4 Health expenditure and its funding by area of expenditure

4.1 Recurrent expenditure on health goods and services

Recurrent health expenditure in Australia is considered under two broad categories of health 'services' (strictly, health goods and services). They are 'institutional' services and 'non-institutional' services. This follows the format suggested by the World Health Organization (AIH 1985).

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

- hospitals;
- high-level residential aged care (formerly nursing homes);
- ambulance (patient transport) services; and
- other institutional health services (nec).

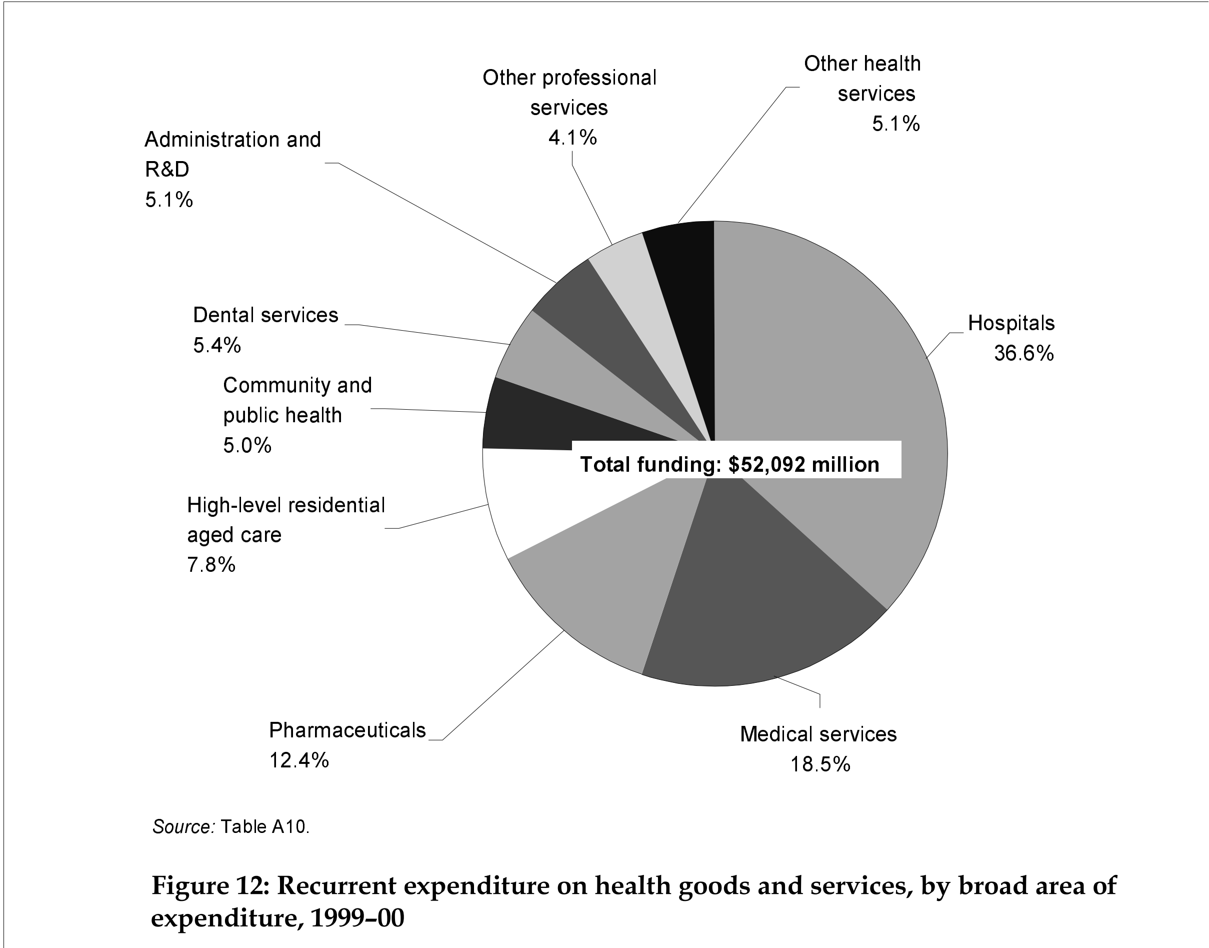
Non-institutional expenditure includes:

- 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 & appliances) provided to patients in the community; and
- health-related expenditures, such as expenditure on health administration and research.

