now a separate category for public health expenditure. In previous health expenditure publications, public health expenditure was included with community health expenditure because of the difficulty in obtaining reliable data about these two categories of expenditure that was sourced from the public finance statistics of the ABS and from the states and territories themselves.

However, 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 in the development of public health information under the National Public Health Partnership, is funded by DoHA. It aims to develop reliable and timely estimates of public health investment in Australia, both in the public sector and in the non-government sector.

The data for 1999–00, 2000–01 and 2001–02 have been published in the AIHW's *National Public Health Expenditure Reports*. Data for 2001–02, 2002–03 and 2003–04 will be released late in 2005. The estimates of public health expenditure in this report are based on the data in the National Public Health Expenditure Project. 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 (it excludes smaller amounts of expenditure on public health undertaken by the non-government sector and those not funded through government programs).

## **Other pharmaceuticals**

Expenditure on all other pharmaceutical items includes expenditure on over-the-counter medicines, other therapeutic medical non-durables, as well as prescribed medications for which no benefits are paid under the PBS, including PBS items less than or equal to the co-payment.

The over-the-counter medicines are all therapeutic goods of a type that are sold at pharmacies, supermarkets and convenience stores and are used to treat or cure a condition. Examples of over-the-counter therapeutic goods are analgesics, antacids and cough medicines. 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 scope of health expenditure.

The AIHW has obtained over-the-counter data for 2001–02 and 2002–03 from *Retail World* (Flanagan 2002b and 2003) and *Retail Pharmacy* (Flanagan 2002a and 2004), having previously obtained it from *Pharmacy 2000* (Feros 1998 to 2001). This 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 but such expenditure constitutes a very small part of total over-the-counter sales of pharmaceuticals and medical non-durables.

## **Non-specific tax expenditure**

These are a form of tax expenditure known as the medical expenses tax offset. 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 2003–04 income year, the tax offset 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. The medical expenses tax offset covers a wide range of health expenditures, not just expenses associated with doctors as its name might suggest. It is named 'non-specific tax expenditure' in this publication to reflect the fact that it cannot be specifically allocated to the various areas of expenditure.

## **Revision of estimates**

Some estimates of recurrent health expenditure have been revised since the publication of *Health Expenditure Australia 2002–03*. These revisions relate to all years after 1996–97 (Table 44).

The large downward revision of estimated expenditure for 1998–99 has meant that growth in expenditure between 1997–98 and 1998–99 in nominal and real terms is now lower than previously reported. Similarly, the large upward revision of estimated expenditure for 2001–02 has meant that growth in expenditure between 2000–01 and 2001–02 is now higher than previously reported.

**Table 44: Comparison of previously published estimates of total health expenditure, current prices, 1997–98 to 2001–02, with current estimates (\$ million)**

Year	Previous estimate	Revised estimate	Change
1997–98	48,274	48,288	14
1998–99	51,726	51,440	-286
1999–00	55,427	55,255	-172
2000–01	61,660	61,635	-25
2001–02	66,541	66,769	228

Source: AIHW health expenditure database.

### Revision of 1997–98 estimates

Overall, the estimates of health expenditure for 1997–98 were revised up by \$14 million. The major area of revision was for state and local government funding of high-level residential care (\$13 million), which was due to a change in the reported estimates for South Australian state government funding of nursing homes.

### Revision of 1998–99 estimates

Overall, the estimates of health expenditure for 1998–99 were revised down by \$286 million.

The major areas of revision were:

- (i) individuals' funding of ambulance and other (nec) (\$119 million)
- (ii) individuals' funding of other professional services (-\$235 million)
- (iii) individuals' funding of aids and appliances (\$186 million)
- (iv) state and local government funding of capital outlays (-\$344 million).

Revision items, (i), (ii) and (iii), were due to changes in the methodology surrounding the treatment of private health insurance benefits paid for contractual ancillary services.

Revision item (iv) was due to a revision of ABS estimates for state and local government funding of capital outlays.

### Revision of 1999–00 estimates

Overall, the estimates of health expenditure for 1999–00 were revised down by \$172 million.

The major areas of revision were:

- (i) Australian Government funding of high-level residential care (-\$167 million)
- (ii) individuals' funding of medical services (-\$110 million)
- (iii) Australian Government funding of other professional services (-\$142 million)
- (iv) individuals' funding of other professional services (-\$262 million)
- (v) Australian Government funding of aids and appliances (\$146 million)
- (vi) individuals' funding of aids and appliances (\$210 million)
- (vii) state and local government funding of public health (\$120 million).

Revision items (ii), (iv) and (vi) were due to changes in the methodology surrounding the treatment of private health insurance benefits paid for contractual ancillary services. Item (v)

arose from two things, firstly from the change described above, but also from an adjustment that was made to rectify an error in the processing of some Australian Government funding data that was previously captured as part of other professional services where it should have been part of aids and appliances. Item (iii) was to rectify the same processing error detailed above. Item (i) was due to a revision of some Australian Government funding data for high-level residential care while item (vii) arose from the availability of additional core public health expenditure data not previously captured and some revisions to state public health expenditure data.

### **Revision of 2000–01 estimates**

Overall, the estimates of health expenditure for 2000–01 were revised down by \$25 million.

The major areas of revision were:

- (i) Australian Government funding of high-level residential care (–\$216 million)
- (ii) state and local government funding of ambulance and other (nec) (–\$131 million)
- (iii) individuals' funding of other professional services (–\$336 million)
- (iv) state and local government funding of community health and other (\$542 million)
- (v) state and local government funding of public health (\$121 million)
- (vi) state and local government funding of capital outlays (–\$89 million).

Revision item (iii) was due to two things, firstly to changes in the methodology surrounding the treatment of private health insurance benefits paid for contractual ancillary services and secondly to a downward revision of ABS HFCE estimates for other health professionals in 2000–01. Item (ii) was due to some states revising their state ambulance expenditure data. Items (i) and (vi) were revisions made to Australian Government funding of high-level residential care data and changes in ABS estimates for state and local government funding of capital outlays respectively. Item (iv) was due to the removal of adjustments made to comply with ABS government finance statistics growth rates. Item (v) arose from the availability of additional core public health expenditure data not previously captured and some revisions to state public health expenditure data.

### **Revision of 2001–02 estimates**

Overall, the estimates of health expenditure for 2001–02 were revised up by \$228 million.

The major areas of revision were:

- (i) state and local government funding of public (non-psychiatric) hospitals (\$445 million)
- (ii) Australian Government funding of high-level residential care (–\$253 million)
- (iii) state and local government funding of high-level residential care (–\$202 million)
- (iv) individuals' funding of ambulance and other (nec) (\$90 million)
- (v) individuals' funding of other professional services (\$179 million)
- (vi) individuals' funding of all other pharmaceuticals (\$64 million)
- (vii) individuals' funding of aids and appliances (–\$198 million)
- (viii) state and local government funding of community health and other (\$119 million)
- (ix) state and local government funding of dental services (\$60 million)

(x) state and local government funding of capital outlays (-\$88 million).

Revision items (iv) and (vi) were due to changes in the methodology surrounding the treatment of private health insurance benefits paid for contractual ancillary services. Item (vi) was also due to a downward revision of HFCE for aids and appliances in 2001–02, which had an inverse impact on the HFCE for pharmaceuticals. Items (v) and (vii) arose from two things, firstly from changes to the treatment of contractual ancillary services described above and secondly, revisions were made to Victorian third-party insurance expenditure data. An upward revision of ABS HFCE for other health professionals and a downward revision of the HFCE for aids and appliances in 2001–02 also contributed to the upward revision of item (v) and a downward revision of item (vii). Items (ii) and (iii) were due to revisions made to Australian Government and state and local government funding of high-level residential care data respectively. Item (viii) was due to the removal of adjustments made to comply with ABS government finance statistics growth rates as well as from changes to South Australia, Tasmania and Queensland state community health data. Item (ix) was due to revisions for South Australia, Queensland, Tasmania and Western Australia state dental expenditure data while item (x) was due to changes in ABS estimates for state and local government funding of capital outlays. Item (i) was due to the removal of adjustments made to the 2001–02 Australian Hospital Statistics data to comply with data reported in *Expenditures on health for Aboriginal and Torres Strait Islander Peoples 2001–02*. These adjustments were not part of the methodology used in early data collections and the adjustments distorted the time series data for public (non-psychiatric) hospital expenditure. The revision was also due to an adjustment of South Australia’s state public non-psychiatric hospital expenditure as well as a reallocation of \$11 million of public non-psychiatric hospital expenditure from being state and local government funded to private sector funded.

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

# **Appendix A: National health expenditure matrices, 2000–01 to 2003–04**

**Table A1: Total health expenditure, current prices, Australia, by area of expenditure and source of funds<sup>(a)</sup>, 2000–01 (\$ million)**

Area of expenditure	Government				Non-government sources				Total health expenditure
	Australian Government		State and local	Total	Private health insurance funds	Individuals	Other <sup>(c)</sup>	Total	
	Direct outlays	Premium rebates <sup>(b)</sup>							
Total hospitals	8,069	1,093	7,100	16,261	2,219	702	1,194	4,115	20,377
Public (non-psychiatric) hospitals	7,391	106	6,732	14,229	216	395	617	1,227	15,456
Public psychiatric hospitals	1	—	368	369	—	15	6	21	390
Private hospitals	678	987	<sup>(e)</sup> ..	1,664	2,004	292	571	2,867	4,531
High-level residential care	2,915	—	253	3,169	—	721	—	721	3,890
Ambulance and other (nec)	67	39	347	452	79	276	45	400	852
<i>Total institutional</i>	<i>11,051</i>	<i>1,132</i>	<i>7,700</i>	<i>19,883</i>	<i>2,298</i>	<i>1,700</i>	<i>1,239</i>	<i>5,237</i>	<i>25,119</i>
Medical services	8,180	141	—	8,320	286	1,078	526	1,890	10,211
Other professional services	416	110	—	525	223	1,125	247	1,595	2,120
Total pharmaceuticals	4,379	18	—	4,397	36	3,634	73	3,742	8,139
Benefit-paid pharmaceuticals	4,316	—	—	4,316	—	775	—	775	5,091
All other pharmaceuticals	63	18	—	81	36	2,858	73	2,967	3,048
Aids and appliances	92	92	—	184	187	1,885	47	2,119	2,303
Other non-institutional services <sup>(e)</sup>	1,585	539	3,586	5,709	1,094	2,244	15	3,353	9,063
Community health and other <sup>(f)</sup>	226	—	2,453	2,679	—	—	5	6	2,685
Public health	546	—	465	1,011	—	—	—	—	1,011
Dental services	68	260	341	669	528	2,244	10	2,783	3,452
Administration	745	278	326	1,350	565	—	—	565	1,914
Research <sup>(g)</sup>	734	—	143	877	—	—	246	246	1,124
<i>Total non-institutional</i>	<i>15,386</i>	<i>899</i>	<i>3,729</i>	<i>20,013</i>	<i>1,825</i>	<i>9,966</i>	<i>1,154</i>	<i>12,945</i>	<i>32,959</i>
<b>Total recurrent expenditure</b>	<b>26,437</b>	<b>2,031</b>	<b>11,428</b>	<b>39,896</b>	<b>4,123</b>	<b>11,666</b>	<b>2,393</b>	<b>18,182</b>	<b>58,078</b>
Capital outlays	129	—	1,597	1,726	n.a.	n.a.	n.a.	<sup>(h)</sup> 861	2,587
Capital consumption	26	—	944	970	..	..	..	<sup>(i)</sup> ..	970
<i>Total capital</i>	<i>155</i>	<i>—</i>	<i>2,541</i>	<i>2,696</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>861</i>	<i>3,557</i>
<b>Direct health expenditure</b>	<b>26,591</b>	<b>2,031</b>	<b>13,970</b>	<b>42,592</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>19,043</b>	<b>61,635</b>
Non-specific tax expenditure	203	—	—	203	..	-203	..	-203	..
<b>Total health expenditure</b>	<b>26,795</b>	<b>2,031</b>	<b>13,970</b>	<b>42,795</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>18,840</b>	<b>61,635</b>

Notes: See page 99.

**Table A2: Total health expenditure, current prices, Australia, by area of expenditure and source of funds<sup>(a)</sup>, 2001–02 (\$ million)**

Area of expenditure	Government				Non-government sources				Total health expenditure	
	Australian Government		State and local	Total	Private health insurance funds	Individuals	Other <sup>(c)</sup>	Total		
	Direct outlays	Premium rebates <sup>(b)</sup>								
Total hospitals	8,623	1,124	7,769	9,747	17,516	2,659	697	1,360	4,716	22,232
Public (non-psychiatric) hospitals	7,870	112	7,316	7,982	15,298	264	384	746	1,393	16,691
Public psychiatric hospitals	—	—	452	—	452	—	15	4	19	472
Private hospitals	753	1,013	(e)	1,765	1,765	2,395	299	610	3,303	5,069
High-level residential care	3,124	—	230	3,124	3,354	—	783	—	783	4,137
Ambulance and other (nec)	78	38	401	115	517	89	342	60	491	1,007
<b>Total institutional</b>	<b>11,825</b>	<b>1,162</b>	<b>8,400</b>	<b>12,986</b>	<b>21,386</b>	<b>2,748</b>	<b>1,822</b>	<b>1,420</b>	<b>5,990</b>	<b>27,376</b>
Medical services	8,783	178	—	8,960	8,960	415	1,195	638	2,249	11,209
Other professional services	439	125	—	564	564	295	1,315	268	1,878	2,442
Total pharmaceuticals	4,707	19	2	4,726	4,728	45	4,282	85	4,411	9,140
Benefit-paid pharmaceuticals	4,673	—	—	4,673	4,673	—	841	—	841	5,514
All other pharmaceuticals	34	19	2	53	55	45	3,441	85	3,571	3,626
Aids and appliances	104	98	47	201	249	232	1,767	55	2,054	2,302
Other non-institutional services <sup>(e)</sup>	1,679	524	3,791	2,203	5,994	1,240	2,714	21	3,975	9,969
Community health and other <sup>(f)</sup>	269	—	2,645	269	2,914	—	—	9	10	2,924
Public health	572	—	512	572	1,084	—	—	—	—	1,084
Dental services	71	285	389	356	745	674	2,714	12	3,400	4,145
Administration	767	239	245	1,006	1,251	565	—	—	565	1,816
Research <sup>(g)</sup>	754	—	179	754	934	—	—	301	301	1,234
<b>Total non-institutional</b>	<b>16,465</b>	<b>943</b>	<b>4,020</b>	<b>17,409</b>	<b>21,428</b>	<b>2,227</b>	<b>11,273</b>	<b>1,368</b>	<b>14,868</b>	<b>36,296</b>
<b>Total recurrent expenditure</b>	<b>28,290</b>	<b>2,105</b>	<b>12,419</b>	<b>30,395</b>	<b>42,814</b>	<b>4,975</b>	<b>13,095</b>	<b>2,788</b>	<b>20,857</b>	<b>63,672</b>
Capital outlays	170	—	1,435	170	1,605	n.a.	n.a.	n.a.	(h)474	2,079
Capital consumption	28	—	990	28	1,018	..	..	..	(i)	1,018
<b>Total capital</b>	<b>198</b>	<b>—</b>	<b>2,425</b>	<b>198</b>	<b>2,623</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>474</b>	<b>3,097</b>
<b>Direct health expenditure</b>	<b>28,487</b>	<b>2,105</b>	<b>14,845</b>	<b>30,593</b>	<b>45,437</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>21,332</b>	<b>66,769</b>
Non-specific tax expenditure	225	—	—	225	225	..	-225	..	-225	..
<b>Total health expenditure</b>	<b>28,712</b>	<b>2,105</b>	<b>14,845</b>	<b>30,818</b>	<b>45,662</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>21,107</b>	<b>66,769</b>

Notes: See page 99.

