

AUSTRALIAN INSTITUTE OF HEALTH

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AUSTRALIAN HEALTH EXPENDITURE 1982-83 TO 1984-85

In 1984-85 total Australian health expenditure (recurrent plus capital) was \$16 108 million.

In 1983-84 it was \$14 744 million.

In 1982-83 it was \$13 167 million.

Health expenditure per person in 1984-85 was \$1030.

In 1984-85 total health expenditure was 7.5% of Gross Domestic Product (GDP).

In 1983-84 it was 7.7% of GDP.

In 1982-83 it was also 7.7% of GDP.

Between 1981-82 and 1984-85 health expenditure changed as follows.

Table 1: Increase in Health Expenditure on Preceding Year

	TOTAL HEALTH EXPENDITURE	HEALTH EXPENDITURE PER PERSON
1982-83	13.6%	11.9%
1983-84	12.0%	10.6%
1984-85	9.3%	8.0%

Growth in health expenditure averaged 11.6% per year in this period.

Estimates of growth in real terms are detailed on page 8.

PROPORTION OF HEALTH EXPENDITURE FUNDED BY
GOVERNMENT AND PRIVATE SECTORS

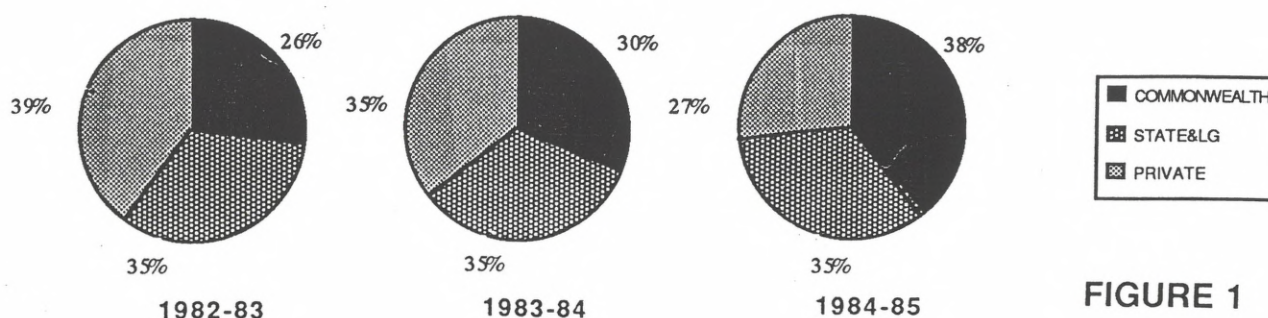


FIGURE 1

Changes In Funding Of Health Expenditure

The introduction of Medicare in February 1984 resulted in an increase in the proportion of health costs borne by governments and a decrease in the costs borne by the private sector. (see Figure 1).

The Commonwealth Government share of health expenditure increased from 26% of the total in 1982-83 to 38% in 1984-85. Correspondingly the share of health expenditure that the private sector bore fell from 39% in 1982-83 to 27% in 1984-85.

This reflects the replacement of payments by individuals to health insurance funds by Medicare benefits. Many medical costs formerly the responsibility of individuals are now paid by the Commonwealth. The Commonwealth Government also pays compensation to the State and Territory Governments for changes in hospital revenues under the Medicare program.

Expenditure On Specific Areas Of Health Expenditure.

Expenditure on hospitals continued to be the major component of health expenditure (see Figure 2 and Tables 2 to 4). In 1982-83 it was 46.4% of total recurrent expenditure and in 1984-85 had fallen to 44.7%. Private hospital expenditure was between 12% and 13% of total hospital expenditure in the period 1982-83 to 1984-85.

Nursing home expenditure has continued to remain at the level of about 9% of recurrent health expenditure and reached \$1357 million in 1984-85, of which \$1084 million was provided by Commonwealth and State Governments.

Medical services expenditure in 1984-85 (the first full year of Medicare) was 17.7% of health expenditure, similar to the level of 17.8% in 1983-84 and 17.5% in 1982-83.