Of the areas of health goods and services that attract recurrent expenditure, hospitals and medical services account for more than half. In 1999–00 hospitals were estimated to have accounted for 36.6% of total recurrent expenditure on health services, and medical services 18.5% (Figure 12).

Within these two categories, however, there is substantial overlap. For example, public hospitals spent $2,209 million on salaried medical officers and visiting medical officers during 1999–00 (AIHW 2001). While these are payments in respect of staff that provide 'medical-type' services, they are included in the gross operating costs of the public hospitals and are counted as expenditure on public hospitals. Also, 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 'medical-type' services provided to public patients in hospitals.

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



Source: Table A10.

Figure 12: Recurrent expenditure on health goods and services, by broad area of expenditure, 1999–00

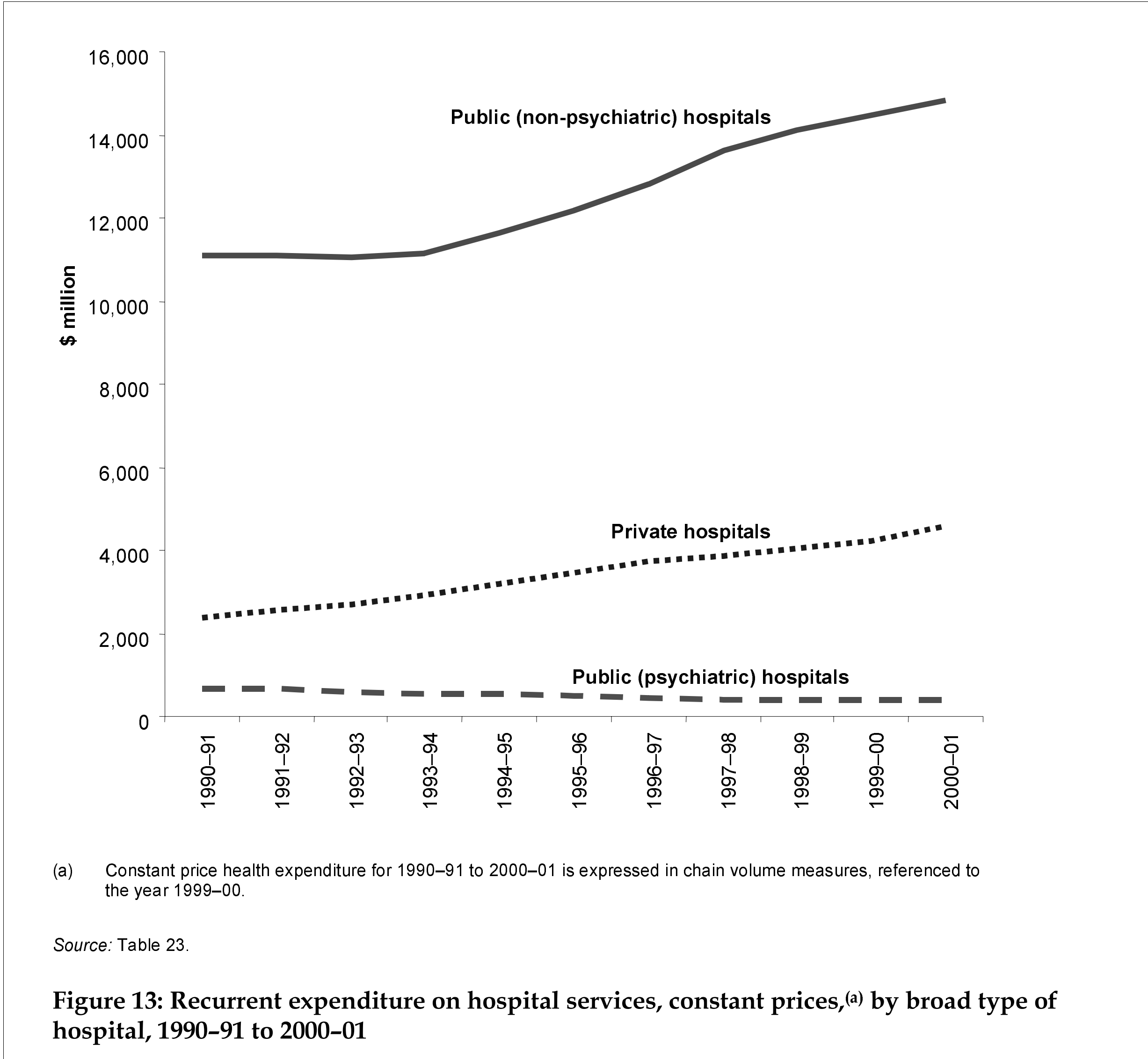
Institutional health services

Hospitals

Expenditure on health goods and services provided by hospitals accounts for more than one-third (36.6%) of all recurrent expenditure on health goods and services in Australia. There are three broad categories of hospitals:

- Public (non-psychiatric) hospitals, which are operated by or on behalf of State and Territory Governments and provide general hospital services to admitted and non-admitted patients.
- Public psychiatric hospitals, which are also operated by or on behalf of the State and Territory Governments, but provide psychiatric care, not general hospital services.
- Private hospitals, which are operated by non-government organisations and most of which provide general hospital services to admitted patients. This category also includes some private psychiatric hospitals.