**Table A3: Total health expenditure, current prices, Australia, by area of expenditure and source of funds<sup>(a)</sup>, 2002–03 (\$ million)**

Area of expenditure	Government				Non-government sources				Total health expenditure	
	Australian Government		State and local	Total	Private health insurance funds		Individuals	Other <sup>(c)</sup>		Total
	Direct outlays	Premium rebates <sup>(b)</sup>			Total	Individuals				
Total hospitals	9,399	1,238	10,637	9,144	19,781	2,820	598	1,314	4,732	24,513
Public (non-psychiatric) hospitals	8,571	125	8,696	8,388	17,084	285	316	750	1,351	18,435
Public psychiatric hospitals	—	—	—	466	466	—	15	4	20	485
Private hospitals	828	1,113	1,941	290	2,231	2,535	266	560	3,362	5,593
High-level residential care	3,435	—	3,435	207	3,642	—	903	—	903	4,545
Ambulance and other (nec)	88	40	128	405	533	92	393	82	568	1,101
<b>Total institutional</b>	<b>12,922</b>	<b>1,278</b>	<b>14,201</b>	<b>9,756</b>	<b>23,957</b>	<b>2,913</b>	<b>1,893</b>	<b>1,397</b>	<b>6,203</b>	<b>30,159</b>
Medical services	9,181	213	9,395	—	9,395	486	1,423	675	2,585	11,980
Other professional services	478	143	621	—	621	327	1,576	294	2,197	2,818
Total pharmaceuticals	5,203	23	5,226	—	5,226	52	4,638	96	4,786	10,011
Benefit-paid pharmaceuticals	5,166	—	5,166	—	5,166	—	951	—	951	6,116
All other pharmaceuticals	37	23	60	—	60	52	3,687	96	3,835	3,895
Aids and appliances	121	104	225	—	225	237	1,987	51	2,276	2,501
Other non-institutional services <sup>(e)</sup>	1,903	550	2,453	4,283	6,736	1,253	2,969	27	4,249	10,985
Community health and other <sup>(f)</sup>	253	—	253	3,082	3,335	—	—	15	16	3,351
Public health	715	—	715	486	1,200	—	—	—	—	1,200
Dental services	77	298	375	327	702	679	2,969	11	3,660	4,362
Administration	859	252	1,110	389	1,499	573	—	—	573	2,073
Research <sup>(g)</sup>	923	—	923	151	1,073	—	—	302	302	1,375
<b>Total non-institutional</b>	<b>17,809</b>	<b>1,034</b>	<b>18,843</b>	<b>4,434</b>	<b>23,277</b>	<b>2,355</b>	<b>12,593</b>	<b>1,446</b>	<b>16,394</b>	<b>39,671</b>
<b>Total recurrent expenditure</b>	<b>30,731</b>	<b>2,312</b>	<b>33,043</b>	<b>14,190</b>	<b>47,233</b>	<b>5,268</b>	<b>14,486</b>	<b>2,843</b>	<b>22,597</b>	<b>69,830</b>
Capital outlays	139	—	139	1,135	1,274	n.a.	n.a.	n.a.	<sup>(h)</sup> 292	1,566
Capital consumption	29	—	29	1,027	1,056	..	..	..	<sup>(i)</sup> ..	1,056
<b>Total capital</b>	<b>168</b>	<b>—</b>	<b>168</b>	<b>2,162</b>	<b>2,330</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>292</b>	<b>2,622</b>
<b>Direct health expenditure</b>	<b>30,899</b>	<b>2,312</b>	<b>33,211</b>	<b>16,352</b>	<b>49,563</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>22,889</b>	<b>72,452</b>
Non-specific tax expenditure	256	—	256	—	256	..	-256	..	-256	..
<b>Total health expenditure</b>	<b>31,155</b>	<b>2,312</b>	<b>33,467</b>	<b>16,352</b>	<b>49,819</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>22,632</b>	<b>72,452</b>

Notes: See page 99.

**Table A4: Preliminary estimates<sup>(i)</sup> of total health expenditure, current prices, Australia, by area of expenditure and source of funds<sup>(a)</sup>, 2003–04**  
(\$ million)

Area of expenditure	Government				Non-government sources				
	Australian Government			State and local	Private health insurance funds	Non-government sources			
	Direct outlays	Premium rebates <sup>(b)</sup>	Total			Individuals	Other <sup>(c)</sup>	Total	Total health expenditure
Total hospitals	9,931	1,371	11,302	9,986	3,036	649	1,440	5,126	26,413
Public (non-psychiatric) hospitals	9,048	142	9,191	9,152	316	341	821	1,477	19,820
Public psychiatric hospitals	—	—	—	512	—	17	5	21	534
Private hospitals	883	1,228	2,111	321	2,721	292	615	3,627	6,059
High-level residential care	3,729	—	3,729	225	—	1,030	—	1,030	4,985
Ambulance and other (nec)	106	40	146	423	89	417	88	594	1,163
<b>Total institutional</b>	<b>13,766</b>	<b>1,411</b>	<b>15,178</b>	<b>10,634</b>	<b>3,126</b>	<b>2,096</b>	<b>1,528</b>	<b>6,750</b>	<b>32,561</b>
Medical services	9,705	245	9,950	—	543	1,598	869	3,010	12,961
Other professional services	514	155	669	—	343	1,989	376	2,709	3,378
Total pharmaceuticals	5,668	22	5,690	—	49	5,091	104	5,244	10,935
Benefit-paid pharmaceuticals	5,628	—	5,628	—	—	1,037	—	1,037	6,665
All other pharmaceuticals	40	22	62	—	49	4,055	104	4,208	4,270
Aids and appliances	132	114	246	—	253	2,187	56	2,496	2,742
Other non-institutional services <sup>(e)</sup>	1,940	582	2,522	4,633	1,289	3,251	29	4,569	11,724
Community health and other <sup>(f)</sup>	274	—	274	3,301	1	—	17	17	3,593
Public health	664	—	664	599	—	—	—	—	1,263
Dental services	77	319	397	326	708	3,251	12	3,971	4,694
Administration	925	262	1,187	407	581	—	—	581	2,174
Research <sup>(g)</sup>	1,001	—	1,001	159	—	—	344	344	1,504
<b>Total non-institutional</b>	<b>18,959</b>	<b>1,119</b>	<b>20,078</b>	<b>4,792</b>	<b>2,477</b>	<b>14,117</b>	<b>1,778</b>	<b>18,373</b>	<b>43,243</b>
<b>Total recurrent expenditure</b>	<b>32,726</b>	<b>2,530</b>	<b>35,256</b>	<b>15,426</b>	<b>5,603</b>	<b>16,213</b>	<b>3,306</b>	<b>25,123</b>	<b>75,804</b>
Capital outlays	151	—	151	1,215	n.a.	n.a.	n.a.	<sup>(h)</sup> 307	1,673
Capital consumption	31	—	31	1,090	..	..	..	<sup>(i)</sup> ..	1,121
<b>Total capital</b>	<b>182</b>	<b>—</b>	<b>182</b>	<b>2,305</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>307</b>	<b>2,794</b>
<b>Direct health expenditure</b>	<b>32,907</b>	<b>2,530</b>	<b>35,437</b>	<b>17,731</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>25,430</b>	<b>78,598</b>
Non-specific tax expenditure	291	—	291	—	..	-291	..	-291	..
<b>Total health expenditure</b>	<b>33,199</b>	<b>2,530</b>	<b>35,729</b>	<b>17,731</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>25,139</b>	<b>78,598</b>

Notes: See page 99.

**Table A5: Annual growth in health expenditure, constant prices<sup>(k)</sup>, Australia, by area of expenditure, 1993-94 to 2002-03 (per cent)**

Area of expenditure	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	Average growth		
	to	to	to	to	to	to	to	to	to	1993-94 to	1997-98 to	
	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2002-03	1997-98	2002-03
Hospitals	4.7	3.9	4.2	3.2	4.2	1.6	2.6	4.3	5.2	3.8	4.0	3.6
Public (non-psychiatric) hospitals	3.3	4.9	6.5	6.1	3.8	1.7	3.2	4.6	6.8	4.5	5.2	4.0
Public psychiatric hospitals	-4.2	-7.3	-11.1	-9.2	2.0	3.8	-10.4	17.3	-0.5	-2.5	-8.0	2.0
Private hospitals	9.6	2.6	-0.2	-3.8	5.8	1.2	1.9	2.4	1.0	2.2	1.9	2.4
High-level residential care	1.1	5.6	6.0	7.7	3.1	-1.5	0.9	3.0	6.2	3.5	5.1	2.3
Ambulance and other (nec)	-5.0	10.8	-23.5	24.1	15.7	-5.1	11.2	14.6	5.7	4.4	0.0	8.1
<i>Total institutional</i>	3.8	4.4	3.6	4.4	4.4	0.9	2.6	4.5	5.4	3.8	4.0	3.5
Medical services	5.4	4.7	2.4	0.9	3.3	5.9	0.7	3.9	1.6	3.2	3.3	3.1
Other professional services	-3.9	-3.9	12.3	-11.6	-2.8	-2.4	31.9	5.3	3.0	2.5	-2.1	6.3
Pharmaceuticals	9.8	7.9	9.2	8.0	8.9	11.8	16.9	12.0	8.8	10.3	8.7	11.7
Benefit-paid items	11.2	17.2	8.8	3.0	9.4	13.0	20.9	8.3	10.8	11.3	9.9	12.4
All other items	8.0	-4.5	9.9	16.1	8.3	10.0	11.0	18.0	5.8	9.0	7.1	10.6
Aids and appliances	1.7	3.7	4.0	3.4	25.6	10.4	30.3	-0.9	7.1	9.0	3.2	13.9
Other non-institutional services <sup>(e)</sup>	n.a.	4.7	6.0	2.2	-0.7	9.6	14.6	6.0	5.6	5.5	3.9	6.9
Community health and other <sup>(f)</sup>	n.a.	17.9	26.7	0.8	11.6	-3.1	27.7	5.7	10.8	5.5	-0.1	10.1
Public health	n.a.	4.7	-5.4	7.3	8.6	15.1	7.0	3.9	7.0	n.a.	n.a.	8.3
Dental services	1.6	4.1	3.2	-2.2	-1.9	4.4	13.4	14.4	-0.4	3.9	1.7	5.7
Administration	18.5	-5.0	-4.0	11.5	-17.8	39.6	5.5	-8.1	10.4	4.5	4.8	4.2
Research <sup>(g)</sup>	8.8	3.8	6.2	-6.2	7.8	18.0	23.4	6.4	7.7	8.2	3.0	12.5
<i>Total non-institutional</i>	4.4	4.5	5.7	1.5	4.0	8.2	12.4	6.2	5.1	5.7	4.0	7.2
<b>Total recurrent expenditure</b>	<b>4.1</b>	<b>4.4</b>	<b>4.7</b>	<b>2.9</b>	<b>4.2</b>	<b>4.7</b>	<b>7.9</b>	<b>5.5</b>	<b>5.2</b>	<b>4.8</b>	<b>4.0</b>	<b>5.5</b>
Capital outlays	-1.2	-1.2	20.6	14.7	-9.8	10.8	1.7	-19.8	-25.8	-2.2	7.8	-9.6
Capital consumption	1.5	7.0	-6.1	8.5	51.2	6.2	2.2	4.9	1.6	7.6	2.6	11.8
<i>Total capital</i>	-0.6	0.6	14.2	13.5	1.7	9.5	1.8	-13.1	-16.8	0.7	6.7	-3.9
<b>Direct health expenditure</b>	<b>3.9</b>	<b>4.2</b>	<b>5.1</b>	<b>3.4</b>	<b>4.1</b>	<b>5.0</b>	<b>7.6</b>	<b>4.5</b>	<b>4.2</b>	<b>4.7</b>	<b>4.2</b>	<b>5.1</b>

Notes: See page 99.

**Table A6: Proportions of recurrent health expenditure, current prices, Australia, by area of expenditure, 1993-94 to 2002-03 (per cent)**

Area of expenditure	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Hospitals	37.5	37.3	37.2	37.5	37.8	37.9	36.9	35.1	34.9	35.1
Public (non-psychiatric) hospitals	28.7	28.3	28.1	28.3	28.9	28.9	28.0	26.6	26.2	26.4
Public psychiatric hospitals	1.4	1.3	1.1	1.0	0.8	0.8	0.8	0.7	0.7	0.7
Private hospitals	7.4	7.8	8.0	8.2	8.1	8.2	8.1	7.8	8.0	8.0
High-level residential care	7.7	7.4	7.4	7.5	7.7	7.7	7.2	6.7	6.5	6.5
Ambulance and other (nec)	1.7	1.6	1.6	1.2	1.4	1.6	1.4	1.5	1.6	1.6
<i>Total institutional</i>	<b>46.9</b>	<b>46.3</b>	<b>46.3</b>	<b>46.1</b>	<b>47.0</b>	<b>47.1</b>	<b>45.5</b>	<b>43.3</b>	<b>43.0</b>	<b>43.2</b>
Medical services	19.9	20.0	19.8	19.2	18.9	18.7	18.7	17.6	17.6	17.2
Other professional services	3.6	3.6	3.4	3.7	3.3	3.1	2.9	3.7	3.8	4.0
Pharmaceuticals	11.0	11.5	11.7	12.0	12.3	12.6	13.2	14.0	14.4	14.3
Benefit-paid items	6.6	6.9	7.6	7.7	7.5	7.7	8.1	8.8	8.7	8.8
All other items	4.4	4.6	4.2	4.4	4.9	4.9	5.1	5.2	5.7	5.6
Aids and appliances	2.8	2.8	2.7	2.7	2.7	3.2	3.3	4.0	3.6	3.6
Other non-institutional services <sup>(e)</sup>	14.3	14.2	14.3	14.5	14.4	13.8	14.6	15.6	15.7	15.7
Community health and other <sup>(f)</sup>	4.7	3.0	3.4	4.1	3.9	4.2	3.9	4.6	4.6	4.8
Public health	0.4	1.7	1.7	1.5	1.5	1.6	1.8	1.7	1.7	1.7
Dental services	5.9	5.9	6.0	6.0	5.7	5.4	5.6	5.9	6.5	6.2
Administration	3.2	3.6	3.3	3.0	3.2	2.5	3.4	3.3	2.9	3.0
Research <sup>(g)</sup>	1.5	1.6	1.6	1.6	1.4	1.5	1.7	1.9	1.9	2.0
<i>Total non-institutional</i>	<b>53.1</b>	<b>53.7</b>	<b>53.7</b>	<b>53.9</b>	<b>53.0</b>	<b>52.9</b>	<b>54.5</b>	<b>56.7</b>	<b>57.0</b>	<b>56.8</b>
<b>Total recurrent expenditure</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Notes: See page 99.



## 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 rebates claimed through taxation.
- (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) State government contracting of private sector services data unavailable.
- (e) 'Other non-institutional services' is a summary of community and public health, dental services and administration.
- (f) Includes some expenditures that were previously classified as 'other non-institutional (nec)' as well as expenditure on community health services.
- (g) Health research expenditure has been allocated according to the level of government or the private sector organisation that actually undertakes the research activity, not according to source of funds.
- (h) Capital formation for the non-government sector cannot be allocated according to the source of funds.
- (i) Non-government capital consumption (depreciation) is incorporated in recurrent expenditure.
- (j) Preliminary estimates for 2003–04 are based on estimated growth between 2002–03 and 2003–04 for particular types of services and sources of funds. Shaded cells are preliminary estimates only.
- (k) Constant price health expenditure for 1993–94 to 2002–03 from which growth rates were calculated is expressed in chain volume measures, referenced to the year 2002–03.

# **Appendix B: State and territory health expenditure matrices, 2000–01 to 2002–03**

**Table B1: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds<sup>(a)</sup>, 2000–01 (\$ million)**

Area of expenditure	Government sector					Non-government sector				
	Australian Government				State and local	Health insurance funds				
	DVA	Other	Total	Total		Health insurance funds	Individuals	Other <sup>(b)</sup>	Total	Total health expenditure
Total hospitals	441	2,676	3,116	5,585	2,469	677	206	414	1,297	6,882
Public non-psychiatric hospitals	250	2,378	2,628	4,938	2,309	109	178	229	515	5,453
Public psychiatric hospitals	—	—	—	159	159	—	10	4	14	173
Private hospitals	191	297	488	488	<sup>(c)</sup> n.a.	568	18	181	768	1,256
High-level residential care	118	939	1,057	1,140	83	—	261	—	261	1,401
Ambulance and other (nec)	17	33	50	107	57	64	42	16	123	229
<b>Total institutional</b>	<b>576</b>	<b>3,647</b>	<b>4,223</b>	<b>6,832</b>	<b>2,609</b>	<b>740</b>	<b>510</b>	<b>430</b>	<b>1,681</b>	<b>8,513</b>
Medical services	205	2,741	2,946	2,946	—	79	391	238	708	3,654
Other professional services	33	149	181	181	—	80	373	95	548	729
Total pharmaceuticals	118	1,439	1,558	1,558	—	17	1,149	35	1,201	2,759
Benefit-paid pharmaceuticals	118	1,409	1,527	1,527	—	—	274	—	274	1,801
All other pharmaceuticals	—	31	31	31	—	17	875	35	927	958
Aids and appliances	—	69	69	69	—	77	590	20	688	757
Other non-institutional services <sup>(d)</sup>	30	680	710	1,684	974	419	771	6	1,196	2,881
Community health and other <sup>(e)</sup>	4	55	60	786	726	—	—	2	3	788
Public health	—	184	184	299	115	—	—	—	—	299
Dental services	21	106	128	201	74	211	771	4	987	1,188
Administration	5	334	339	398	60	207	—	—	207	605
Research <sup>(f)</sup>	1	199	200	238	38	—	—	62	62	300
<b>Total non-institutional</b>	<b>387</b>	<b>5,277</b>	<b>5,664</b>	<b>6,677</b>	<b>1,013</b>	<b>671</b>	<b>3,275</b>	<b>456</b>	<b>4,402</b>	<b>11,079</b>
<b>Total recurrent expenditure</b>	<b>963</b>	<b>8,924</b>	<b>9,888</b>	<b>13,509</b>	<b>3,621</b>	<b>1,412</b>	<b>3,785</b>	<b>886</b>	<b>6,083</b>	<b>19,592</b>
Capital expenditure	—	33	33	567	534	n.a.	n.a.	n.a.	<sup>(g)</sup> 227	794
Capital consumption	—	6	6	323	316	..	..	..	<sup>(h)</sup> ..	323
<b>Total capital</b>	<b>—</b>	<b>39</b>	<b>39</b>	<b>889</b>	<b>851</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>227</b>	<b>1,116</b>
<b>Direct health expenditure</b>	<b>963</b>	<b>8,963</b>	<b>9,927</b>	<b>14,399</b>	<b>4,472</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>6,310</b>	<b>20,708</b>
Non-specific tax expenditure	—	84	84	84	—	..	-84	..	-84	..
<b>Total health expenditure</b>	<b>963</b>	<b>9,047</b>	<b>10,011</b>	<b>14,483</b>	<b>4,472</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>6,226</b>	<b>20,708</b>

Notes: See page 125.