**RECURRENT HEALTH EXPENDITURE: MAJOR
AREAS OF EXPENDITURE FOR THE YEARS
1982-83 TO 1984-85**

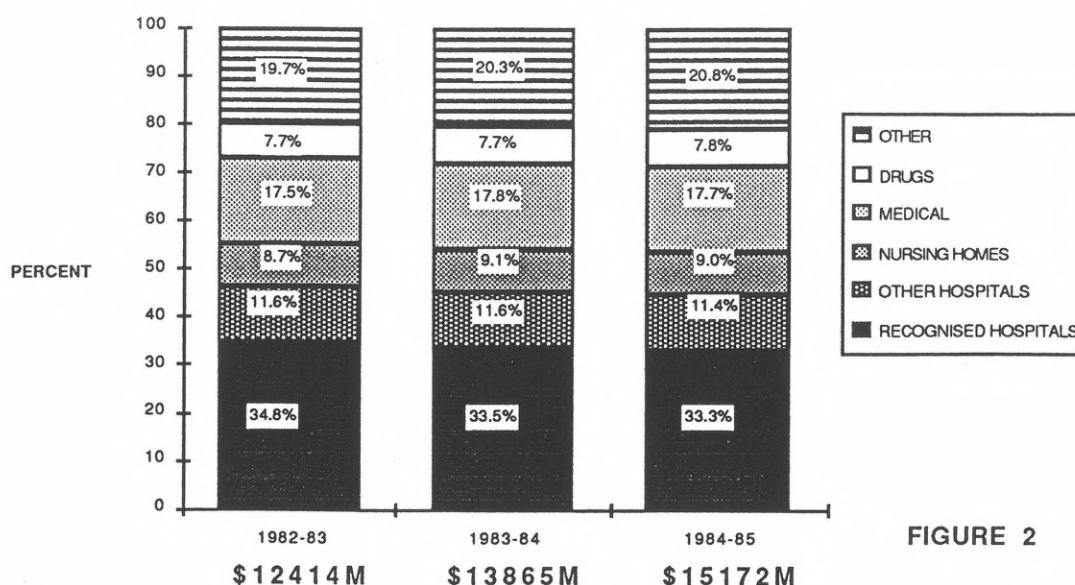


FIGURE 2

Expenditure on health professionals such as physiotherapists, speech pathologists and chiropractors has increased substantially in the last few years. Their share of total health expenditure has grown from 2.4% in 1979-80 to 3.5% in 1984-85.

Expenditure in other areas has consumed a relatively constant proportion of health care expenditure in the last few years.

Proportion of the Gross Domestic Product

In Australia, total health expenditure as a proportion of GDP fell from 7.7% of GDP in 1982-83 to 7.5% in 1984-85. Preliminary estimates indicate that health expenditure in 1985-86 was also 7.5% of GDP. This fall indicates that the economy as a whole has been growing more rapidly than the health sector in the last few years.

The proportion of GDP spent on health is the usual method for comparing health expenditures internationally. The Australian figure of 7.5% in 1984-85 compares with 10.7% of GDP spent on health in the USA in 1984, 8.4% in Canada, 8.1% in West Germany and 5.9% in the UK.

Health Expenditure By Area of Expenditure And Source of Funds

Details of total health expenditure by area of expenditure and by source of funds for the years 1982-83 to 1984-85 follow. The expenditures are given in millions of dollars.

Table 2 - Total Health Expenditure - 1982-83 - Area of Expenditure By Source of Funds

Source of funds	Government			Private			Proportion of Total Recurrent Expenditure	
	Commonwealth	State and Local	Total Govt.	Health Insurance Funds	Other Private	Total Private	Total	
Area of Expenditure	(\$mill)			(\$mill)			(\$mill)	
1. Institutional Services								
(a) Hospitals								
Public (i)	387	(ii)2964	3351	733	237	969	4320	34.8%
Private	113	..	113	509	94	603	716	5.8%
Repat. and Mental	220	449	669	8	45	53	722	5.8%
Total Hospitals	719	3413	4132	1249	376	1626	5758	46.4%
(b) Nursing Homes	788	72	860	2	214	216	1076	8.7%
(c) Other Institutional	55	86	141	7	99	106	247	2.0%
TOTAL INSTITUTIONAL	1562	3571	5133	1259	689	1948	7080	57.0%
2. Non-Institutional Services								
(a) Medical Services	992	..	992	854	328	1182	2174	17.5%
(b) Dental Services	15	51	66	175	319	494	560	4.5%
(c) Other Professional Services	25	..	25	54	263	317	342	2.8%
(d) Community Health Services	89	202	291	1	5	6	297	2.4%
(e) Pharmaceuticals	491	..	491	13	456	469	960	7.7%
(f) Aids and Appliances	38	1	39	44	148	192	231	1.9%
(g) Other Non-Institutional	1	44	45	2	..	2	47	0.4%
TOTAL NON-INSTITUTIONAL	1652	298	1950	1142	1519	2661	4611	37.1%
3. HEALTH PROMOTION AND ILLNESS PREVENTION	2	70	72	..	..	..	72	0.6%
4. ADMINISTRATION	118	102	220	265	..	265	485	3.9%
5. RESEARCH	107	12	119	..	46	46	165	1.3%
TOTAL RECURRENT EXPENDITURE	3440	4053	7494	2666	2254	4920	12414	100.0%
CAPITAL CONSUMPTION (iii)	23	311	334				334	
CAPITAL EXPENDITURE	24	245	269			150	419	
TOTAL HEALTH EXPENDITURE	3487	4609	8097			5070	13167	