It should be noted that, while expenditure on both public (non-psychiatric) and private hospitals includes some expenditure related to the provision of psychiatric care, they are not separately reported. Therefore, while all expenditure on public psychiatric hospitals relates to psychiatric care services, it does not capture all expenditure on psychiatric care provided in hospitals. For example, expenditure on designated psychiatric wards in general hospitals is captured as expenditure on either public (non-psychiatric) hospitals or private hospitals.



(a) Constant price health expenditure for 1990–91 to 2000–01 is expressed in chain volume measures, referenced to the year 1999–00.

Source: Table 23.

Figure 13: Recurrent expenditure on hospital services, constant prices,[(a)] by broad type of hospital, 1990–91 to 2000–01

As explained earlier in respect of medical services provided in hospitals, some of the expenditure that is recorded as expenditure on hospitals relates to services that could also fit other health services categories. Other such examples are community and public health activities that are based within public hospitals. The associated expenditure is captured as expenditure on public hospitals, not as community and public health. Similarly, expenditure on medications provided to patients in hospitals is counted as expenditure on hospitals. Expenditure on drug supplies in public

hospitals during 1999–00 was $0.8 billion (AIHW 2001). Expenditure on drugs, medical and surgical supplies in private hospitals was $0.6 billion (ABS 2001b).

Expenditure on both public (non-psychiatric) hospitals and private hospitals grew, in real terms, between 1990–01 and 2000–01 (Table 23 and Figure 13). Annual growth in expenditure on public (non-psychiatric) hospitals averaged 2.9% per year over the period, while expenditure on private hospitals grew at an average of 6.7%. Expenditure on public (psychiatric) hospitals, on the other hand, experienced real decreases in most years. The average annual decrease in expenditure on public (psychiatric) hospitals between 1990–91 and 2000–01 was 4.7%.