**Table B2: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds<sup>(a)</sup>, 2001–02 (\$ million)**

Area of expenditure	Government sector					Non-government sector				
	Australian Government				State and local	Health insurance funds		Other <sup>(b)</sup>		Total
	DVA	Other	Total	Total		Health insurance funds	Individuals	Other <sup>(b)</sup>	Total	
Total hospitals	467	2,817	3,285	5,878	2,594	827	234	412	1,472	7,351
Public non-psychiatric hospitals	267	2,501	2,769	5,190	2,421	137	177	262	576	5,766
Public psychiatric hospitals	—	—	—	172	172	—	9	2	12	184
Private hospitals	200	316	516	516	<sup>(c)</sup> n.a.	690	48	148	885	1,401
High-level residential care	133	992	1,125	1,168	44	—	285	—	285	1,454
Ambulance and other (nec)	18	32	50	190	140	71	53	19	143	333
<b>Total institutional</b>	<b>618</b>	<b>3,841</b>	<b>4,459</b>	<b>7,237</b>	<b>2,778</b>	<b>898</b>	<b>572</b>	<b>431</b>	<b>1,900</b>	<b>9,137</b>
Medical services	214	3,006	3,220	3,220	—	117	452	313	881	4,102
Other professional services	36	159	194	194	—	106	412	111	630	824
Total pharmaceuticals	137	1,543	1,680	1,680	—	21	1,322	44	1,387	3,067
Benefit-paid pharmaceuticals	137	1,523	1,660	1,660	—	—	295	—	295	1,955
All other pharmaceuticals	—	20	20	20	—	21	1,027	44	1,092	1,112
Aids and appliances	—	75	75	91	16	94	549	26	669	760
Other non-institutional services <sup>(d)</sup>	28	687	715	1,821	1,106	469	933	9	1,410	3,231
Community health and other <sup>(e)</sup>	2	64	66	953	887	—	—	4	4	956
Public health	—	186	186	319	132	—	—	—	—	319
Dental services	22	116	138	215	78	269	933	5	1,206	1,422
Administration	5	321	325	334	9	200	—	—	200	534
Research <sup>(f)</sup>	1	207	208	256	48	—	—	75	75	330
<b>Total non-institutional</b>	<b>416</b>	<b>5,677</b>	<b>6,093</b>	<b>7,262</b>	<b>1,169</b>	<b>807</b>	<b>3,667</b>	<b>577</b>	<b>5,052</b>	<b>12,314</b>
<b>Total recurrent expenditure</b>	<b>1,034</b>	<b>9,518</b>	<b>10,552</b>	<b>14,499</b>	<b>3,947</b>	<b>1,705</b>	<b>4,239</b>	<b>1,008</b>	<b>6,952</b>	<b>21,451</b>
Capital expenditure	—	37	37	535	498	n.a.	n.a.	n.a.	<sup>(g)</sup> 97	631
Capital consumption	—	6	6	345	339	..	..	..	<sup>(h)</sup> ..	345
<b>Total capital</b>	<b>—</b>	<b>43</b>	<b>43</b>	<b>880</b>	<b>837</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>97</b>	<b>976</b>
<b>Direct health expenditure</b>	<b>1,034</b>	<b>9,561</b>	<b>10,595</b>	<b>15,379</b>	<b>4,784</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>7,049</b>	<b>22,428</b>
Non-specific tax expenditure	—	95	95	95	—	..	-95	..	-95	..
<b>Total health expenditure</b>	<b>1,034</b>	<b>9,655</b>	<b>10,690</b>	<b>15,473</b>	<b>4,784</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>6,954</b>	<b>22,428</b>

Notes: See page 125.

**Table B3: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds<sup>(a)</sup>, 2002–03 (\$ million)**

Area of expenditure	Government sector					Non-government sector				
	Australian Government				State and local	Health insurance funds		Other <sup>(b)</sup>		Total
	DVA	Other	Total	Total		Individuals	Other <sup>(b)</sup>	Total		
Total hospitals	494	3,089	3,582	6,591	3,009	876	223	443	1,542	8,133
Public non-psychiatric hospitals	282	2,742	3,024	5,762	2,738	152	174	277	603	6,365
Public psychiatric hospitals	—	—	—	191	191	—	9	3	12	202
Private hospitals	211	347	558	638	80	724	40	163	928	1,566
High-level residential care	182	1,057	1,239	1,281	42	—	331	—	331	1,612
Ambulance and other (nec)	20	34	54	126	72	72	60	29	161	286
<b>Total institutional</b>	<b>695</b>	<b>4,179</b>	<b>4,875</b>	<b>7,997</b>	<b>3,123</b>	<b>948</b>	<b>614</b>	<b>472</b>	<b>2,034</b>	<b>10,031</b>
Medical services	219	3,150	3,368	3,368	—	138	529	330	997	4,366
Other professional services	40	174	214	214	—	116	520	101	737	951
Total pharmaceuticals	155	1,684	1,838	1,838	—	24	1,528	50	1,602	3,441
Benefit-paid pharmaceuticals	155	1,661	1,815	1,815	—	—	332	—	332	2,147
All other pharmaceuticals	—	23	23	23	—	24	1,196	50	1,270	1,293
Aids and appliances	—	83	83	83	—	96	618	23	737	820
Other non-institutional services <sup>(d)</sup>	29	767	796	1,799	1,002	478	1,034	12	1,524	3,323
Community health and other <sup>(e)</sup>	—	50	50	869	818	—	—	7	8	876
Public health	—	233	233	337	104	—	—	—	—	337
Dental services	24	118	142	172	30	263	1,034	5	1,302	1,474
Administration	4	367	371	421	50	214	—	—	214	635
Research <sup>(f)</sup>	1	259	260	304	44	—	—	81	81	385
<b>Total non-institutional</b>	<b>443</b>	<b>6,116</b>	<b>6,559</b>	<b>7,605</b>	<b>1,046</b>	<b>852</b>	<b>4,229</b>	<b>597</b>	<b>5,678</b>	<b>13,284</b>
<b>Total recurrent expenditure</b>	<b>1,138</b>	<b>10,296</b>	<b>11,434</b>	<b>15,603</b>	<b>4,169</b>	<b>1,800</b>	<b>4,843</b>	<b>1,069</b>	<b>7,712</b>	<b>23,315</b>
Capital expenditure	—	36	36	538	502	n.a.	n.a.	n.a.	<sup>(g)</sup> 76	615
Capital consumption	—	8	8	362	354	..	..	..	<sup>(h)</sup> ..	362
<b>Total capital</b>	<b>—</b>	<b>44</b>	<b>44</b>	<b>900</b>	<b>856</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>76</b>	<b>976</b>
<b>Direct health expenditure</b>	<b>1,138</b>	<b>10,339</b>	<b>11,478</b>	<b>16,503</b>	<b>5,025</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>7,789</b>	<b>24,291</b>
Non-specific tax expenditure	—	108	108	108	—	..	-108	..	-108	..
<b>Total health expenditure</b>	<b>1,138</b>	<b>10,447</b>	<b>11,586</b>	<b>16,611</b>	<b>5,025</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>7,681</b>	<b>24,291</b>

Notes: See page 125.

**Table B4: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds<sup>(a)</sup>, 2000–01 (\$ million)**

Area of expenditure	Government sector					Non-government sector					Total health expenditure	
	Australian Government			State and local		Health insurance funds			Other <sup>(b)</sup>			Total
	DVA	Other	Total		Total	Health insurance funds	Individuals		Total			
Total hospitals	284	2,008	2,292	1,802	4,094	587	233	394	1,214	5,308		
Public non-psychiatric hospitals	135	1,732	1,867	1,802	3,669	39	148	239	427	4,096		
Public psychiatric hospitals	—	—	—	—	—	—	—	—	—	—		
Private hospitals	149	276	425	<sup>(c)</sup> n.a.	425	548	85	155	787	1,212		
High-level residential care	80	634	714	45	759	—	173	—	173	932		
Ambulance and other (nec)	11	3	14	33	46	2	70	15	87	133		
<i>Total institutional</i>	375	2,644	3,020	1,879	4,899	589	476	409	1,474	6,373		
Medical services	138	1,964	2,102	—	2,102	81	258	101	440	2,542		
Other professional services	20	98	117	—	117	41	444	59	545	662		
Total pharmaceuticals	96	1,015	1,111	—	1,111	4	990	21	1,015	2,126		
Benefit-paid pharmaceuticals	96	998	1,094	—	1,094	—	192	—	192	1,285		
All other pharmaceuticals	—	17	17	—	17	4	799	21	824	841		
Aids and appliances	—	37	37	—	37	29	559	11	598	636		
Other non-institutional services <sup>(d)</sup>	16	415	431	640	1,070	228	814	3	1,045	2,116		
Community health and other <sup>(e)</sup>	1	15	16	397	413	—	—	1	2	415		
Public health	—	122	122	130	252	—	—	—	—	252		
Dental services	11	45	56	65	121	86	814	2	902	1,023		
Administration	3	233	237	48	284	142	—	—	142	426		
Research <sup>(f)</sup>	1	220	221	52	273	—	—	92	92	365		
<i>Total non-institutional</i>	270	3,750	4,019	692	4,711	383	3,065	288	3,736	8,447		
<b>Total recurrent expenditure</b>	<b>645</b>	<b>6,394</b>	<b>7,039</b>	<b>2,571</b>	<b>9,610</b>	<b>972</b>	<b>3,541</b>	<b>697</b>	<b>5,210</b>	<b>14,820</b>		
Capital expenditure	—	21	21	278	300	n.a.	n.a.	n.a.	<sup>(g)</sup> 135	435		
Capital consumption	—	5	5	194	199	..	..	..	<sup>(h)</sup> ..	199		
<i>Total capital</i>	—	26	26	472	498	n.a.	n.a.	n.a.	135	633		
<b>Direct health expenditure</b>	<b>645</b>	<b>6,420</b>	<b>7,065</b>	<b>3,043</b>	<b>10,108</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>5,345</b>	<b>15,453</b>		
Non-specific tax expenditure	—	55	55	—	55	..	-55	..	-55	..		
<b>Total health expenditure</b>	<b>645</b>	<b>6,475</b>	<b>7,120</b>	<b>3,043</b>	<b>10,163</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>5,290</b>	<b>15,453</b>		

Notes: See page 125.

**Table B5: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds<sup>(a)</sup>, 2001–02 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Individuals	Other <sup>(b)</sup>	Total		
Total hospitals	319	2,096	2,415	2,110	4,526	638	289	492	1,419	5,945
Public non-psychiatric hospitals	160	1,832	1,992	2,087	4,079	43	149	300	492	4,571
Public psychiatric hospitals	—	—	—	23	23	—	—	1	1	24
Private hospitals	159	264	423	<sup>(c)</sup> n.a.	423	595	140	191	927	1,350
High-level residential care	90	676	767	59	826	—	188	—	188	1,014
Ambulance and other (nec)	15	1	16	68	84	3	84	20	107	192
<b>Total institutional</b>	<b>424</b>	<b>2,774</b>	<b>3,198</b>	<b>2,238</b>	<b>5,436</b>	<b>641</b>	<b>561</b>	<b>512</b>	<b>1,715</b>	<b>7,151</b>
Medical services	144	2,096	2,240	—	2,240	115	279	111	506	2,746
Other professional services	22	105	127	—	127	55	533	58	646	773
Total pharmaceuticals	82	1,089	1,171	—	1,171	5	1,148	21	1,174	2,345
Benefit-paid pharmaceuticals	82	1,079	1,161	—	1,161	—	208	—	208	1,369
All other pharmaceuticals	—	10	10	—	10	5	940	21	966	976
Aids and appliances	—	41	41	22	63	37	543	12	592	655
Other non-institutional services <sup>(d)</sup>	18	439	457	793	1,249	257	983	5	1,245	2,495
Community health and other <sup>(e)</sup>	2	23	24	561	586	—	—	3	3	589
Public health	—	138	138	136	274	—	—	—	—	274
Dental services	12	50	62	95	156	112	983	2	1,097	1,253
Administration	4	229	233	1	233	145	—	—	145	378
Research <sup>(f)</sup>	—	236	236	69	305	—	—	122	122	427
<b>Total non-institutional</b>	<b>267</b>	<b>4,006</b>	<b>4,272</b>	<b>884</b>	<b>5,156</b>	<b>469</b>	<b>3,486</b>	<b>329</b>	<b>4,284</b>	<b>9,440</b>
<b>Total recurrent expenditure</b>	<b>691</b>	<b>6,780</b>	<b>7,471</b>	<b>3,121</b>	<b>10,592</b>	<b>1,110</b>	<b>4,047</b>	<b>841</b>	<b>5,999</b>	<b>16,591</b>
Capital expenditure	—	40	40	289	329	n.a.	n.a.	n.a.	<sup>(g)</sup> 145	475
Capital consumption	—	6	6	217	222	..	..	..	<sup>(h)</sup> ..	222
<b>Total capital</b>	<b>—</b>	<b>46</b>	<b>46</b>	<b>506</b>	<b>552</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>145</b>	<b>697</b>
<b>Direct health expenditure</b>	<b>691</b>	<b>6,826</b>	<b>7,517</b>	<b>3,627</b>	<b>11,144</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>6,144</b>	<b>17,288</b>
Non-specific tax expenditure	—	59	59	—	59	..	-59	..	-59	..
<b>Total health expenditure</b>	<b>691</b>	<b>6,885</b>	<b>7,576</b>	<b>3,627</b>	<b>11,203</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>6,085</b>	<b>17,288</b>

Notes: See page 125.

**Table B6: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds<sup>(a)</sup>, 2002-03 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Individuals	Other <sup>(b)</sup>	Total		
Total hospitals	348	2,261	2,609	2,566	5,175	669	242	457	1,369	6,544
Public non-psychiatric hospitals	169	1,971	2,140	2,538	4,678	44	88	269	400	5,078
Public psychiatric hospitals	—	—	—	28	28	—	—	1	1	30
Private hospitals	179	290	468	—	469	625	155	187	967	1,436
High-level residential care	128	742	870	58	928	—	223	—	223	1,151
Ambulance and other (nec)	22	2	23	146	170	4	99	25	127	297
<i>Total institutional</i>	497	3,005	3,502	2,771	6,272	673	564	483	1,719	7,992
Medical services	150	2,207	2,357	—	2,357	135	333	124	591	2,948
Other professional services	26	117	142	—	142	64	613	86	764	906
Total pharmaceuticals	95	1,211	1,306	—	1,306	7	1,291	27	1,325	2,631
Benefit-paid pharmaceuticals	95	1,199	1,294	—	1,294	—	236	—	236	1,530
All other pharmaceuticals	—	12	12	—	12	7	1,054	27	1,089	1,101
Aids and appliances	—	48	48	—	48	40	604	11	654	702
Other non-institutional services <sup>(d)</sup>	17	509	526	1,009	1,535	255	1,055	5	1,316	2,850
Community health and other <sup>(e)</sup>	—	27	27	779	806	—	—	3	3	810
Public health	—	173	173	142	314	—	—	—	—	314
Dental services	13	55	68	74	142	120	1,055	2	1,177	1,320
Administration	4	254	257	14	272	135	—	—	135	407
Research <sup>(f)</sup>	1	303	303	59	363	—	—	123	123	485
<i>Total non-institutional</i>	288	4,394	4,682	1,068	5,750	502	3,895	376	4,773	10,523
<b>Total recurrent expenditure</b>	<b>785</b>	<b>7,399</b>	<b>8,184</b>	<b>3,839</b>	<b>12,022</b>	<b>1,174</b>	<b>4,459</b>	<b>858</b>	<b>6,492</b>	<b>18,514</b>
Capital expenditure	—	34	34	169	203	n.a.	n.a.	n.a.	<sup>(g)</sup> 118	321
Capital consumption	—	6	6	222	228	..	..	..	<sup>(h)</sup> ..	228
<i>Total capital</i>	—	40	40	391	431	n.a.	n.a.	n.a.	118	549
<b>Direct health expenditure</b>	<b>785</b>	<b>7,439</b>	<b>8,224</b>	<b>4,230</b>	<b>12,453</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>6,610</b>	<b>19,063</b>
Non-specific tax expenditure	—	67	67	—	67	..	-67	..	-67	..
<b>Total health expenditure</b>	<b>785</b>	<b>7,506</b>	<b>8,291</b>	<b>4,230</b>	<b>12,521</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>6,542</b>	<b>19,063</b>

Notes: See page 125.



