



AUSTRALIAN INSTITUTE OF HEALTH

INFORMATION BULLETIN NO. 1

This is the first of a series of bulletins that will be produced by the Australian Institute of Health. The series will contain short reports on work being conducted in the Institute, including preliminary estimates of statistical data that may appear later in final form in other series to be published by the Institute.

Preliminary Estimates of Total Health Expenditure 1982-83 to 1984-85

Introduction

The Australian Institute of Health is now responsible for producing estimates of health expenditure formerly provided by the Commonwealth Department of Health. The publication, Australian Health Expenditure 1979-80 to 1981-82, released in March 1986, is the fourth publication in that series and is the first to be published by the Institute. Estimates in these publications were produced by collecting highly disaggregated data which allowed detailed tables to be produced, showing types of services provided and methods of funding them. Many of these expenditure items do not become available until well after the end of the years to which they refer. This partly explains the lag between the time period to which the data relate and the date at which detailed analyses can be published.

The preliminary information in this bulletin is produced by using data published by the Australian Bureau of Statistics in a highly aggregated form, supplemented by the Institute's estimates of some expenditure items. The methods used to derive the estimates are described in the Appendix.

Comment

In current prices total health expenditure (Table 1) increased from \$12 610 million in 1982-83 to \$15 518 million in 1984-85 - an increase of 23 per cent. The rate of growth in expenditure between 1983-84 and 1984-85, 9.8 per cent, was lower than increases in either of the previous two years. Total health expenditure, as a percentage of GDP, was lower in 1984-85 than in either of the preceding two years.

**TABLE 1: Estimates of Total Health Expenditure
1982-83 to 1984-85 (Current Prices)**

	1982-83	1983-84	1984-85
	(\$ million)		
RECURRENT EXPENDITURE (a)			
Commonwealth Government	3 392	4 327	6 045
Other Governments (b)	4 039	4 550	4 944
Private Sector	4 768	4 733	3 890
TOTAL	12 199	13 610	14 879
CAPITAL EXPENDITURE (c)			
Commonwealth Government	28	53	48
Other Governments (b)	233	308	422
Private Sector	150	158	169
TOTAL	411	520	639
TOTAL EXPENDITURE			
Commonwealth Government	3 420	4 380	6 093
Other Governments (b)	4 272	4 858	5 366
Private Sector	4 918	4 891	4 059
TOTAL HEALTH EXPENDITURE	12 610	14 129	15 518
Percentage Increase over Previous Year (c)	11.3	12.0	9.8
TOTAL HEALTH EXPENDITURE			
As per cent of GDP	7.6	7.6	7.5

NOTE:

- (a) See Table A1.
- (b) State and Territory Governments and Local Government Authorities.
- (c) See Table A2.
- (d) Total Health Expenditure in 1981-82 was \$11,332 million, Australian Health Expenditure 1979-80 to 1981-82, p.6.

Totals may not add due to rounding.

One clear trend in expenditure patterns (see Table 2) is the significant shift in the proportion of the health care costs being paid by the Commonwealth Government and by the private sector.

TABLE 2: Proportions of Total Health Expenditure Financed by Sectors 1982-83 to 1984-85

Sector	Percentage		
	1982-83	1983-84	1984-85
Commonwealth Government	27	31	39
Other Governments	34	34	35
Private Sector	39	35	26

Source: Table 1

In 1982-83, the year before the introduction of Medicare, the Commonwealth Government paid 27 per cent of total health care costs. In 1984-85, the first full year of Medicare, it paid 39 per cent of the total. Direct expenditure on health by the public, including payments to and by private insurance organisations, fell from 39 per cent to 26 per cent over the same period. These changes result from a number of factors associated with the Medicare program. Under Medicare, many medical costs formerly paid by individuals or private health insurance funds are now paid by the Commonwealth Government. The Commonwealth also pays compensation to States and Territories for changes in hospital revenues under the Medicare program. Compensation was paid for losses of revenue resulting firstly, from the reduction in charges to private patients in public hospitals, and secondly, from a shift from private treatment to public treatment in those hospitals. These changes have the effect of transferring direct expenditure from individuals to the Commonwealth Government.