Table 23: Recurrent funding of hospitals, constant prices,[(a)] by broad type of hospital, and annual growth rates, 1990–91 to 2000–01

	Public hospitals							
	Public (non-psychiatric)		Public (psychiatric)		Private hospitals		All hospitals	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1990–91	11,111	. .	681	. .	2,390	. .	14,183	. .
1991–92	11,092	–0.2	654	–4.0	2,575	7.7	14,321	1.0
1992–93	11,071	–0.2	579	–11.4	2,716	5.5	14,367	0.3
1993–94	11,158	0.8	551	–4.9	2,900	6.8	14,609	1.7
1994–95	11,621	4.1	533	–3.2	3,212	10.8	15,366	5.2
1995–96	12,187	4.9	495	–7.1	3,462	7.8	16,145	5.1
1996–97	12,815	5.1	438	–11.6	3,736	7.9	16,989	5.2
1997–98	13,631	6.4	398	–9.1	3,846	2.9	17,874	5.2
1998–99	14,114	3.5	406	2.0	4,049	5.3	18,569	3.9
1999–00	14,460	2.5	421	3.8	4,204	3.8	19,085	2.8
2000–01[(b)]	14,854	2.7	421	—	4,539	8.0	19,815	3.8
Average annual growth rates								
1990–91 to 1992–93		–0.2		–7.8		6.6		0.6
1992–93 to 1997–98		4.2		–7.2		7.2		4.5
1997–98 to 2000–01		2.9		1.9		5.7		3.5
1990–91 to 2000–01		2.9		–4.7		6.6		3.4

(a) Constant price health expenditure for 1990–91 to 2000–01 is expressed in chain volume measures, referenced to the year 1999–00.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

Public hospitals

Public (non-psychiatric) hospitals

Funding by the Commonwealth Government accounted for 47.8% of total recurrent expenditure on public (non-psychiatric) hospitals in 1999–00, an increase from 42.8% in 1990–91 (Table 24). Part of the growth in the Commonwealth's share resulted from renegotiation of the cost-sharing arrangements under the different five-year health care funding agreements between the Commonwealth and the State and Territory

Governments. Preliminary estimates for 2000–01 indicate that the Commonwealth's share of funding of public (non-psychiatric) hospitals had risen slightly to 48.1%.

The share of funding of public (non-psychiatric) hospitals met by State and Territory Governments from their own resources in 1999–00 was 44.0%. It had decreased from 46.9% in 1990–91 and was lower than in 1996–97 (the last year of the last Medicare Agreements between the Commonwealth and the States and Territories).

Table 24: Distribution of expenditure on public (non-psychiatric) hospitals, by broad source of funds, 1990–91 to 2000–01 (per cent)

	Government				
Year	Commonwealth	State and local	Total	Non-government	Total
1990–91	42.8	46.9	89.8	10.2	100.0
1991–92	42.7	47.9	90.6	9.4	100.0
1992–93	44.6	46.3	90.9	9.1	100.0
1993–94	49.4	40.5	89.8	10.2	100.0
1994–95	48.6	41.9	90.4	9.6	100.0
1995–96	47.3	43.5	90.8	9.2	100.0
1996–97	45.2	46.0	91.2	8.8	100.0
1997–98	45.2	47.2	92.4	7.6	100.0
1998–99	48.2	45.4	93.6	6.4	100.0
1999–00	47.8	44.0	91.8	8.2	100.0
2000–01[(a)]	48.1	43.4	91.5	8.5	100.0

(a) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

The relative shares of responsibility for financing public hospitals between the Commonwealth Government, on the one hand, and the State and Territory Governments, on the other, are generally set through five-year agreements entered into by the parties. During the course of the first of these agreements (that is, up to 1992–93) both the Commonwealth and the States and Territories maintained their respective shares of the financing burden at around 43% and 47%.

Following renegotiation of the funding arrangements in 1992–93 there was a large rise in the Commonwealth Government's share of funding, from 44.6% to 49.4% in the first year of the new agreements. At the same time State Governments' share of funding fell from 46.3% to 40.5%. This national result masked different outcomes in different States, as some State Governments reduced funding significantly, while others maintained or increased their efforts. The Commonwealth's share then gradually fell over the period of that agreement as it maintained its own funding in real terms while the States and Territories built up their levels of funding.