**Table B7: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds<sup>(a)</sup>, 2000–01 (\$ million)**

Area of expenditure	Government sector					Non-government sector				
	Australian Government					Health insurance funds				
	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other <sup>(b)</sup>	Total	Total health expenditure
Total hospitals	229	1,468	1,696	1,115	2,812	415	84	150	649	3,461
Public non-psychiatric hospitals	29	1,273	1,303	1,027	2,329	20	13	59	92	2,421
Public psychiatric hospitals	—	—	—	89	89	—	3	1	4	93
Private hospitals	199	195	394	<sup>(c)</sup> n.a.	394	395	69	90	554	947
High-level residential care	56	440	495	44	539	—	131	—	131	671
Ambulance and other (nec)	9	7	16	150	166	3	91	1	95	261
<b>Total institutional</b>	<b>293</b>	<b>1,914</b>	<b>2,208</b>	<b>1,309</b>	<b>3,517</b>	<b>418</b>	<b>307</b>	<b>151</b>	<b>876</b>	<b>4,392</b>
Medical services	131	1,417	1,548	—	1,548	53	211	35	299	1,847
Other professional services	20	80	100	—	100	39	223	17	280	380
Total pharmaceuticals	50	732	782	—	782	7	665	—	672	1,453
Benefit-paid pharmaceuticals	50	717	766	—	766	—	140	—	140	906
All other pharmaceuticals	—	15	15	—	15	7	525	—	532	547
Aids and appliances	—	34	34	—	34	33	396	—	429	463
Other non-institutional services <sup>(d)</sup>	19	370	388	990	1,378	188	242	2	431	1,810
Community health and other <sup>(e)</sup>	1	52	53	752	805	—	—	—	—	805
Public health	—	97	97	63	160	—	—	—	—	160
Dental services	14	46	60	104	164	90	242	2	334	498
Administration	4	174	178	71	249	97	—	—	97	346
Research <sup>(f)</sup>	—	110	110	24	134	—	—	38	38	171
<b>Total non-institutional</b>	<b>220</b>	<b>2,742</b>	<b>2,962</b>	<b>1,013</b>	<b>3,975</b>	<b>320</b>	<b>1,737</b>	<b>92</b>	<b>2,149</b>	<b>6,124</b>
<b>Total recurrent expenditure</b>	<b>513</b>	<b>4,657</b>	<b>5,170</b>	<b>2,322</b>	<b>7,492</b>	<b>738</b>	<b>2,044</b>	<b>243</b>	<b>3,025</b>	<b>10,516</b>
Capital expenditure	—	44	44	485	529	n.a.	n.a.	n.a.	<sup>(g)</sup> 429	958
Capital consumption	—	4	4	243	248	..	..	..	<sup>(h)</sup> ..	248
<b>Total capital</b>	<b>—</b>	<b>49</b>	<b>49</b>	<b>728</b>	<b>777</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>429</b>	<b>1,206</b>
<b>Direct health expenditure</b>	<b>513</b>	<b>4,705</b>	<b>5,218</b>	<b>3,050</b>	<b>8,268</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>3,454</b>	<b>11,722</b>
Non-specific tax expenditure	—	30	30	—	30	..	—30	..	—30	..
<b>Total health expenditure</b>	<b>513</b>	<b>4,735</b>	<b>5,248</b>	<b>3,050</b>	<b>8,298</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>3,424</b>	<b>11,722</b>

Notes: See page 125.

**Table B8: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds<sup>(a)</sup>, 2001–02 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other <sup>(b)</sup>		Total
Total hospitals	261	1,571	1,832	1,201	3,033	524	66	194	784	3,817
Public non-psychiatric hospitals	41	1,347	1,388	1,084	2,472	23	18	64	106	2,578
Public psychiatric hospitals	—	—	—	117	117	—	3	—	3	120
Private hospitals	221	224	445	<sup>(c)</sup> n.a.	445	501	45	130	675	1,120
High-level residential care	64	481	546	50	596	—	143	—	143	739
Ambulance and other (nec)	12	8	20	89	109	4	126	8	138	247
<b>Total institutional</b>	<b>338</b>	<b>2,060</b>	<b>2,398</b>	<b>1,340</b>	<b>3,738</b>	<b>528</b>	<b>335</b>	<b>202</b>	<b>1,065</b>	<b>4,803</b>
Medical services	144	1,492	1,636	—	1,636	83	223	57	364	2,000
Other professional services	22	88	110	—	110	56	261	28	344	455
Total pharmaceuticals	80	778	858	—	858	9	780	4	793	1,651
Benefit-paid pharmaceuticals	80	767	848	—	848	—	153	—	153	1,000
All other pharmaceuticals	—	11	11	—	11	9	628	4	640	651
Aids and appliances	—	38	38	—	38	44	367	2	413	451
Other non-institutional services <sup>(d)</sup>	21	383	404	896	1,299	220	278	3	501	1,800
Community health and other <sup>(e)</sup>	1	62	63	640	703	—	—	1	1	704
Public health	—	95	95	80	175	—	—	—	—	175
Dental services	15	54	69	111	180	125	278	2	405	585
Administration	4	172	176	65	241	95	—	—	95	336
Research <sup>(f)</sup>	—	108	108	29	136	—	—	44	44	180
<b>Total non-institutional</b>	<b>267</b>	<b>2,886</b>	<b>3,154</b>	<b>924</b>	<b>4,078</b>	<b>411</b>	<b>1,910</b>	<b>138</b>	<b>2,459</b>	<b>6,537</b>
<b>Total recurrent expenditure</b>	<b>606</b>	<b>4,946</b>	<b>5,552</b>	<b>2,265</b>	<b>7,817</b>	<b>939</b>	<b>2,245</b>	<b>340</b>	<b>3,524</b>	<b>11,341</b>
Capital expenditure	—	47	47	413	460	n.a.	n.a.	n.a.	<sup>(g)</sup> 147	606
Capital consumption	—	5	5	245	250	..	..	..	<sup>(h)</sup> ..	250
<b>Total capital</b>	<b>—</b>	<b>52</b>	<b>52</b>	<b>658</b>	<b>710</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>147</b>	<b>856</b>
<b>Direct health expenditure</b>	<b>606</b>	<b>4,998</b>	<b>5,603</b>	<b>2,923</b>	<b>8,526</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>3,671</b>	<b>12,197</b>
Non-specific tax expenditure	—	34	34	—	34	..	-34	..	-34	..
<b>Total health expenditure</b>	<b>606</b>	<b>5,031</b>	<b>5,637</b>	<b>2,923</b>	<b>8,560</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>3,637</b>	<b>12,197</b>

Notes: See page 125.

**Table B9: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds<sup>(a)</sup>, 2002–03 (\$ million)**

Area of expenditure	Government sector					Non-government sector					
	Australian Government			State and local		Health insurance funds			Other <sup>(b)</sup>		Total
	DVA	Other	Total	Total	Total	Health insurance funds	Individuals	Other <sup>(b)</sup>	Total		
Total hospitals	313	1,700	2,013	1,410	3,423	564	58	192	814	4,237	
Public non-psychiatric hospitals	73	1,448	1,520	1,302	2,822	25	19	69	113	2,935	
Public psychiatric hospitals	—	—	—	86	86	—	3	—	3	89	
Private hospitals	240	253	493	22	515	539	37	123	698	1,213	
High-level residential care	84	490	574	40	614	—	157	—	157	771	
Ambulance and other (nec)	13	8	20	52	73	4	140	15	159	232	
<b>Total institutional</b>	<b>410</b>	<b>2,198</b>	<b>2,608</b>	<b>1,502</b>	<b>4,110</b>	<b>568</b>	<b>355</b>	<b>206</b>	<b>1,130</b>	<b>5,239</b>	
Medical services	150	1,573	1,722	—	1,722	98	276	69	443	2,165	
Other professional services	26	98	124	—	124	62	307	30	399	523	
Total pharmaceuticals	93	862	955	—	955	11	902	4	916	1,871	
Benefit-paid pharmaceuticals	93	849	943	—	943	—	174	—	174	1,116	
All other pharmaceuticals	—	13	13	—	13	11	728	4	742	755	
Aids and appliances	—	42	42	—	42	43	413	3	459	501	
Other non-institutional services <sup>(d)</sup>	21	424	446	913	1,359	227	307	5	538	1,897	
Community health and other <sup>(e)</sup>	—	45	45	678	724	—	—	2	2	726	
Public health	—	128	128	72	200	—	—	—	—	200	
Dental services	17	57	73	111	184	126	307	3	436	620	
Administration	4	195	199	52	251	101	—	—	101	352	
Research <sup>(f)</sup>	—	121	121	20	141	—	—	36	36	177	
<b>Total non-institutional</b>	<b>291</b>	<b>3,120</b>	<b>3,411</b>	<b>933</b>	<b>4,344</b>	<b>440</b>	<b>2,204</b>	<b>147</b>	<b>2,791</b>	<b>7,135</b>	
<b>Total recurrent expenditure</b>	<b>701</b>	<b>5,318</b>	<b>6,019</b>	<b>2,435</b>	<b>8,453</b>	<b>1,009</b>	<b>2,559</b>	<b>353</b>	<b>3,921</b>	<b>12,374</b>	
Capital expenditure	—	30	30	228	258	n.a.	n.a.	n.a.	<sup>(g)</sup> 70	328	
Capital consumption	—	5	5	268	273	..	..	..	<sup>(h)</sup> ..	273	
<b>Total capital</b>	<b>—</b>	<b>35</b>	<b>35</b>	<b>496</b>	<b>531</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>70</b>	<b>600</b>	
<b>Direct health expenditure</b>	<b>701</b>	<b>5,353</b>	<b>6,053</b>	<b>2,931</b>	<b>8,984</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>3,991</b>	<b>12,975</b>	
Non-specific tax expenditure	—	38	38	—	38	..	–38	..	–38	..	
<b>Total health expenditure</b>	<b>701</b>	<b>5,391</b>	<b>6,092</b>	<b>2,931</b>	<b>9,022</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>3,953</b>	<b>12,975</b>	

Notes: See page 125.

**Table B10: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds<sup>(a)</sup>, 2000–01 (\$ million)**

Area of expenditure	Government sector					Non-government sector				
	Australian Government				State and local	Health insurance funds		Other <sup>(b)</sup>		Total
	DVA	Other	Total	Total		Individuals	Other <sup>(b)</sup>	Total		
Total hospitals	91	766	858	1,606	748	225	94	134	453	2,059
Public non-psychiatric hospitals	25	663	688	1,384	695	19	23	39	81	1,465
Public psychiatric hospitals	—	—	—	53	53	—	1	—	1	54
Private hospitals	66	103	169	169	<sup>(c)</sup> n.a.	206	70	94	370	540
High-level residential care	25	200	225	262	37	—	55	—	55	317
Ambulance and other (nec)	4	11	15	42	27	9	13	4	27	68
<i>Total institutional</i>	121	977	1,098	1,910	812	234	162	138	534	2,444
Medical services	43	669	711	711	—	32	87	57	176	888
Other professional services	8	45	52	52	—	29	16	32	77	129
Total pharmaceuticals	20	359	379	379	—	3	349	9	362	740
Benefit-paid pharmaceuticals	20	352	372	372	—	—	71	—	71	442
All other pharmaceuticals	—	7	7	7	—	3	279	9	291	298
Aids and appliances	—	20	20	20	—	23	146	6	174	195
Other non-institutional services <sup>(d)</sup>	9	220	229	599	370	129	217	2	347	946
Community health and other <sup>(e)</sup>	1	37	38	232	194	—	—	1	1	233
Public health	—	51	51	104	53	—	—	—	—	104
Dental services	6	38	44	88	44	76	217	1	294	381
Administration	2	94	96	175	79	53	—	—	53	228
Research <sup>(f)</sup>	—	67	67	74	7	—	—	16	16	90
<i>Total non-institutional</i>	78	1,380	1,459	1,835	377	216	815	122	1,153	2,988
<b>Total recurrent expenditure</b>	<b>199</b>	<b>2,357</b>	<b>2,557</b>	<b>3,745</b>	<b>1,189</b>	<b>450</b>	<b>977</b>	<b>260</b>	<b>1,687</b>	<b>5,432</b>
Capital expenditure	—	11	11	153	142	n.a.	n.a.	n.a.	<sup>(g)</sup> 27	180
Capital consumption	—	3	3	77	73	..	..	..	<sup>(h)</sup> ..	77
<i>Total capital</i>	—	14	14	230	216	n.a.	n.a.	n.a.	27	257
<b>Direct health expenditure</b>	<b>199</b>	<b>2,371</b>	<b>2,570</b>	<b>3,975</b>	<b>1,405</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,714</b>	<b>5,689</b>
Non-specific tax expenditure	—	15	15	15	—	..	—15	..	—15	..
<b>Total health expenditure</b>	<b>199</b>	<b>2,386</b>	<b>2,585</b>	<b>3,990</b>	<b>1,405</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,699</b>	<b>5,689</b>

Notes: See page 125.

**Table B11: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds<sup>(a)</sup>, 2001–02 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure
	Australian Government				Health insurance funds				
	DVA	Other	Total	State and local	Total	Individuals	Other <sup>(b)</sup>	Total	
Total hospitals	110	850	960	769	1,729	54	144	485	2,213
Public non-psychiatric hospitals	45	734	779	712	1,491	12	55	89	1,580
Public psychiatric hospitals	—	—	—	57	57	1	—	1	58
Private hospitals	65	116	181	<sup>(c)</sup> n.a.	181	42	89	394	575
High-level residential care	29	214	243	41	284	60	—	60	343
Ambulance and other (nec)	5	10	14	10	24	14	4	28	52
<b>Total institutional</b>	<b>143</b>	<b>1,074</b>	<b>1,217</b>	<b>819</b>	<b>2,036</b>	<b>128</b>	<b>149</b>	<b>573</b>	<b>2,609</b>
Medical services	44	729	773	—	773	99	50	193	966
Other professional services	9	47	55	—	55	24	28	87	142
Total pharmaceuticals	27	378	406	—	406	481	8	493	899
Benefit-paid pharmaceuticals	27	374	401	—	401	77	—	77	478
All other pharmaceuticals	—	5	5	—	5	404	8	416	421
Aids and appliances	—	21	21	—	21	135	5	167	188
Other non-institutional services <sup>(d)</sup>	10	226	235	305	541	276	2	419	959
Community health and other <sup>(e)</sup>	1	42	44	115	158	—	1	1	159
Public health	—	54	54	59	113	—	—	—	113
Dental services	6	37	43	45	89	276	1	364	453
Administration	2	92	95	87	181	—	—	53	235
Research <sup>(f)</sup>	—	66	66	9	74	—	18	18	92
<b>Total non-institutional</b>	<b>90</b>	<b>1,467</b>	<b>1,557</b>	<b>314</b>	<b>1,871</b>	<b>1,015</b>	<b>110</b>	<b>1,376</b>	<b>3,247</b>
<b>Total recurrent expenditure</b>	<b>233</b>	<b>2,541</b>	<b>2,774</b>	<b>1,133</b>	<b>3,907</b>	<b>1,143</b>	<b>259</b>	<b>1,948</b>	<b>5,856</b>
Capital expenditure	—	17	17	95	112	n.a.	n.a.	<sup>(g)</sup> 42	153
Capital consumption	—	3	3	79	83	..	..	<sup>(h)</sup> ..	83
<b>Total capital</b>	<b>—</b>	<b>20</b>	<b>20</b>	<b>174</b>	<b>194</b>	<b>n.a.</b>	<b>n.a.</b>	<b>42</b>	<b>236</b>
<b>Direct health expenditure</b>	<b>233</b>	<b>2,561</b>	<b>2,794</b>	<b>1,307</b>	<b>4,102</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,990</b>	<b>6,092</b>
Non-specific tax expenditure	—	16	16	—	16	—16	..	—16	..
<b>Total health expenditure</b>	<b>233</b>	<b>2,577</b>	<b>2,811</b>	<b>1,307</b>	<b>4,118</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,974</b>	<b>6,092</b>

Notes: See page 125.