.. Less than \$1 million or no data available

(i) Public hospitals included here are those recognised under the Medicare agreement.

(ii) Identified health grants (IHGs) of \$1017 million are not treated as part of Commonwealth outlays on health, but as part of general revenue grants from the Commonwealth to the States. IHGs effectively become part of State and Local Government outlays on health. (p. 28, Payments to or for the States, the N.T. and Local Government Authorities, 1985-86, 1985-86 Budget Paper No.7)

(iii) ABS has now included in GDP an estimate of the depreciation costs (capital consumption) of government capital assets. This has resulted in an upwards adjustment to GDP of about 2% overall, but as health expenditure has also increased due to an allowance now being made for depreciation on hospitals etc. the health/GDP ratio has not changed significantly. Private outlays are not affected as they have always included an allowance for depreciation. For details of this change, see the ABS publication Quarterly Estimates of National Income and Expenditure, Australia, December Quarter 1986, Cat. No. 5206.0.

Table 3 - Total Health Expenditure - 1983-84 - Area of Expenditure By Source of Funds

Source of Funds	Government			Private			Proportion of Total Recurrent Expenditure	
	Common wealth	State and Local	Total Govt.	Health Insurance Funds	Other Private	Total Private	Total	
Area of Expenditure	(\$mill)			(\$mill)			(\$mill)	
1. Institutional Services								
(a) Hospitals								
Public (i)	523(ii)	3275	3798	614	238	853	4651	33.5%
Private	123	..	123	505	174	680	803	5.8%
Repat. and Mental	250	495	745	7	47	54	799	5.8%
Total Hospitals	897	3770	4667	1127	460	1586	6253	45.1%
(b) Nursing Homes	905	107	1012	..	246	246	1257	9.1%
(c) Other Institutional	61	99	160	7	108	114	275	2.0%
TOTAL INSTITUTIONAL	1863	3976	5839	1134	813	1947	7785	56.1%
2. Non-Institutional Services								
(a) Medical Services	1431	..	1431	625	412	1037	2469	17.8%
(b) Dental Services	18	54	72	193	395	588	660	4.8%
(c) Other Professional Services	39	..	39	77	304	381	420	3.0%
(d) Community Health Services	105	236	341	1	..	1	342	2.5%
(e) Pharmaceuticals	555	..	555	18	500	519	1074	7.7%
(f) Aids and Appliances	38	3	41	19	194	213	254	1.8%
(g) Other Non-Institutional	6	54	60	7	..	7	67	0.5%
TOTAL NON-INSTITUTIONAL	2194	347	2541	939	1833	2772	5286	38.1%
3. HEALTH PROMOTION AND ILLNESS PREVENTION	4	85	89	..	..	..	89	0.6%
4. ADMINISTRATION	193	100	293	241	..	241	534	3.8%
5. RESEARCH	121	13	134	..	37	37	171	1.2%
TOTAL RECURRENT EXPENDITURE	4374	4521	8895	2314	2682	4996	13865	100.0%
CAPITAL CONSUMPTION (iii)	27	322	349				349	
CAPITAL EXPENDITURE	69	303	372			158	530	
TOTAL HEALTH EXPENDITURE	4470	5146	9616			5154	14744	

.. Less than \$1 million or no data available.

(i) Public hospitals included here are those recognised under the Medicare agreement.

(ii) Identified health grants (IHGs) of \$1169 million are not treated as part of Commonwealth outlays on health, but as part of general revenue grants from the Commonwealth to the States. IHGs effectively become part of State and Local Government outlays on health. (p. 28, Payments to or for the States, the N.T. and Local Government Authorities, 1985-86, 1985-86 Budget Paper No.7)

(iii) See footnote on page 4.