In the first year of the latest Australian Health Care Agreement period (that is, 1998–99) the Commonwealth Government's share of funding once again increased substantially, from 45.2% to 48.2%. A small part of the increase in the Commonwealth's share came from the effects of its subsidies to private health insurance. Those subsidies effectively transferred some of the responsibility for what

had previously been private expenditure on public hospitals to the Commonwealth. As a result, non-government expenditure on public hospitals (which had fluctuated between 8.8% and 10.2% over the years 1990–91 to 1996–97) fell to 7.6% in 1997–98 and to 6.4% in 1998–99 before rising to 8.2% in 1999–00 and 8.5% in 2000–01.

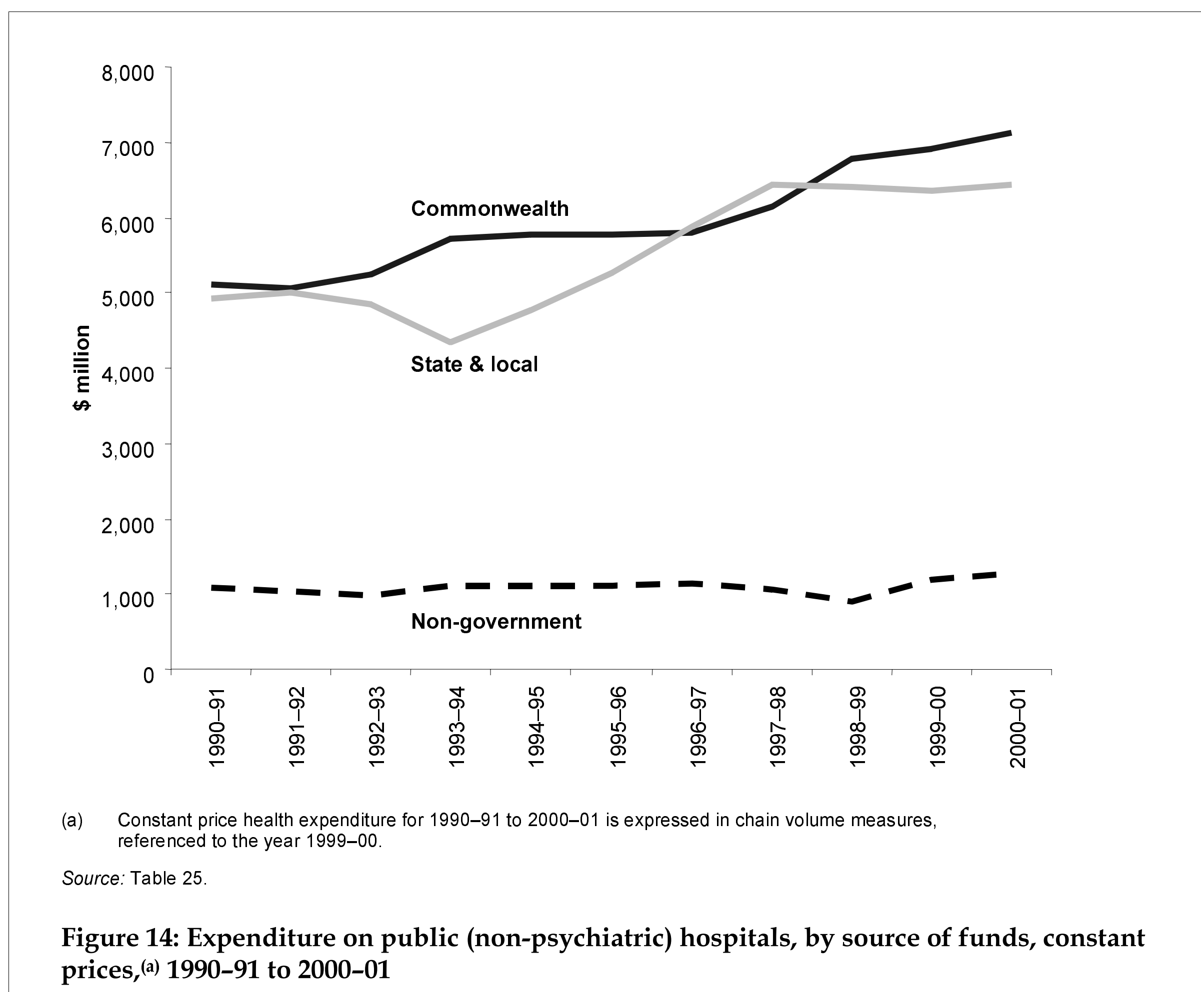
Table 25: Recurrent funding of public (non-psychiatric) hospitals, constant prices,[a] by source of funds, and annual growth rates, 1990–91 to 2000–01