**Table B12: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds<sup>(a)</sup>, 2002–03 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Individuals	Other <sup>(b)</sup>	Total		
Total hospitals	153	916	1,069	998	2,067	307	14	91	411	2,479
Public non-psychiatric hospitals	78	786	864	771	1,635	23	8	63	94	1,730
Public psychiatric hospitals	—	—	—	64	64	—	1	—	2	66
Private hospitals	74	131	205	163	368	284	4	28	315	683
High-level residential care	39	226	265	31	296	—	68	—	68	364
Ambulance and other (nec)	6	10	16	40	56	10	13	4	27	83
<i>Total institutional</i>	197	1,152	1,350	1,069	2,419	317	95	95	506	2,926
Medical services	45	774	819	—	819	50	118	39	207	1,026
Other professional services	10	50	60	—	60	37	48	24	109	169
Total pharmaceuticals	32	419	452	—	452	4	390	6	400	851
Benefit-paid pharmaceuticals	32	415	447	—	447	—	88	—	88	535
All other pharmaceuticals	—	5	5	—	5	4	303	6	312	317
Aids and appliances	—	24	24	—	24	27	155	4	185	209
Other non-institutional services <sup>(d)</sup>	9	255	264	457	721	140	306	2	448	1,170
Community health and other <sup>(e)</sup>	—	49	49	244	293	—	—	2	2	295
Public health	—	67	67	59	125	—	—	—	—	125
Dental services	7	38	45	48	92	85	306	1	391	484
Administration	2	102	104	106	210	55	—	—	55	265
Research <sup>(f)</sup>	—	74	74	7	81	—	—	20	20	101
<i>Total non-institutional</i>	97	1,596	1,693	464	2,156	258	1,016	95	1,369	3,526
<b>Total recurrent expenditure</b>	<b>294</b>	<b>2,748</b>	<b>3,043</b>	<b>1,533</b>	<b>4,576</b>	<b>575</b>	<b>1,111</b>	<b>190</b>	<b>1,876</b>	<b>6,451</b>
Capital expenditure	—	14	14	94	108	n.a.	n.a.	n.a.	<sup>(g)</sup> 2	110
Capital consumption	—	3	3	76	79	..	..	..	<sup>(h)</sup> ..	79
<i>Total capital</i>	—	17	17	170	187	n.a.	n.a.	n.a.	2	189
<b>Direct health expenditure</b>	<b>294</b>	<b>2,765</b>	<b>3,059</b>	<b>1,703</b>	<b>4,762</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,878</b>	<b>6,640</b>
Non-specific tax expenditure	—	18	18	—	18	..	-18	..	-18	..
<b>Total health expenditure</b>	<b>294</b>	<b>2,783</b>	<b>3,078</b>	<b>1,703</b>	<b>4,781</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,860</b>	<b>6,640</b>

Notes: See page 125.

**Table B13: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds<sup>(a)</sup>, 2000–01 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure
	Australian Government				Health insurance funds				
	DVA	Other	Total	State and local	Total	Individuals	Other <sup>(b)</sup>	Total	
Total hospitals	99	692	791	559	1,350	17	38	253	1,603
Public non-psychiatric hospitals	68	601	669	500	1,170	11	12	39	1,208
Public psychiatric hospitals	—	—	—	59	59	2	1	2	62
Private hospitals	31	91	122	<sup>(c)</sup> n.a.	122	4	26	212	333
High-level residential care	34	271	305	39	344	71	—	71	415
Ambulance and other (nec)	5	3	8	32	41	53	5	60	100
<i>Total institutional</i>	<i>138</i>	<i>966</i>	<i>1,105</i>	<i>630</i>	<i>1,735</i>	<i>141</i>	<i>43</i>	<i>383</i>	<i>2,118</i>
Medical services	39	623	662	—	662	64	61	159	821
Other professional services	6	38	45	—	45	10	20	57	102
Total pharmaceuticals	31	346	377	—	377	315	3	321	698
Benefit-paid pharmaceuticals	31	339	370	—	370	63	—	63	433
All other pharmaceuticals	—	7	7	—	7	252	3	258	265
Aids and appliances	—	16	16	—	16	118	4	139	155
Other non-institutional services <sup>(d)</sup>	7	169	176	240	416	90	1	188	604
Community health and other <sup>(e)</sup>	—	14	15	153	168	—	—	—	168
Public health	—	45	45	44	89	—	—	—	89
Dental services	5	26	31	34	65	90	1	141	206
Administration	2	84	85	8	94	—	—	47	141
Research <sup>(f)</sup>	—	83	83	17	100	—	28	28	128
<i>Total non-institutional</i>	<i>85</i>	<i>1,274</i>	<i>1,359</i>	<i>257</i>	<i>1,616</i>	<i>596</i>	<i>117</i>	<i>893</i>	<i>2,509</i>
<b>Total recurrent expenditure</b>	<b>223</b>	<b>2,241</b>	<b>2,463</b>	<b>887</b>	<b>3,351</b>	<b>737</b>	<b>161</b>	<b>1,276</b>	<b>4,627</b>
Capital expenditure	—	10	10	105	115	n.a.	n.a.	<sup>(g)</sup> 14	129
Capital consumption	—	3	3	65	68	..	..	<sup>(h)</sup> ..	68
<i>Total capital</i>	<i>—</i>	<i>13</i>	<i>13</i>	<i>170</i>	<i>183</i>	<i>n.a.</i>	<i>n.a.</i>	<i>14</i>	<i>197</i>
<b>Direct health expenditure</b>	<b>223</b>	<b>2,254</b>	<b>2,477</b>	<b>1,057</b>	<b>3,534</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,290</b>	<b>4,824</b>
Non-specific tax expenditure	—	10	10	—	10	—10	..	—10	..
<b>Total health expenditure</b>	<b>223</b>	<b>2,264</b>	<b>2,486</b>	<b>1,057</b>	<b>3,544</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,280</b>	<b>4,824</b>

Notes: See page 125.

**Table B14: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds<sup>(a)</sup>, 2001–02 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Individuals	Other <sup>(b)</sup>	Total		
Total hospitals	97	730	827	617	1,444	244	5	37	286	1,730
Public non-psychiatric hospitals	63	633	696	544	1,240	22	4	22	47	1,287
Public psychiatric hospitals	—	—	—	73	73	—	2	—	2	75
Private hospitals	34	97	131	<sup>(c)</sup> n.a.	131	222	—	15	237	368
High-level residential care	38	281	318	36	354	—	75	—	75	429
Ambulance and other (nec)	6	3	9	36	45	2	55	5	62	107
<b>Total institutional</b>	<b>141</b>	<b>1,014</b>	<b>1,155</b>	<b>689</b>	<b>1,843</b>	<b>246</b>	<b>135</b>	<b>42</b>	<b>423</b>	<b>2,266</b>
Medical services	42	668	710	—	710	45	69	69	183	893
Other professional services	8	40	48	—	48	35	15	21	71	119
Total pharmaceuticals	28	368	396	—	396	3	358	3	365	760
Benefit-paid pharmaceuticals	28	364	392	—	392	—	68	—	68	460
All other pharmaceuticals	—	4	4	—	4	3	290	3	297	300
Aids and appliances	—	17	17	—	17	21	107	5	133	150
Other non-institutional services <sup>(d)</sup>	8	179	186	210	396	117	108	1	226	623
Community health and other <sup>(e)</sup>	—	19	19	100	119	—	—	—	—	119
Public health	—	50	50	43	93	—	—	—	—	93
Dental services	6	28	33	37	70	64	108	1	173	243
Administration	2	82	84	30	114	53	—	—	53	167
Research <sup>(f)</sup>	—	78	78	18	96	—	—	31	31	127
<b>Total non-institutional</b>	<b>86</b>	<b>1,350</b>	<b>1,435</b>	<b>228</b>	<b>1,663</b>	<b>222</b>	<b>658</b>	<b>130</b>	<b>1,009</b>	<b>2,673</b>
<b>Total recurrent expenditure</b>	<b>226</b>	<b>2,364</b>	<b>2,590</b>	<b>917</b>	<b>3,507</b>	<b>467</b>	<b>793</b>	<b>172</b>	<b>1,432</b>	<b>4,939</b>
Capital expenditure	—	15	15	89	104	n.a.	n.a.	n.a.	<sup>(g)</sup> 36	140
Capital consumption	—	3	3	71	74	..	..	..	<sup>(h)</sup> ..	74
<b>Total capital</b>	<b>—</b>	<b>18</b>	<b>18</b>	<b>160</b>	<b>178</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>36</b>	<b>214</b>
<b>Direct health expenditure</b>	<b>226</b>	<b>2,382</b>	<b>2,608</b>	<b>1,077</b>	<b>3,685</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,468</b>	<b>5,153</b>
Non-specific tax expenditure	—	11	11	—	11	..	-11	..	-11	..
<b>Total health expenditure</b>	<b>226</b>	<b>2,393</b>	<b>2,619</b>	<b>1,077</b>	<b>3,696</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,457</b>	<b>5,153</b>

Notes: See page 125.



**Table B15: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds<sup>(a)</sup>, 2002–03 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Individuals	Other <sup>(b)</sup>	Total		
Total hospitals	105	794	899	632	1,530	261	7	65	332	1,863
Public non-psychiatric hospitals	68	688	756	554	1,310	26	2	28	56	1,365
Public psychiatric hospitals	—	—	—	74	75	—	2	—	2	77
Private hospitals	36	107	143	3	146	235	3	37	274	421
High-level residential care	51	296	347	36	383	—	86	—	86	469
Ambulance and other (nec)	7	3	10	42	52	2	69	6	77	129
<i>Total institutional</i>	<i>162</i>	<i>1,094</i>	<i>1,256</i>	<i>709</i>	<i>1,965</i>	<i>262</i>	<i>161</i>	<i>71</i>	<i>495</i>	<i>2,460</i>
Medical services	42	697	739	—	739	51	85	75	210	949
Other professional services	9	45	53	—	53	39	13	28	80	133
Total pharmaceuticals	33	405	437	—	437	4	329	4	336	774
Benefit-paid pharmaceuticals	33	401	433	—	433	—	76	—	76	509
All other pharmaceuticals	—	4	4	—	4	4	252	4	260	264
Aids and appliances	—	19	19	—	19	22	124	5	151	170
Other non-institutional services <sup>(d)</sup>	8	206	214	420	634	117	118	1	237	871
Community health and other <sup>(e)</sup>	—	27	27	267	293	—	—	—	—	293
Public health	—	60	60	48	107	—	—	—	—	107
Dental services	6	30	37	44	80	67	118	1	186	267
Administration	2	89	91	62	153	50	—	—	50	203
Research <sup>(f)</sup>	—	84	84	11	96	—	—	26	26	121
<i>Total non-institutional</i>	<i>91</i>	<i>1,456</i>	<i>1,547</i>	<i>431</i>	<i>1,978</i>	<i>234</i>	<i>669</i>	<i>139</i>	<i>1,041</i>	<i>3,019</i>
<b>Total recurrent expenditure</b>	<b>253</b>	<b>2,550</b>	<b>2,803</b>	<b>1,140</b>	<b>3,943</b>	<b>496</b>	<b>830</b>	<b>210</b>	<b>1,536</b>	<b>5,479</b>
Capital expenditure	—	13	13	121	134	n.a.	n.a.	n.a.	<sup>(g)</sup> 12	146
Capital consumption	—	3	3	69	72	..	..	..	<sup>(h)</sup> ..	72
<i>Total capital</i>	<i>—</i>	<i>17</i>	<i>17</i>	<i>190</i>	<i>207</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>12</i>	<i>218</i>
<b>Direct health expenditure</b>	<b>253</b>	<b>2,566</b>	<b>2,820</b>	<b>1,330</b>	<b>4,150</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,548</b>	<b>5,697</b>
Non-specific tax expenditure	—	13	13	—	13	..	-13	..	-13	..
<b>Total health expenditure</b>	<b>253</b>	<b>2,579</b>	<b>2,832</b>	<b>1,330</b>	<b>4,162</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,535</b>	<b>5,697</b>

Notes: See page 125.

**Table B16: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds<sup>(a)</sup>, 2000–01 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other <sup>(b)</sup>		Total
Total hospitals	34	180	215	157	372	64	27	32	124	495
Public non-psychiatric hospitals	12	151	163	149	312	4	6	19	29	341
Public psychiatric hospitals	—	—	—	8	9	—	—	—	1	9
Private hospitals	22	30	51	<sup>(c)</sup> n.a.	51	60	21	13	94	145
High-level residential care	9	68	77	6	83	—	20	—	20	103
Ambulance and other (nec)	1	—	2	20	22	—	—	1	1	23
<i>Total institutional</i>	44	249	294	184	477	64	47	33	144	621
Medical services	18	169	187	—	187	6	26	17	49	235
Other professional services	3	10	14	—	14	5	19	11	35	49
Total pharmaceuticals	9	112	121	—	121	1	89	2	92	213
Benefit-paid pharmaceuticals	9	110	118	—	118	—	20	—	20	138
All other pharmaceuticals	—	3	3	—	3	1	69	2	73	75
Aids and appliances	—	5	5	—	5	6	51	2	59	64
Other non-institutional services <sup>(d)</sup>	2	59	61	127	189	27	33	1	61	249
Community health and other <sup>(e)</sup>	—	6	7	90	96	—	—	—	—	97
Public health	—	20	20	12	32	—	—	—	—	32
Dental services	1	6	7	10	17	12	33	—	46	63
Administration	1	27	28	16	43	15	—	—	15	58
Research <sup>(f)</sup>	—	8	8	—	8	—	—	1	1	10
<i>Total non-institutional</i>	33	363	396	128	524	45	218	34	297	820
<b>Total recurrent expenditure</b>	<b>77</b>	<b>613</b>	<b>689</b>	<b>311</b>	<b>1,001</b>	<b>109</b>	<b>265</b>	<b>67</b>	<b>441</b>	<b>1,442</b>
Capital expenditure	—	4	4	14	17	n.a.	n.a.	n.a.	<sup>(g)</sup> 15	32
Capital consumption	—	1	1	13	15	..	..	..	<sup>(h)</sup> ..	15
<i>Total capital</i>	—	5	5	27	32	n.a.	n.a.	n.a.	15	47
<b>Direct health expenditure</b>	<b>77</b>	<b>618</b>	<b>695</b>	<b>338</b>	<b>1,033</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>456</b>	<b>1,489</b>
Non-specific tax expenditure	—	3	3	—	3	..	-3	..	-3	..
<b>Total health expenditure</b>	<b>77</b>	<b>621</b>	<b>697</b>	<b>338</b>	<b>1,035</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>453</b>	<b>1,489</b>

Notes: See page 125.

**Table B17: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds<sup>(a)</sup>, 2001–02 (\$ million)**

Area of expenditure	Government sector					Non-government sector				
	Australian Government				State and local	Health insurance funds		Other <sup>(b)</sup>		Total
	DVA	Other	Total	Total		Individuals	Other <sup>(b)</sup>	Total		
Total hospitals	36	191	227	389	162	76	21	40	137	526
Public non-psychiatric hospitals	13	161	174	326	152	7	16	20	43	369
Public psychiatric hospitals	—	—	—	10	10	—	1	—	1	11
Private hospitals	23	30	52	52	<sup>(c)</sup> n.a.	70	4	20	93	146
High-level residential care	10	71	81	81	—	—	21	—	21	101
Ambulance and other (nec)	2	—	2	27	25	—	—	1	1	28
<i>Total institutional</i>	47	262	310	497	187	76	42	41	159	655
Medical services	19	190	209	209	—	9	28	17	55	264
Other professional services	4	11	15	15	—	7	23	11	41	56
Total pharmaceuticals	13	119	132	132	—	2	105	2	110	241
Benefit-paid pharmaceuticals	13	117	129	129	—	—	22	—	22	151
All other pharmaceuticals	—	2	2	2	—	2	84	2	88	90
Aids and appliances	—	6	6	6	—	7	46	2	55	60
Other non-institutional services <sup>(d)</sup>	3	62	65	328	263	30	40	1	71	399
Community health and other <sup>(e)</sup>	—	8	8	193	185	—	—	—	—	193
Public health	—	20	20	35	15	—	—	—	—	35
Dental services	1	7	8	18	10	15	40	—	55	73
Administration	1	27	28	82	54	15	—	—	15	97
Research <sup>(f)</sup>	—	8	8	9	1	—	—	1	1	10
<i>Total non-institutional</i>	38	395	434	698	264	55	242	34	332	1,029
<b>Total recurrent expenditure</b>	<b>86</b>	<b>658</b>	<b>743</b>	<b>1,195</b>	<b>451</b>	<b>132</b>	<b>284</b>	<b>75</b>	<b>490</b>	<b>1,685</b>
Capital expenditure	—	6	6	19	13	n.a.	n.a.	n.a.	<sup>(g)</sup> 5	23
Capital consumption	—	2	2	14	13	..	..	..	<sup>(h)</sup> ..	14
<i>Total capital</i>	—	7	7	33	26	n.a.	n.a.	n.a.	5	37
<b>Direct health expenditure</b>	<b>86</b>	<b>665</b>	<b>751</b>	<b>1,227</b>	<b>477</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>495</b>	<b>1,722</b>
Non-specific tax expenditure	—	3	3	3	—	..	-3	..	-3	..
<b>Total health expenditure</b>	<b>86</b>	<b>667</b>	<b>753</b>	<b>1,230</b>	<b>477</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>492</b>	<b>1,722</b>

Notes: See page 125.