SUMMARY

- (i) Total health expenditure rose by 23 per cent from 1982-83 to 1984-85, but the rate of growth slowed in 1984-85.
- (ii) Expenditure on health as a percentage of Gross Domestic Product was constant over 1982-83 and 1983-84, and fell slightly in 1984-85.
- (iii) Expenditure by the Commonwealth Government increased from 27 per cent of total health expenditure in 1982-83 to 39 per cent in 1984-85. Direct and indirect expenditures on health by members of the public declined from 39 per cent to 26 per cent over the same period.

APPENDIX: Derivation of Recurrent and Capital Expenditures on Health

The preliminary estimates of total recurrent expenditure on health have been derived from the sources listed in the footnotes to Table A1. Most of the figures are taken directly from those sources. The Institute has made estimates of several figures, the most significant being the estimate of private final consumption expenditure on health (PFCE). To derive the 1984-85 estimate of PFCE, a rate of growth of 3 per cent was applied to the 1983-84 ABS figure. This low rate of growth reflects the decline in hospital utilisation that has occurred over the last three years and the shift within total utilisation towards public treatment in public hospitals.

A further adjustment was made to all estimates of PFCE. Over the years 1979-80 to 1981-82, the estimates of PFCE implicit in Australian Health Expenditure 1979-80 to 1981-82 were between 1.8 and 2.6 per cent higher than figures contained in ABS sources. Estimates PFCE were therefore increased by a further 2.25 per cent to give comparability with the earlier series.

TABLE A1: Estimate of Total Recurrent Expenditures on Health - Current Prices

Sector	\$ million		
	1982-83	1983-84	1984-85
Commonwealth Government			
Final Consumption Expenditure (a)	780	967	1 084
Plus Subsidies (b)	6	7	7(e)
Personal Benefit Payments (c)	2 299	2 860	3 932
Grants to Non-Profit Orgs (b)	54	59	60(e)
Grants to other governments (b)	253	435	962(d)
Total Commonwealth Government	3 392	4 327	6 045
State and Local Governments			
Final Consumption Expenditure (a)	4 292	4 985	5 906
Less Grants from Commonwealth (b)	253	435	962(d)
Total State and Local Governments	4 039	4 550	4 944
Private Sector			
Final Consumption Expenditure (c)(f)	7 128	7 659	7 889
Less Subsidies (b)	6	7	7(e)
Personal Benefit Payments (a)	2 299	2 860	3 932
Grants from Governments (b)	54	59	60(e)
Total Private Sector	4 768	4 733	3 890
TOTAL (e)	12 199	13 610	14 879

Notes:

- (a) Quarterly Estimates of National Income and Expenditure, September Quarter G985, (5206.0);
- (b) Commonwealth Government Finance, Australia, 1983-84 (5502.0);
- (c) Australian National Accounts, National Income and Expenditure 1983-84 (5204.0);
- (d) Payments to or for the States, the Northern Territory and Local Government Authorities, 1985-86 (Budget Paper No 7);
- (e) Preliminary Estimates by AIH;
- (f) Private Final Consumption Expenditure on Health, as reported by the ABS, was \$6971m and \$7490m in 1982-83 and 1983-84 respectively. The Institute's estimate for 1984-85 was \$7715m. The figures shown in the table were increased by 2.25 per cent.

Totals may not add due to rounding.

**TABLE A2: Estimated Total Capital Expenditure on Health -
Current Prices**

Sector	1982-83	1983-84	1984-85
	(\$ million)		
Commonwealth Government			
Gross Fixed Capital Expenditure (a)	24	49	42
Grants to Private Capital (b)	1	3	3(e)
Grants to other governments (b)	3	2	3(d)
Total Commonwealth Government	28	53	48
State and Local Governments			
Gross Fixed Capital Expenditure (a)	236	310	425
less Grants from Commonwealth (b)	3	2	3(d)
Total State and Local Governments	233	308	422
Private Sector			
Gross Fixed Capital Expenditure	151(f)	161(e)	172(e)
less Grants from Governments (b)	1	3	3(e)
Total Private Sector	150	158	169
All Sectors			
Capital Expenditure	411	520	639

Notes:

- (a) Quarterly Estimates of National Income and Expenditure, 1983-84 (5206.0);
- (b) Commonwealth Government Finance, Australia, 1983-84 (5502.0);
- (c) Australian National Accounts, National Income and Expenditure 1983-84 (5204.0);
- (d) Payments to or for the States, the Northern Territory and Local Government Authorities, 1985-86 (Budget Paper No 7);
- (e) Preliminary Estimates by AIH.

Totals may not add due to rounding.

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