	Government							
	Commonwealth		State and local		Non-government		Total	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1990–91	5,106	. .	4,921	. .	1,084	. .	11,111	. .
1991–92	5,056	–1.0	5,014	1.9	1,021	–5.8	11,092	–0.2
1992–93	5,234	3.5	4,848	–3.3	988	–3.2	11,071	–0.2
1993–94	5,718	9.2	4,334	–10.6	1,106	11.9	11,158	0.8
1994–95	5,766	0.8	4,755	9.7	1,099	–0.6	11,621	4.1
1995–96	5,779	0.2	5,284	11.1	1,124	2.3	12,187	4.9
1996–97	5,797	0.3	5,890	11.5	1,127	0.2	12,815	5.1
1997–98	6,144	6.0	6,437	9.3	1,049	–6.9	13,631	6.4
1998–99	6,789	10.5	6,413	–0.4	912	–13.1	14,114	3.5
1999–00	6,901	1.6	6,359	–0.8	1,200	31.7	14,460	2.5
2000–01[b]	7,125	3.2	6,448	1.4	1,281	6.7	14,854	2.7
Average annual growth rates								
1990–91 to 1992–93		1.2		–0.7		–4.5		–0.2
1992–93 to 1997–98		3.3		5.8		1.2		4.2
1997–98 to 2000–01		5.1		0.1		6.9		2.9
1990–91 to 2000–01		3.4		2.7		1.7		2.9

(a) Constant price health expenditure for 1990–91 to 2000–01 is expressed in chain volume measures, referenced to the year 1999–00.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.