**Table B18: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds<sup>(a)</sup>, 2002-03 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Individuals	Other <sup>(b)</sup>	Total		
Total hospitals	36	208	244	182	426	79	19	32	130	556
Public non-psychiatric hospitals	13	175	188	140	328	7	17	24	48	376
Public psychiatric hospitals	—	—	—	22	22	—	—	—	—	22
Private hospitals	23	32	56	20	76	73	1	7	82	157
High-level residential care	14	79	92	—	92	—	25	—	25	117
Ambulance and other (nec)	2	—	3	19	21	—	—	2	2	23
<i>Total institutional</i>	<b>52</b>	<b>287</b>	<b>338</b>	<b>201</b>	<b>539</b>	<b>79</b>	<b>44</b>	<b>33</b>	<b>157</b>	<b>696</b>
Medical services	19	197	216	—	216	12	31	17	59	276
Other professional services	4	12	16	—	16	7	20	11	39	55
Total pharmaceuticals	14	129	143	—	143	2	117	2	121	264
Benefit-paid pharmaceuticals	14	127	141	—	141	—	24	—	24	165
All other pharmaceuticals	—	3	3	—	3	2	93	2	97	100
Aids and appliances	—	6	6	—	6	7	50	2	59	65
Other non-institutional services <sup>(d)</sup>	3	64	66	118	185	29	47	1	77	262
Community health and other <sup>(e)</sup>	—	5	5	66	71	—	—	1	1	72
Public health	—	24	24	16	40	—	—	—	—	40
Dental services	2	7	8	9	17	15	47	—	62	79
Administration	1	28	29	28	57	14	—	—	14	71
Research <sup>(f)</sup>	—	16	16	3	19	—	—	2	2	22
<i>Total non-institutional</i>	<b>40</b>	<b>425</b>	<b>465</b>	<b>121</b>	<b>586</b>	<b>57</b>	<b>265</b>	<b>35</b>	<b>357</b>	<b>944</b>
<b>Total recurrent expenditure</b>	<b>92</b>	<b>712</b>	<b>803</b>	<b>322</b>	<b>1,125</b>	<b>137</b>	<b>309</b>	<b>69</b>	<b>514</b>	<b>1,640</b>
Capital expenditure	—	4	4	-5	-1	n.a.	n.a.	n.a.	<sup>(g)</sup> 8	7
Capital consumption	—	2	2	13	15	..	..	..	<sup>(h)</sup> ..	15
<i>Total capital</i>	—	5	5	8	13	n.a.	n.a.	n.a.	8	22
<b>Direct health expenditure</b>	<b>92</b>	<b>717</b>	<b>808</b>	<b>330</b>	<b>1,139</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>523</b>	<b>1,661</b>
Non-specific tax expenditure	—	3	3	—	3	..	-3	..	-3	..
<b>Total health expenditure</b>	<b>92</b>	<b>720</b>	<b>811</b>	<b>330</b>	<b>1,142</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>520</b>	<b>1,661</b>

Notes: See page 125.

**Table B19: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds<sup>(a)</sup>, 2000–01 (\$ million)**

Area of expenditure	Government sector					Non-government sector				
	Australian Government					Health insurance funds				
	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other <sup>(b)</sup>	Total	Total health expenditure
Total hospitals	19	94	113	144	257	43	25	18	86	344
Public non-psychiatric hospitals	9	94	103	144	247	7	7	9	23	270
Private hospitals	10	—	10	<sup>(c)</sup> n.a.	10	36	19	9	63	74
High-level residential care	4	30	34	—	34	—	8	—	8	42
Ambulance and other (nec)	—	—	—	8	8	—	2	1	3	11
<i>Total institutional</i>	23	124	147	153	299	43	35	19	98	397
Medical services	13	112	124	—	124	—	35	12	47	172
Other professional services	6	6	12	—	12	—	28	9	37	49
Total pharmaceuticals	2	53	55	—	55	—	55	2	57	112
Benefit-paid pharmaceuticals	2	53	54	—	54	—	13	—	13	67
All other pharmaceuticals	—	1	1	—	1	—	42	2	44	45
Aids and appliances	—	2	2	—	2	—	15	1	16	18
Other non-institutional services <sup>(d)</sup>	33	26	59	88	147	—	56	—	56	203
Community health and other <sup>(e)</sup>	—	2	2	53	55	—	—	—	—	55
Public health	—	13	13	17	30	—	—	—	—	30
Dental services	1	—	1	4	5	—	56	—	56	62
Administration	32	11	43	14	57	—	—	—	—	57
Research <sup>(f)</sup>	—	42	42	4	46	—	—	6	6	52
<i>Total non-institutional</i>	53	240	293	92	385	—	189	31	220	606
<b>Total recurrent expenditure</b>	<b>76</b>	<b>364</b>	<b>440</b>	<b>245</b>	<b>684</b>	<b>43</b>	<b>225</b>	<b>50</b>	<b>318</b>	<b>1,002</b>
Capital expenditure	—	3	3	29	32	n.a.	n.a.	n.a.	<sup>(g)</sup> 13	45
Capital consumption	—	1	1	11	12	..	..	..	<sup>(h)</sup> ..	12
<i>Total capital</i>	—	4	4	41	45	n.a.	n.a.	n.a.	13	58
<b>Direct health expenditure</b>	<b>76</b>	<b>368</b>	<b>444</b>	<b>285</b>	<b>729</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>331</b>	<b>1,060</b>
Non-specific tax expenditure	—	6	6	—	6	..	-6	..	-6	..
<b>Total health expenditure</b>	<b>76</b>	<b>374</b>	<b>450</b>	<b>285</b>	<b>735</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>325</b>	<b>1,060</b>

Notes: See page 125.

**Table B20: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds<sup>(a)</sup>, 2001–02 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure
	Australian Government				Health insurance funds	Individuals	Other <sup>(b)</sup>	Total	
	DVA	Other	Total	State and local					
Total hospitals	18	96	114	180	295	17	26	92	387
Public non-psychiatric hospitals	8	95	103	180	284	5	13	26	310
Private hospitals	11	—	11	<sup>(c)</sup> n.a.	11	12	13	66	77
High-level residential care	4	33	38	—	38	10	—	10	47
Ambulance and other (nec)	—	—	—	10	10	2	1	3	13
<i>Total institutional</i>	23	129	152	190	342	29	27	105	447
Medical services	11	112	123	—	123	37	15	53	175
Other professional services	4	6	10	—	10	31	10	41	51
Total pharmaceuticals	5	55	60	—	60	61	2	63	124
Benefit-paid pharmaceuticals	5	55	60	—	60	14	—	14	74
All other pharmaceuticals	—	—	—	—	—	47	2	49	50
Aids and appliances	—	2	2	10	11	12	1	13	24
Other non-institutional services <sup>(d)</sup>	39	28	66	98	164	69	—	69	233
Community health and other <sup>(e)</sup>	—	2	3	74	76	—	—	—	76
Public health	—	13	13	17	30	—	—	—	30
Dental services	1	—	1	7	8	69	—	69	77
Administration	38	12	50	—	50	—	—	—	50
Research <sup>(f)</sup>	—	48	48	5	53	—	7	7	60
<i>Total non-institutional</i>	59	250	309	112	421	211	35	246	667
<b>Total recurrent expenditure</b>	<b>82</b>	<b>378</b>	<b>460</b>	<b>302</b>	<b>763</b>	<b>239</b>	<b>62</b>	<b>351</b>	<b>1,114</b>
Capital expenditure	—	4	4	32	36	n.a.	n.a.	<sup>(g)</sup> 3	38
Capital consumption	—	1	1	12	13	..	..	<sup>(h)</sup> ..	13
<i>Total capital</i>	—	5	5	44	48	n.a.	n.a.	3	51
<b>Direct health expenditure</b>	<b>82</b>	<b>383</b>	<b>465</b>	<b>346</b>	<b>811</b>	<b>n.a.</b>	<b>n.a.</b>	<b>353</b>	<b>1,165</b>
Non-specific tax expenditure	—	7	7	—	7	—7	..	—7	..
<b>Total health expenditure</b>	<b>82</b>	<b>390</b>	<b>472</b>	<b>346</b>	<b>818</b>	<b>n.a.</b>	<b>n.a.</b>	<b>347</b>	<b>1,165</b>

Notes: See page 125.

**Table B21: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds<sup>(a)</sup>, 2002–03 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds	Individuals	Other <sup>(b)</sup>	Total		
	DVA	Other	Total	State and local						
Total hospitals	20	106	126	201	327	53	20	26	98	425
Public non-psychiatric hospitals	9	106	115	201	315	9	4	14	27	342
Private hospitals	11	—	11	—	11	44	15	12	71	83
High-level residential care	6	34	40	—	40	—	11	—	11	51
Ambulance and other (nec)	-1	—	-1	11	11	—	3	1	5	15
<i>Total institutional</i>	25	140	165	212	378	53	34	27	114	491
Medical services	5	118	123	—	123	—	45	15	60	183
Other professional services	1	6	7	—	7	—	36	11	47	54
Total pharmaceuticals	6	61	67	—	67	—	56	2	58	125
Benefit-paid pharmaceuticals	6	61	67	—	67	—	16	—	16	83
All other pharmaceuticals	—	—	—	—	—	—	40	2	42	42
Aids and appliances	—	2	2	—	2	—	15	1	16	18
Other non-institutional services <sup>(d)</sup>	35	28	63	160	223	—	73	1	73	297
Community health and other <sup>(e)</sup>	—	2	2	103	105	—	—	—	—	105
Public health	—	15	15	18	32	—	—	—	—	32
Dental services	—	—	—	5	6	—	73	—	73	79
Administration	35	11	45	35	80	—	—	—	—	80
Research <sup>(f)</sup>	—	56	56	6	62	—	—	11	11	74
<i>Total non-institutional</i>	47	272	319	166	485	—	225	40	266	751
<b>Total recurrent expenditure</b>	<b>72</b>	<b>412</b>	<b>484</b>	<b>379</b>	<b>863</b>	<b>53</b>	<b>259</b>	<b>68</b>	<b>380</b>	<b>1,242</b>
Capital expenditure	—	2	2	17	19	n.a.	n.a.	n.a.	<sup>(g)</sup> 4	24
Capital consumption	—	1	1	11	12	..	..	..	..	12
<i>Total capital</i>	—	3	3	28	31	n.a.	n.a.	n.a.	4	35
<b>Direct health expenditure</b>	<b>72</b>	<b>415</b>	<b>487</b>	<b>407</b>	<b>894</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>384</b>	<b>1,278</b>
Non-specific tax expenditure	—	8	8	—	8	..	-8	..	-8	..
<b>Total health expenditure</b>	<b>72</b>	<b>423</b>	<b>495</b>	<b>407</b>	<b>902</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>376</b>	<b>1,278</b>

Notes: See page 125.

**Table B22: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds<sup>(a)</sup>, 2000–01 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds	Individuals	Other <sup>(b)</sup>	Total		
	DVA	Other	Total	State and local						
Totals	—	80	80	105	185	10	15	15	40	225
Public non-psychiatric hospitals	—	75	76	105	181	—	9	11	20	201
Private hospitals	—	5	5	<sup>(c)</sup> n.a.	5	10	6	4	20	24
High-level residential care	1	7	8	—	8	—	2	—	2	10
Ambulance and other (nec)	—	1	1	19	21	—	5	1	6	26
<i>Total institutional</i>	1	89	89	124	214	10	22	15	47	261
Medical services	1	39	40	—	40	1	6	5	13	52
Other professional services	—	4	4	—	4	1	12	2	15	19
Total pharmaceuticals	1	14	15	—	15	—	21	1	22	37
Benefit-paid pharmaceuticals	1	13	14	—	14	—	4	—	4	18
All other pharmaceuticals	—	—	—	—	—	—	18	1	19	19
Aids and appliances	—	2	2	—	2	1	11	3	15	17
Other non-institutional services <sup>(d)</sup>	—	70	70	156	226	6	21	—	28	253
Community health and other <sup>(e)</sup>	—	36	36	88	124	—	—	—	—	125
Public health	—	14	14	31	45	—	—	—	—	45
Dental services	—	1	1	6	7	3	21	—	24	31
Administration	—	18	18	31	49	4	—	—	4	53
Research <sup>(f)</sup>	—	3	3	1	5	—	—	3	3	7
<i>Total non-institutional</i>	2	131	133	157	290	10	72	14	96	386
<b>Total recurrent expenditure</b>	<b>3</b>	<b>220</b>	<b>222</b>	<b>282</b>	<b>504</b>	<b>20</b>	<b>93</b>	<b>29</b>	<b>143</b>	<b>647</b>
Capital expenditure	—	3	3	10	13	n.a.	n.a.	n.a.	<sup>(g)</sup> 1	14
Capital consumption	—	1	1	28	29	..	..	..	<sup>(h)</sup> ..	29
<i>Total capital</i>	—	5	5	38	43	n.a.	n.a.	n.a.	1	43
<b>Direct health expenditure</b>	<b>3</b>	<b>225</b>	<b>227</b>	<b>319</b>	<b>547</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>143</b>	<b>690</b>
Non-specific tax expenditure	—	1	1	—	1	..	-1	..	-1	..
<b>Total health expenditure</b>	<b>3</b>	<b>225</b>	<b>228</b>	<b>319</b>	<b>547</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>143</b>	<b>690</b>

Notes: See page 125.



**Table B23: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds<sup>(a)</sup>, 2001–02 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure
	Australian Government				Health insurance funds	Individuals	Other <sup>(b)</sup>	Total	
	DVA	Other	Total	State and local					
Total hospitals	1	86	87	136	223	11	16	40	262
Public non-psychiatric hospitals	—	81	81	136	216	3	11	14	231
Private hospitals	1	5	6	<sup>(c)</sup> n.a.	6	8	5	26	32
High-level residential care	1	7	8	—	8	2	—	2	9
Ambulance and other (nec)	—	4	4	23	27	8	1	8	35
<i>Total institutional</i>	2	96	98	159	257	21	17	50	307
Medical services	1	47	48	—	48	7	6	15	63
Other professional services	—	4	4	—	4	2	2	19	23
Total pharmaceuticals	1	23	23	2	26	26	1	27	52
Benefit-paid pharmaceuticals	1	22	23	—	23	4	—	4	27
All other pharmaceuticals	—	—	—	2	3	22	1	23	25
Aids and appliances	—	2	2	—	2	8	3	12	14
Other non-institutional services <sup>(d)</sup>	—	74	75	120	195	27	—	34	229
Community health and other <sup>(e)</sup>	—	42	42	84	126	—	—	—	126
Public health	—	15	15	30	46	—	—	—	46
Dental services	—	1	2	7	8	27	—	31	39
Administration	—	15	15	—	15	—	—	4	19
Research <sup>(f)</sup>	—	3	3	2	5	—	4	4	8
<i>Total non-institutional</i>	1	153	155	124	279	84	15	110	389
<b>Total recurrent expenditure</b>	<b>3</b>	<b>249</b>	<b>253</b>	<b>283</b>	<b>536</b>	<b>104</b>	<b>31</b>	<b>160</b>	<b>696</b>
Capital expenditure	—	5	5	6	11	n.a.	n.a.	<sup>(g)</sup> 1	12
Capital consumption	—	2	2	15	17	..	..	<sup>(h)</sup> ..	17
<i>Total capital</i>	—	7	7	21	28	n.a.	n.a.	1	29
<b>Direct health expenditure</b>	<b>3</b>	<b>256</b>	<b>260</b>	<b>304</b>	<b>564</b>	<b>n.a.</b>	<b>n.a.</b>	<b>161</b>	<b>725</b>
Non-specific tax expenditure	—	1	1	—	1	—	..	—	..
<b>Total health expenditure</b>	<b>3</b>	<b>257</b>	<b>260</b>	<b>304</b>	<b>564</b>	<b>n.a.</b>	<b>n.a.</b>	<b>161</b>	<b>725</b>

Notes: See page 125.