Table 4 - Total Health Expenditure - 1984-85 - Area of Expenditure By Source of Funds

Source of funds	Government			Private			Proportion of Total Recurrent Expenditure	
	Commonwealth	State and Local	Total Govt.	Health Insurance Funds	Other Private	Total Private	Total	
Area of Expenditure	(\$mill)			(\$mill)			(\$mill)	
1. Institutional Services								
(a) Hospitals								
Public (i)	1043	(ii)3529	4572	295	187	482	5054	33.3%
Private	166	..	166	533	169	703	869	5.7%
Repat. and Mental	274	538	812	4	51	55	867	5.7%
Total Hospitals	1483	4067	5550	832	408	1240	6789	44.7%
(b) Nursing Homes	1005	79	1084	..	273	273	1357	9.0%
(c) Other Institutional	64	111	175	6	116	122	297	2.0%
TOTAL INSTITUTIONAL	2551	4257	6808	838	797	1635	8443	55.9%
2. Non-Institutional Services								
(a) Medical Services	2306	..	2306	1	378	379	2685	17.7%
(b) Dental Services	21	64	85	232	408	640	725	4.8%
(c) Other Professional Services	63	..	63	109	360	469	532	3.5%
(d) Community Health Services	120	290	410	1	6	7	417	2.8%
(e) Pharmaceuticals	637	..	637	25	520	545	1182	7.8%
(f) Aids and Appliances	41	..	41	18	203	221	262	1.7%
(g) Other Non-Institutional	9	57	66	7	..	7	72	0.5%
TOTAL NON-INSTITUTIONAL	3197	411	3608	392	1876	2268	5876	38.7%
3. HEALTH PROMOTION AND ILLNESS PREVENTION	9	112	121	..	..	..	121	0.8%
4. ADMINISTRATION	220	114	334	204	..	204	538	3.5%
5. RESEARCH	138	13	152	..	43	43	194	1.3%
TOTAL RECURRENT EXPENDITURE	6115	4907	11022	1434	2715	4150	15172	100.0%
CAPITAL CONSUMPTION (iii)	32	302	334				334	
CAPITAL EXPENDITURE	42	391	433			169	602	
TOTAL HEALTH EXPENDITURE	6189	5600	11789			4319	16108	

.. Less than \$1 million or no data available.

(i) Public hospitals included here are those recognised under the Medicare agreement.

(ii) Identified health grants (IHGs) of \$1374 million are not included as part of Commonwealth outlays on health, as they are part of general revenue grants from the Commonwealth to the States. IHGs effectively become part of State and Local Government outlays on health. (p. 28, Payments to or for the States, the N.T. and Local Government Authorities, 1985-86, 1985-86 Budget Paper No.7)

(iii) See footnote on page 4.

Comparison With Previous Years

Details of health expenditure in previous years can be obtained from the Australian Institute of Health publication Australian Health Expenditure 1979-80 to 1981-82 (available from the AIH). There are some minor changes in the data for 1982-3 to 1984-5 which must be considered when comparing this data with previous years.

Health research expenditure now includes that part of health research funded directly by universities and CAEs. Previously only research undertaken from grants by outside bodies such as the National Health and Medical Research Council were included.

Due to changes in definitions, it is difficult to compare expenditure in recent years on "health promotion and illness prevention" with that of previous years. In addition it should be recognised that a large amount of preventive work is undertaken by doctors and in hospitals. The expenditure listed under "health promotion and illness prevention" understates total expenditure on prevention.

The inclusion in GDP of depreciation of government capital goods has increased GDP estimates by about 2%. Data since 1982-3 include estimates of capital consumption (depreciation) of government health assets such as hospitals. Total expenditures are therefore not directly comparable with figures previously published, but since the same adjustments have been made in GDP estimates, the share of health expenditure in GDP has not changed. Further details of these changes will be provided in the forthcoming AIH booklet "Australian Health Expenditure 1982-3 to 1984-5".

The preliminary estimates of health expenditure published in AIH Information Bulletin No.1 are different to the figures published here, due to the factors mentioned above and to major revisions in ABS estimates of Private Final Consumption Expenditure on Health upon which the AIH preliminary figures were largely based (cf ABS, Quarterly Estimates of National Income and Expenditure, Australia, September and December Quarter 1986).

Adjustment for Inflation

To adjust for inflation, the deflators used in the booklet Australian Health Expenditure 1979-80 to 1981-82 have been applied. The Implicit Price Deflator for Government Final Consumption Expenditure on Health, Social Security and Welfare (IPD1) has been used to deflate recurrent expenditure. The values for the growth in the deflator IPD1 are given below. Government capital expenditure has been deflated using the Implicit Price Deflator for General Government Gross Fixed Capital Expenditure and private capital expenditure has been deflated using the Implicit Price Deflator for Private Gross Fixed Capital Expenditure on Non-Dwelling Construction.