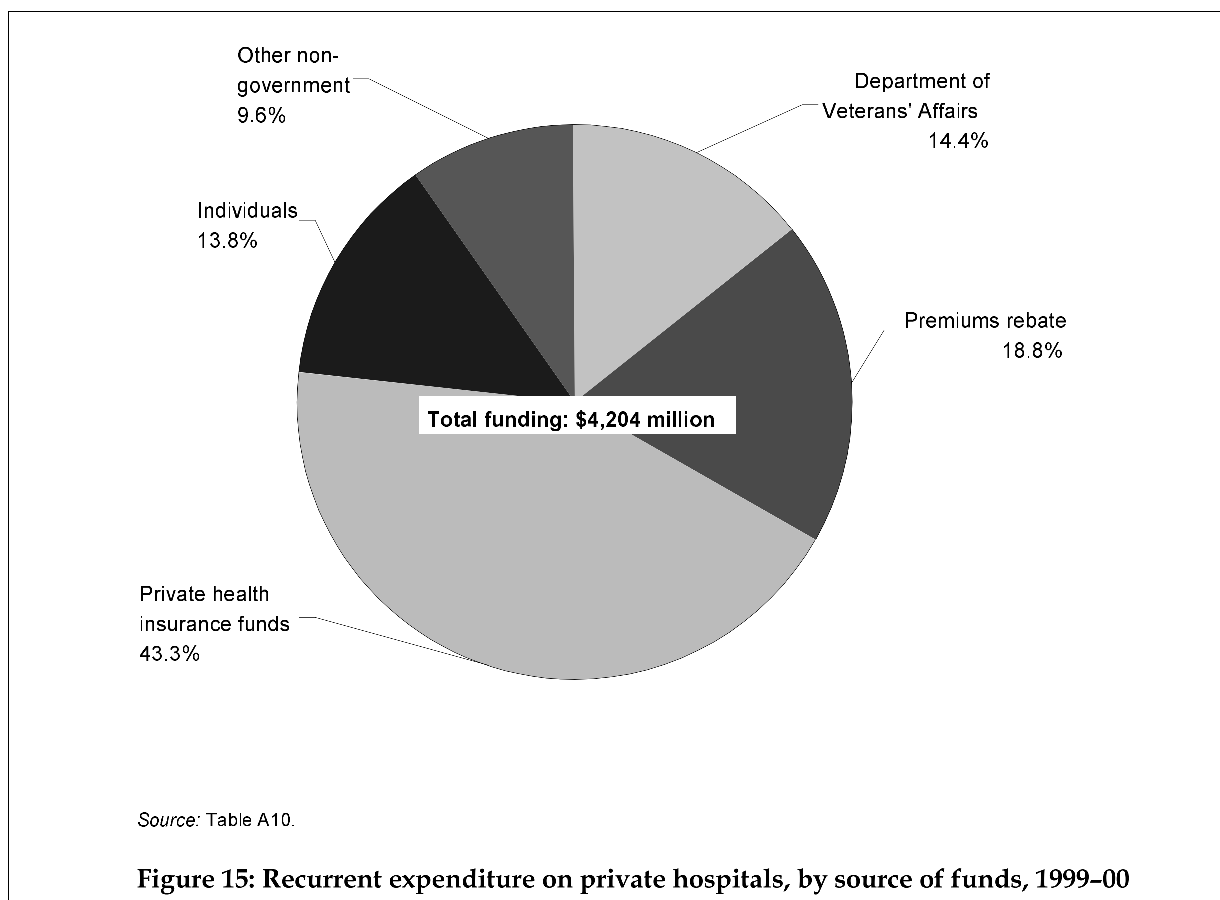
(a) Constant price health expenditure for 1990–91 to 2000–01 is expressed in chain volume measures, referenced to the year 1999–00.

Source: Table 25.

Figure 14: Expenditure on public (non-psychiatric) hospitals, by source of funds, constant prices,[(a)] 1990–91 to 2000–01

Private hospitals

During 1999–00 almost two-thirds (62.1%) of all expenditure on private hospitals was funded through private health insurance funds (Figure 15). Of this, 43.3% was the net benefits paid by private health insurance funds and 18.8% was indirectly financed by the Commonwealth Government through its health insurance subsidies. The remaining 37.9% was funded by a combination of out-of-pocket expenditure by individuals (13.8%), payments by DVA (14.4%) and other non-government sources (9.6%).



Source: Table A10.

Figure 15: Recurrent expenditure on private hospitals, by source of funds, 1999–00

High-level residential aged care services

People receiving residential aged care are categorised according to the level of care that they require and with which they are provided. Each resident is categorised into one of eight care categories on admission and this categorisation is periodically reviewed. Residents requiring and receiving a level of care that falls within one of the four highest levels of care in residential aged care services are regarded as receiving health care services. Therefore, the associated expenditure is expenditure on high-level residential aged care, which is classified as health services expenditure. All residents whose care needs do not fit 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.

Total recurrent expenditure on high-level residential aged care in 1999–00 was $4,069 million. Of this, the Commonwealth Government funded $2,921 million, State and local governments funded $241 million and the non-government sector funded $907 million (Table A10, page 77).