**Table B24: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds<sup>(a)</sup>, 2002–03 (\$ million)**

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other <sup>(b)</sup>		Total
Total hospitals	2	93	95	146	241	12	15	9	36	277
Public non-psychiatric hospitals	1	88	89	144	233	1	4	5	10	243
Private hospitals	1	5	7	2	8	12	11	3	26	34
High-level residential care	1	7	8	—	9	—	2	—	2	11
Ambulance and other (nec)	—	4	4	23	26	—	9	1	10	36
<i>Total institutional</i>	3	104	107	169	276	13	26	9	48	324
Medical services	1	50	50	—	50	2	8	7	17	67
Other professional services	—	4	4	—	4	2	18	3	23	27
Total pharmaceuticals	1	25	26	—	26	—	26	1	27	53
Benefit-paid pharmaceuticals	1	25	26	—	26	—	5	—	5	30
All other pharmaceuticals	—	—	—	—	—	—	21	1	22	23
Aids and appliances	—	2	2	—	2	2	9	3	14	16
Other non-institutional services <sup>(d)</sup>	—	78	78	203	281	6	28	—	35	316
Community health and other <sup>(e)</sup>	—	46	46	127	173	—	—	—	—	173
Public health	—	17	17	28	45	—	—	—	—	45
Dental services	—	1	2	6	8	3	28	—	32	39
Administration	—	14	14	42	56	3	—	—	3	59
Research <sup>(f)</sup>	—	7	7	1	8	—	—	3	3	11
<i>Total non-institutional</i>	2	166	167	204	372	12	89	17	118	490
<b>Total recurrent expenditure</b>	<b>5</b>	<b>270</b>	<b>275</b>	<b>373</b>	<b>648</b>	<b>24</b>	<b>115</b>	<b>26</b>	<b>166</b>	<b>814</b>
Capital expenditure	—	5	5	9	14	n.a.	n.a.	n.a.	<sup>(g)</sup> 2	16
Capital consumption	—	2	2	14	16	..	..	..	<sup>(h)</sup> ..	16
<i>Total capital</i>	—	7	7	23	30	n.a.	n.a.	n.a.	2	32
<b>Direct health expenditure</b>	<b>5</b>	<b>277</b>	<b>282</b>	<b>396</b>	<b>678</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>168</b>	<b>845</b>
Non-specific tax expenditure	—	1	1	—	1	..	-1	..	-1	..
<b>Total health expenditure</b>	<b>5</b>	<b>277</b>	<b>282</b>	<b>396</b>	<b>679</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>167</b>	<b>845</b>

Notes: See page 125.

## 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) State government contracting of private sector services data unavailable.
- (d) 'Other non-institutional services' is a summary of community and public health, dental services and administration.
- (e) Includes some expenditures that were previously classified as 'other non-institutional (nec)' as well as expenditure on community health services.
- (f) Health research expenditure has been allocated according to the level of government or the private sector organisation that actually undertakes the research activity, not according to source of funds.
- (g) Capital formation for the non-government sector cannot be allocated according to source of funds.
- (h) Non-government capital consumption (depreciation) is included as part of recurrent expenditure.

# Appendix C: Proposed Australian System of Health Accounts

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 social expenditures to the OECD. The AIHW's responsibilities in this regard include expenditure on welfare services, social security and housing as well as health.

The format that the AIHW uses for its national reports of expenditure on health is based on one adopted by the WHO during the 1970s, known as NHA. Australia's reporting format has not changed markedly since the Institute's first national health expenditure report in 1986, despite considerable change in the way health care is delivered. 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* (SHA), was developed to encourage international consistency in the way health expenditure was 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.

The *funder* classification follows the System of National Accounts 1993 guidelines for the allocation of funds by sector.

The major difference between estimates derived using the Australian NHA and the SHA is the value of total expenditure. The NHA includes all the 'health' and 'health-related' functional classifications—except 'Education and training of health personnel'—in its 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 2002, the difference was \$1.6 billion—2.2% of NHA total health expenditure (Tables 1 and C1).

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 HEAC it is expected that an Australian System of Health Accounts will be developed that can be mapped to the OECD's SHA, but which uses

terminology that is more relevant to the Australian domestic situation. If this can be achieved, the revised 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 2001–02 and 2002–03, following the OECD format.

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

**Table C1: Total health expenditure by financing agents, Australia, current prices, 2001–02 and 2002–03**

SHA Code	Description	2001–02		2002–03	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
<i>HF.1</i>	<i>General government</i>	44,318	67.8	48,291	68.1
HF.1.1	General government excluding social security funds	44,318	67.8	48,291	68.1
HF.1.1.1	Central government	29,157	44.6	32,194	45.4
HF.1.1.2, 1.1.3	Provincial / local government	15,161	23.2	16,097	22.7
HF.1.2	Social security funds	—	—	—	—
<i>HF.2</i>	<i>Private sector</i>	21,031	32.2	22,587	31.9
HF.2.1	Private social insurance	—	—	—	—
HF.2.2	Private insurance enterprises (other than social insurance)	4,975	7.6	5,268	7.4
HF.2.3	Private household out-of-pocket expenditure	13,862	21.2	15,280	21.6
HF.2.4	Non-profit institutions serving households (other than social insurance)	—	—	—	—
HF.2.5	Corporations (other than health insurance)	2,194	3.4	2,040	2.9
<i>HF.3</i>	<i>Rest of the world</i>	—	—	—	—
<b>Total health expenditure</b>		<b>65,349</b>	<b>100.0</b>	<b>70,878</b>	<b>100.0</b>

Source: AIHW health expenditure database.

**Table C2: Total health expenditure by mode of production, Australia, current prices, 2001–02 and 2002–03**

SHA Code	Description	2001–02		2002–03	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
<b>In-patient care<sup>(a)</sup></b>					
HC.1.1;2.1	Curative & rehabilitative care	20,401	31.2	21,832	30.8
HC.3.1	Long-term nursing care	4,383	6.7	4,814	6.8
<b>Services of day-care<sup>(a)</sup></b>					
HC.1.2;2.2	Day cases of curative & rehabilitative care	—	—	—	—
HC.3.2	Day cases of long-term nursing care	—	—	—	—
<b>Out-patient care</b>					
HC.1.3;2.3	Out-patient curative & rehabilitative care	19,600	30.0	22,026	31.1
HC.1.3.1	Basic medical and diagnostic services	3,808	5.8	4,988	7.0
HC.1.3.2	Out-patient dental care	4,138	6.3	4,354	6.1
HC.1.3.3	All other specialised health care	6,273	9.6	5,280	7.4
HC.1.3.9;2.3	All other out-patient curative care	5,382	8.2	7,405	10.4
<b>Home care</b>					
HC.1.4;2.4	Home care (curative & rehabilitative)	—	—	—	—
HC.3.3	Home care (long term nursing care)	35	0.1	2	—
<b>Ancillary services to health care</b>					
HC.4.1	Clinical laboratory	1,131	1.7	1,183	1.7
HC.4.2	Diagnostic imaging	1,306	2.0	1,385	2.0
HC.4.3	Patient transport and emergency rescue	1,007	1.5	1,101	1.6
HC.4.9	All other miscellaneous ancillary services	6	—	—	—
<b>Medical goods dispensed to out-patients</b>					
HC.5.1	Pharmaceuticals and other medical non-durables	9,173	14.0	10,067	14.2
HC.5.2	Therapeutic appliances and other medical durables	2,464	3.8	2,681	3.8
<i>Total expenditure on personal health care</i>		<i>59,506</i>	<i>91.1</i>	<i>65,090</i>	<i>91.8</i>
HC.6	Prevention and public health services	910	1.4	1,018	1.4
HC.7	Health administration and health insurance	1,835	2.8	2,148	3.0
<i>Total expenditure on collective health care</i>		<i>2,745</i>	<i>4.2</i>	<i>3,167</i>	<i>4.5</i>
<i>Total current expenditure on health care</i>		<i>62,252</i>	<i>95.3</i>	<i>68,257</i>	<i>96.3</i>
<b>Health-related functions</b>					
HC.R.1	Capital formation of health care provider institutions	3,097	4.7	2,622	3.7
<b>Total health expenditure</b>		<b>65,349</b>	<b>100.0</b>	<b>70,878</b>	<b>100.0</b>

(a) In-patient includes all admitted patient services.

Source: AIHW health expenditure database.

**Table C3: Total health expenditure by provider, Australia, current prices, 2001–02 and 2002–03**

SHA Code	Description	2001–02		2002–03	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
HP.1	Hospitals	22,642	34.6	24,648	34.8
HP.2	Nursing and residential care facilities	4,165	6.4	4,545	6.4
HP.3	Providers of ambulatory health care	21,815	33.4	23,826	33.6
HP.3.1	Offices of physicians	8,437	12.9	9,049	12.8
HP.3.2	Offices of dentists	4,145	6.3	4,362	6.2
HP.3.3–3.9	All other providers of ambulatory health care	9,233	14.1	10,415	14.7
HP.4	Retail sale and other providers of medical goods	11,370	17.4	12,435	17.5
HP.5	Provision and administration of public health programs	717	1.1	1,005	1.4
HP.6	General health administration and insurance	4,641	7.1	4,419	6.2
HP.6.1	Government administration of health	3,652	5.6	3,594	5.1
HP.6.2	Social security funds	—	—	—	—
HP.6.3; 6.4; 6.9	Other social insurance	989	1.5	825	1.2
HP.7	Other industries (rest of the economy)	—	—	—	—
HP.7.1	Occupational health care services	—	—	—	—
HP.7.2	Private households as providers of home care	—	—	—	—
HP.7.9	All other secondary producers of health care	—	—	—	—
HP.9	Rest of the world	—	—	—	—
<b>Total health expenditure</b>		<b>65,349</b>	<b>100.0</b>	<b>70,878</b>	<b>100.0</b>

Source: AIHW health expenditure database.

# Appendix D: Price indexes and deflation

This publication uses price indexes in several ways:

- Some indexes are presented as variables of interest in their own right. For example, Table 4 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’ estimates) from their current-price counterparts. Computations of these kinds allow one to abstract from the effects of price change. For example, Table 3 and Figure 3 compare the growth in real health expenditure with that in 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, 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 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 publication, 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, implicit price deflators. 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 publication 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, implicit price deflators (IPDs) and fixed-weight indexes such as the consumer price index (CPI) or its components. For this publication, deflation has been undertaken using chain price indexes and IPDs only.

The chain price indexes used in this publication are annually re-weighted Laspeyres (base-period-weighted) chain price indexes. The indexes are calculated at a finely detailed level, and they provide a close approximation to measures of pure price change. In this publication, the chain price indexes have been used for deflation of such expenditure aggregates as:

- medical services, whether funded through Medicare benefits, out-of-pocket payments, workers' compensation and third-party insurance or other means
- 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 publication 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 D1 shows the main indexes used to derive constant price aggregates for this publication. All indexes are sourced from the ABS, except for the IPDs for Medicare medical services, PBS pharmaceuticals and the total health price index, which have been derived by the AIHW.

**Table D1: Total health price index and industry-wide indexes (reference year 2002-03 = 100)**

Year ended 30 June	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total health price index <sup>(a)</sup>	76.88	78.47	80.79	82.73	85.29	87.31	89.33	92.63	96.06	100.00	103.84
<b>Final consumption expenditure (FCE) by governments</b>											
Hospital/nursing home care	80.20	81.60	83.20	84.70	86.20	88.50	90.60	93.60	96.60	100.00	103.70
Total non-defence FCE	78.65	80.11	83.17	84.70	85.82	87.81	89.95	94.04	96.92	100.00	103.89
<b>FCE by households</b>											
Doctors and other health professionals	54.90	60.30	64.50	67.90	72.50	74.30	76.70	81.80	89.40	100.00	111.10
Dental services	66.40	69.40	72.60	75.70	78.60	81.20	85.60	90.30	94.70	100.00	105.80
Hospital services	55.90	56.90	61.60	68.70	74.50	75.90	79.60	84.00	91.70	100.00	107.80
Medicines, aids and appliances	84.40	87.80	89.80	93.40	94.80	94.60	95.20	98.30	98.60	100.00	102.00
PBS pharmaceuticals <sup>(a)</sup>	97.76	98.07	98.53	98.74	98.97	99.53	99.71	99.85	99.91	100.00	100.08
Total health FCE	65.20	67.90	71.50	76.30	80.30	81.60	84.10	88.50	93.60	100.00	106.30
<b>Medicare medical services<sup>(a)</sup></b>											
Fees charged	76.22	77.46	78.88	80.17	82.62	84.72	85.93	89.70	94.90	100.00	105.31
Benefits paid	80.61	82.00	83.53	84.29	85.79	88.18	90.22	93.19	97.08	100.00	101.26
<b>Gross fixed capital expenditure</b>											
Australian Government	139.30	134.30	130.10	121.10	114.20	109.60	105.00	104.70	102.30	100.00	96.60
State, territory and local	93.30	94.30	95.60	94.70	95.20	95.80	96.20	97.70	97.80	100.00	101.00
Private capital	96.80	97.00	96.90	94.60	94.10	94.60	94.80	98.80	99.50	100.00	101.20
GDP	82.90	83.81	85.82	87.08	88.25	88.37	90.03	94.54	97.09	100.00	102.94

(a) IPD, constructed by AIHW.

# Appendix E: Capital in the Australian health sector

AIHW publications present some information on capital. For example:

- *Health Expenditure Australia* shows 10-year time series of outlays on capital dissected by sector, and of 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 (capital formation), depreciation and depreciation (capital consumption). Ideally, these estimates would be dissected by segment of health, by state or territory, and by public/private sector.

It is not possible at present to compile such integrated accounts, owing to deficiencies and inconsistencies in the available data. The AIHW, under the guidance of the HEAC, has been investigating the possibility of compiling experimental integrated accounts. This project has begun with hospitals—because of the large amount of capital (both buildings and equipment) in that sector and because the data sources are relatively rich. The first step has been to ascertain whether consistent national series for investment (capital formation) can be derived from the multiple data sources. It is not possible to achieve a full quantitative reconciliation between the various estimates, but it may be possible to derive broadly consistent levels and movements. If that can be done, the next step will be to derive estimates of capital stock and depreciation, using the modelling approach (the perpetual inventory model) that the ABS and some other statistical agencies have adopted for national accounting purposes. But stock and depreciation estimates derived in this manner are likely to differ noticeably from the values shown in the accounts of hospital administration authorities (owing to differences in valuation bases, assumed rates of depreciation and so on). So it will be necessary to undertake analyses explaining those differences and providing at least a broad reconciliation with, say, the figures reported in the *Australian Hospital Statistics* publications.

A longer term goal is to develop nationally-agreed standards for the reporting of capital data, as part of a new national minimum data set for health expenditure.

# Appendix F: Cross-border flows and government contracting of private hospital services

## Cross-border flows

At the November 2004 meeting of the HEAC it was agreed that the AIHW would calculate notional estimates of expenditures incurred by 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.

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.

Table F1 shows the cross-border flows between jurisdictions, for public patients, by state and territory of usual residence.

## State government contracting of private hospital services

At present the matrices for each state and territory before 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, which is essentially a state or territory government instrumentality, purchases services from a private hospital in respect of some of its public patients.

The AIHW has begun to collect the first of these data flows from 2002–03 and they are included in both the national and the state and territory matrices for that year (as shaded cells). It is intended to collect a time series of the data and back-cast it to 1996–97.

The second of these flows would currently be included in total expenditure, but they would be 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

establishments data). When resources permit, the AIHW will provide separate estimates, back-cast to 1996–97.

**Table F1: Estimated cost of separations<sup>(a)</sup>, public patients, by state or territory of usual residence, states and territories, 2003–04 (\$'000)**

Jurisdiction in which expenditure is incurred	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
<b>Jurisdiction of usual residence</b>									
NSW	3,185,821	43,128	38,417	1,230	6,876	458	50,913	611	3,327,454
Vic	13,716	2,707,763	4,710	1,140	7,276	885	949	570	2,737,009
Qld	26,336	3,115	1,786,767	858	728	229	308	952	1,819,293
WA	1,258	1,332	840	995,499	562	74	62	1,735	1,001,362
SA	2,040	5,881	1,030	520	894,784	163	141	4,062	908,620
Tas	479	7,541	511	154	202	218,264	15	—	227,166
ACT	7,409	665	467	236	185	7	116,219	—	125,189
NT	799	1,168	1,077	746	12,050	15	48	135,541	151,444
Other territories <sup>(b)</sup>	2,177	3,304	19	572	—	—	—	—	6,073
Other <sup>(c)</sup>	9,696	5,678	8,559	1,637	75	158	—	1,187	26,989
Not reported	—	—	2,715	—	2,443	921	168	2	6,249
<b>Total</b>	<b>3,249,731</b>	<b>2,779,575</b>	<b>1,845,112</b>	<b>1,002,592</b>	<b>925,180</b>	<b>221,173</b>	<b>168,823</b>	<b>144,661</b>	<b>10,336,848</b>

(a) Separations for which the patient election status was Public and for which the care type was reported as Acute, Newborn with at least one qualified day or for which the care type was not reported have been included. These data represent an estimate of the cost for public patients only and are based on the AR-DRG for each separation multiplied by the 2002–03 AR-DRG Round 7 average public cost of \$2,952.