Table 5: Increase in Real Health Expenditure on Preceding Year

	TOTAL HEALTH EXPENDITURE	HEALTH EXPENDITURE PER PERSON
1982-83	2.3%	0.8%
1983-84	5.5%	4.2%
1984-85	2.9%	1.7%

Growth in real health expenditure per person averaged 2.2% per person in this period. This compares with an average annual growth in real expenditure per person of 3.2% over the period 1970-71 to 1981-82.

The table below lists the growth rates of several other price and wage indicators to enable comparison between the estimated inflation rate in the health sector and other sectors.

Table 6: Change on Preceding Year of Selected Indicators

	Total Health Expend.	IPD1	AWE	CPI (adjusted for Medicare)	GDP Deflator
1982-83	13.6%	10.8%	11.2%	11.5%	10.7%
1983-84	12.0%	6.2%	8.5%	7.9%	7.4%
1984-85	9.3%	6.2%	6.9%	5.8%	6.2%

The rate of inflation in 1983-84 as measured by IPD1 is significantly lower than that measured by AWE, CPI or the GDP deflator. If IPD1 underestimates the rate of inflation in the health sector in 1983-84, then real health expenditure in 1983-84 has been overestimated, so leading to an overestimate of the increase in real health expenditure in 1983-84 as compared to 1982-83.

The AIH will be reviewing the appropriateness of IPD1 for deflating health expenditure and will seek to develop sector specific deflators.

The growth rates of IPD1 are derived from Tables 52 and 53 of ABS, Australian National Accounts, National Income and Expenditure, 1984-85, catalogue no. 5204.0.

The CPI and AWE values are from p.33 of Budget Statements 1985-86, 1985-86 Budget Paper No. 1. The AWE measure is for growth in total earnings.

The GDP deflator and the capital deflators are from Table 42 of ABS, Quarterly Estimates of National Income and Expenditure, Australia, December Quarter 1986.

The Gross Domestic Product figures used in this bulletin are from Table 5 of ABS, Quarterly Estimates of National Income and Expenditure, Australia, December Quarter 1986.

Year	GDP
1981-82	\$155,331 million
1982-83	\$170,263 million
1983-84	\$192,371 million
1984-85	\$214,513 million

Definitions and Sources

The information in this bulletin has been collected from a wide range of sources, with the ABS and the Commonwealth Department of Health providing most of the raw data.

The "Other Private" column in Tables 2 to 4 includes direct 'out-of-pocket' expenditure by individuals and the health costs of workers' compensation and motor vehicle third party insurance.

The "Other Institutional" category includes expenditure on ambulances, accomodation and travel subsidies and the Red Cross Blood Transfusion Service.

The "Medical Services" category includes expenditure on medical services provided on a 'fee for service' basis, and includes medical services provided to private patients in hospitals. It does not include the cost of salaried medical practitioners or of Visiting Medical Officers at recognised (public) hospitals.

These figures do not include expenditures which are primarily of a welfare nature even if they have a health component. Also excluded are most costs associated with the training of health personnel in universities and colleges of advanced education. However in some cases, for example, hospital based nursing training, the cost of training cannot be separated from the operational costs of health services.

Further details of the sources and the definitions of the health expenditure categories used in this bulletin are contained in Appendices A and B of the AIH publication Australian Health Expenditure 1979-80 to 1981-82.

Further copies of this bulletin can be obtained by writing to the Australian Institute of Health, GPO Box 570, Canberra, ACT 2601, or by telephoning (062)435028.

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PUBLICATIONS OF THE AUSTRALIAN INSTITUTE OF HEALTH

Publications available from the AIH include:-

Australian health expenditure 1979-80 to 1981-82

Information Bulletin No. 1, Preliminary estimates of total health expenditure: 1982-83 to 1984-85.

Information Bulletin No. 2, Australian Health Expenditure: 1982-83 to 1984-85.

Aboriginal health statistics: proceedings of a workshop, April 1986.

Available from Commonwealth Government Bookshops:-

Report to the National Committee on Health and Vital Statistics on outcome data in health (\$2.95 Cat. no. 8605109)

Technologies in health care: policies and politics (\$6.95, Cat. no. 8605110)

Forthcoming publications:-

Australian health expenditure 1982-83 to 1984-85

Australian health statistics: proceedings of a national workshop, February 1985