(b) Includes Cocos (Keeling) Islands, Christmas Island, Jervis Bay Territory.

(c) Includes resident overseas, at sea, no fixed address.

Source: AIHW National Hospital Morbidity Database.

# Appendix G: Expenditure on personal health by Burden of Disease category by age and sex

This appendix presents two tables which further articulate the OECD SHA in Australia, for the year 2000–01. This was the latest year available for these particular slices of the expenditure data. More detailed tables are available in the AIHW's publication *Health System Expenditure on Disease and Injury in Australia 2000–01* (AIHW 2005c).

Table G1 shows expenditure on personal health services and goods linked to the demographic variables of age and sex. Table G2 shows expenditure on personal health services and goods (OECD SHA classification) by Burden of Disease chapter, and links health expenditure with epidemiological data. This enables an understanding of the relationship between the expenditure inputs and outcomes as measured by deaths, prevalence of disease and disability adjusted life years (DALYs).

Total personal health care expenditure (using OECD SHA definition of *personal* health care expenditure) in Australia in 2000–01 was \$51.1 billion. Of the \$51.1 billion expenditure, 94% (\$48.0 billion) was able to be allocated by disease and by age and sex.

\$18.2 billion (38% of the total) was spent on treating and preventing illness for the population 65 and over. This group constitutes 13% of the total population. For young people aged under 25 years who are 34% of the population, \$9.1 billion is spent (19% of the total) (Table G1).

For older people a higher proportion of the expenditure was for in-patient and day care services. For those 85 years and over, 79% of total personal health care expenditure was in this area, compared to 14% for those 5 to 14 years and 43% for the population as a whole. Much of this expenditure for older people was for residential aged care services.

Pharmaceutical expenditure was higher as a proportion for the middle-aged. For those 55 to 64 years 24% of the expenditure was for pharmaceuticals, compared to 12% for those 5 to 14 years, 8% for those 85 years and over and 18% for the population as a whole.

Out-patient services, which includes medical services was more important for children and young adults. This category accounts for 70% of the expenditure for those 5 to 14 years compared to 11% for those 85 years and over, and 33% for the population as whole.

The largest expenditure on personal health in 2000–01 was for cardiovascular disease, at \$5,326 million or 11% of personal health care expenditure that could be allocated by disease (Table G2). The second-largest category was nervous system disorders at \$4,718 million (10%) and the third-largest category was musculoskeletal at \$4,579 million (10%).

Expenditure on personal health for injuries was \$4,007 million (8%) and for respiratory disease was \$3,707 million (8%). Although neoplasms account for 29% of deaths, health system expenditure for neoplasms was 5% of total expenditure on personal health.

The proportion of expenditure in each personal health care category varies according to disease. For diabetes and prostate cancer a large proportion of the expenditure (31% and 54%) was for pharmaceuticals and other medical non-durables, whereas the average for all diseases was 18%. For nervous system disorders the proportion was 9%, and for stroke 5%.

For some diseases a large portion of the expenditure was in in-patient and day care services. For Alzheimer's and other dementias it was 97%, due to the high expenditure on residential aged care for people with dementia. For maternal conditions the proportion of expenditure in in-patient and day services was 81%, for neoplasms as a whole it was 66%, and for stroke it was 88%.

Oral health services accounted for 7% of expenditure and 95% of this was in the out-patient setting.



**Table G-1: Expenditure on personal health services and goods by age and sex, 2000-01, ( \$ million)**

	Age (years)										Total	
	0-4	5-14	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+		
<b>Male</b>												
<i>Personal health care services</i>	1,027	1,290	1,440	1,411	1,610	1,926	2,170	2,753	2,493	988	17,109	
In-patient and day care services	502	249	438	547	653	910	1,197	1,762	1,923	792	8,972	
Out-patient services	506	988	909	743	806	825	789	821	471	172	7,031	
Home care	..	..	..	..	..	..	..	..	..	..	..	
Ancillary services to health care	19	53	94	122	152	191	184	169	99	23	1,105	
<i>Medical goods dispensed to out-patients</i>	154	188	229	306	406	538	649	740	519	106	3,835	
Pharmaceuticals and other med. non-durables	154	188	229	306	406	538	649	740	519	106	3,835	
Therapeutic appliances and other med. durables	..	..	..	..	..	..	..	..	..	..	..	
<b>Total personal health care expenditure</b>	<b>1,181</b>	<b>1,477</b>	<b>1,669</b>	<b>1,717</b>	<b>2,017</b>	<b>2,464</b>	<b>2,818</b>	<b>3,493</b>	<b>3,013</b>	<b>1,094</b>	<b>20,943</b>	
<b>Female</b>												
<i>Personal health care services</i>	798	1,423	1,857	2,550	2,297	2,338	2,130	2,716	3,510	2,635	22,253	
In-patient and day care services	387	192	588	1,167	909	895	993	1,567	2,709	2,317	11,725	
Out-patient services	389	1,181	1,105	1,131	1,119	1,128	903	937	652	276	8,820	
Home care	..	..	..	..	..	..	..	..	..	..	..	
Ancillary services to health care	23	50	164	252	269	315	234	211	149	42	1,708	
<i>Medical goods dispensed to out-patients</i>	139	183	342	470	530	675	733	844	671	208	4,795	
Pharmaceuticals and other med. non-durables	139	183	342	470	530	675	733	844	671	208	4,795	
Therapeutic appliances and other med. durables	..	..	..	..	..	..	..	..	..	..	..	
<b>Total personal health care expenditure</b>	<b>937</b>	<b>1,606</b>	<b>2,199</b>	<b>3,020</b>	<b>2,827</b>	<b>3,013</b>	<b>2,864</b>	<b>3,560</b>	<b>4,181</b>	<b>2,843</b>	<b>27,049</b>	

Source: AIHW disease expenditure database

**Table G-2: Expenditure on personal health services and goods (OECD SHA classification) by Burden of Disease chapter in 2000–01 (\$ million)**

Burden of Disease category	Personal health care services		In-patient and day care <sup>(a)</sup> services	Out-patient services	Home-care services	Ancillary services to health care	Medical goods dispensed to out-patients		Pharmaceuticals and other medical non-durables		Therapeutic appliances and other medical durables <sup>(b)</sup>	Total expenditure on personal health services and goods		Research	Public health cancer screening	Community mental health	Total health system expenditure allocated by disease
	HC.1–HC.4	HC.4					HC.5	HC.5.1	HC.5.2	HC.5.1		HC.5.2	HC.1–HC.5				
Infectious & parasitic	866	83	220	220	220	220	220	220	220	220	220	1,085	139	..	..	..	1,224
Respiratory	2,474	141	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,232	3,707	35	..	..	..	3,742
Maternal conditions	1,260	48	44	44	44	44	44	44	44	44	44	1,304	11	..	..	..	1,315
Neonatal causes	336	3	11	11	11	11	11	11	11	11	11	347	11	..	..	..	358
Neoplasms	2,336	121	237	237	237	237	237	237	237	237	237	2,574	215	..	130	..	2,918
Colorectal cancer	207	3	10	10	10	10	10	10	10	10	10	217	18	..	..	..	235
Lung cancer	115	2	11	11	11	11	11	11	11	11	11	126	10	..	..	..	136
Prostate cancer	86	4	99	99	99	99	99	99	99	99	99	185	15	..	..	..	201
Breast cancer	105	13	29	29	29	29	29	29	29	29	29	134	11	..	96	..	241
Other neoplasms	1,824	98	88	88	88	88	88	88	88	88	88	1,912	160	..	34	..	2,106
Diabetes mellitus	536	76	241	241	241	241	241	241	241	241	241	777	35	..	..	..	812
Endocrine, nutritional & metabolic <sup>(c)</sup>	797	178	723	723	723	723	723	723	723	723	723	1,519	68	..	..	..	1,587
Mental disorders <sup>(d)</sup>	2,162	41	649	649	649	649	649	649	649	649	649	2,811	109	821	..	..	3,741
Nervous system disorders	4,292	57	426	426	426	426	426	426	426	426	426	4,718	204	21	..	..	4,942
Alzheimer's and other dementias	2,083	4	32	32	32	32	32	32	32	32	32	2,115	91	21	..	..	2,228
Vision disorders	1,147	30	182	182	182	182	182	182	182	182	182	1,329	57	..	..	..	1,386
Hearing disorders	181	–	11	11	11	11	11	11	11	11	11	193	8	..	..	..	201
Other nervous system	881	23	200	200	200	200	200	200	200	200	200	1,081	47	..	..	..	1,128

(continued)

**Table G-2 (continued): Expenditure on personal health services and goods (SHA classification) by Burden of Disease chapter in 2000-01 (\$ million)**

Burden of Disease category	Personal health care services		In-patient and day care services <sup>(a)</sup>	Out-patient services	Home-care services	Ancillary services to health care	Medical goods dispensed to out-patients		Pharmaceuticals and other medical durables	Therapeutic appliances and other medical durables	HC.5.2	Total expenditure on personal health services and goods		Research	Public health cancer screening	Community mental health	Total health system expenditure allocated by disease
	HC.1-HC.4	HC.1-HC.4					HC.4	HC.5				HC.5.1	HC.5.2				
Cardiovascular	3,845	2,691	916	..	..	238	1,481	1,481	1,481	..	..	5,326	153	..	..	5,479	
<i>Ischaemic heart disease</i>	1,189	983	178	..	..	28	236	236	236	..	..	1,425	41	..	..	1,466	
Stroke	829	763	54	..	..	13	41	41	41	..	..	870	25	..	..	895	
<i>Other cardiovascular</i>	1,826	945	684	..	..	197	1,204	1,204	1,204	..	..	3,031	87	..	..	3,118	
Digestive system <sup>(e)</sup>	2,099	1,372	620	..	..	108	681	681	681	..	..	2,780	31	..	..	2,811	
Genitourinary	1,796	1,052	479	..	..	265	267	267	267	..	..	2,063	13	..	..	2,076	
Skin diseases	1,003	310	656	..	..	37	354	354	354	..	..	1,357	13	..	..	1,370	
Musculoskeletal	3,858	1,728	1,686	..	..	445	720	720	720	..	..	4,579	55	..	..	4,634	
Congenital anomalies	178	159	15	..	..	5	7	7	7	..	..	185	37	..	..	221	
Oral health	3,307	129	3,177	..	..	2	38	38	38	..	..	3,346	27	..	..	3,372	
Injuries	3,771	1,697	1,792	..	..	283	236	236	236	..	..	4,007	6	..	..	4,013	
Signs symptoms and ill-defined conditions and other contact with health system <sup>(f)</sup>	4,445	2,097	1,664	..	..	685	1,064	1,064	1,064	..	..	5,509	21	..	..	5,530	
<b>Total</b>	<b>39,362</b>	<b>20,697</b>	<b>15,851</b>	<b>..</b>	<b>..</b>	<b>2,813</b>	<b>8,630</b>	<b>8,630</b>	<b>8,630</b>	<b>..</b>	<b>..</b>	<b>47,992</b>	<b>1,182</b>	<b>842</b>	<b>130</b>	<b>50,146</b>	

(a) In-patient and day care services includes expenditure on high-level residential care.

(b) Expenditure for home-care services, ambulance services, therapeutic appliances and other medical durables is not able to be allocated by disease. Expenditure that is able to be allocated by disease is 88% of total recurrent health expenditure, and 94% of personal health care expenditure.

(c) 'Endocrine, nutritional & metabolic' does not include expenditure on diabetes.

(d) 'Mental disorders' does not include expenditure on dementia. Dementia expenditure is included in the 'Alzheimer's and other dementias' category, as part of the 'Nervous system disorders' chapter.

(e) 'Digestive system' does not include expenditure on oral health.

(f) 'Signs, symptoms and ill-defined conditions' includes diagnostic and other services for signs, symptoms and ill-defined conditions where the cause of the 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.

# Glossary

Accrual accounting	The method of accounting most commonly used by governments in Australia. Relates expenses, revenues and accruals to the period in which they are incurred (see also <i>Cash accounting</i> ).
Admitted patient	A patient who undergoes a hospital's formal admission process to receive treatment and/or care. This treatment and/or care is provided over a period of time and can occur in hospital and/or in the person's home (for hospital-in-the-home patients).
Australian Government administered expenses	Expenses incurred by 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 SPPs to state and territory governments) (see also <i>Australian Government departmental expenses</i> ).
Australian Government departmental expenses	Those expenses incurred by the Department of Health and Ageing in the production of the department's outputs (mostly consisting of the cost of employees but also including 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 public 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.
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 1 for details.
Benefit-paid pharmaceuticals	Pharmaceuticals for which a benefit has been paid under the PBS or the RPBS.

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 <i>Accrual accounting</i> ).
Excess health inflation	The difference where the health inflation rate exceeds the general inflation rate, i.e. 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 Purpose Classification	Classifies current outlays, capital outlays and selected other transactions of the non-financial public sector in terms of the purposes for which the transactions are made.
Gross domestic product (GDP)	A statistic commonly used to indicate national wealth. 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 inflation	The increase in the price level of goods and services in the health care sector.
Implicit price deflator	A GDP price deflator that is calculated by dividing its nominal GDP component by the chain volume measure of real GDP. There is a series of such price indexes to deflate National Accounts items to real terms.
In-patient	An OECD term that roughly equates with the Australian 'admitted patient' classification (see Admitted patient).
Highly specialised drugs	Under Section 100 of the National Health Act, certain drugs can only be supplied to community patients through hospitals because 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 of a current nature by households and by private non-profit institutions serving households.
Injury compensation insurers	Workers' compensation and third-party motor vehicle insurers.
Jurisdictions	Australian, state and territory 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, wheelchairs, that can be used more than once.
Non-admitted patient	Patients who receive care from a recognised non-admitted patient service/clinic of a hospital.
Out-patient	An OECD term that roughly equates with the Australian 'non-admitted patient' classification (see above).
Over-the-counter medicines	Private non-prescription therapeutic medicinal preparations that can be purchased from pharmacies, supermarkets and other retail outlets such as convenience stores.
Over-the-counter medical non-durables	Private households' expenditure of non-prescription therapeutic goods that tend to be single-use items, such as bandages, elastic stockings, incontinence articles, condoms and other mechanical contraceptive devices, from pharmacies, supermarkets and convenience stores.
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.
Pharmaceuticals, other	Includes over-the-counter pharmaceuticals and medical non-durables; prescriptions for which no benefit is paid, including PBS items less than or equivalent to the co-payment; and vitamins, herbals and complementary medicines.
Private hospital	A privately owned and operated institution, catering for patients who are treated by a doctor of their own choice. Patients are charged fees for accommodation and other services provided by the hospital and relevant medical and paramedical practitioners. The term includes private free-standing day hospital facilities.
Private patient	Person admitted to a private hospital, or person admitted to a public hospital who decides to choose the doctor(s) who will treat them and to have private ward accommodation. This means that the patient will be charged for medical services, food and accommodation.

Public hospital	A hospital controlled by a state or territory health authority. In Australia public hospitals offer free diagnostic services, treatment, care and accommodation to all Australians who need it.
Public patient	A patient admitted to a public hospital who has agreed to be treated by doctors of the hospital's choice and to accept shared ward accommodation. This means that the patient is not charged.
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. Does not include treatment services.
Purchasing power parity	This exchange rate is one adjusted 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 2002–03 dollars). This enables comparisons to be made between expenditures in different years
Rebates of health insurance premiums	<p>There are two types of rebates of health insurance premiums—one under general expenditure and one under tax expenditures. This sometimes causes confusion.</p> <p>The first rebate is the case where the 30% rebate is taken as a reduced premium (with the health funds being reimbursed by the Australian Government).</p> <p>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. It was defined as a tax expenditure for three years—1998–99 to 2000–01, as Table 18 shows. However, the Australian Tax Office redefined the rebates as tax expenses and for 2001–02 and 2002–03 they are now part of general expenditure rebates.</p>
Recurrent expenditure	Expenditure incurred by organisations on a recurring basis, for the provision of health services, excluding capital expenditure but including indirect expenditure.

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 under 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.

Therapeutic

Having to do with the treating or curing of a disease.



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