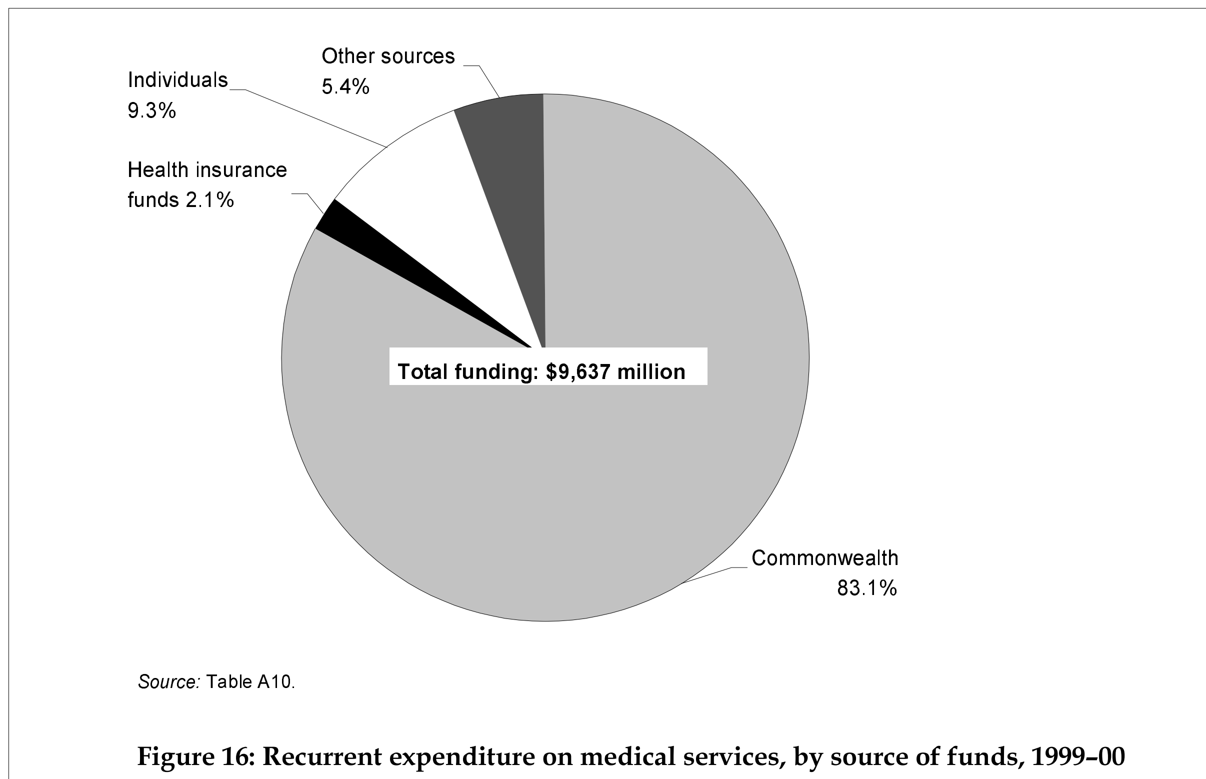
Non-institutional health services

Medical services

Expenditure on medical services does not include the medical care component of hospital care provided to public hospital inpatients. Nor does it include outpatient medical services provided at public hospitals (see discussion of funding for hospitals on page 37).

Over the period from 1990–91 to 1999–00, expenditure on medical services increased, in real terms, at an average of 4.2% per annum (Table 26). After reaching a peak of 6.5% in 1993–94, growth then generally slowed. Between 1998–99 and 1999–00 the rate of growth was 3.4%.

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 $9.6 billion spent on medical services in 1999–00, some 83.1% was funded by the Commonwealth Government (Figure 16). This was made up almost exclusively of medical benefits paid under Medicare, with some funding from DVA for medical services to eligible veterans and their dependants, as well as payments to general practitioners under alternative funding arrangement programs.



Source: Table A10.

Figure 16: Recurrent expenditure on medical services, by source of funds, 1999–00

Because it provides the bulk of the funding for medical services, the Commonwealth Government's expenditure was the main determinant of growth. However, between 1992–93 and 1993–94, while the Commonwealth's rate of growth accelerated, growth

in overall expenditure on medical services was more moderate due to the slow-down in expenditure by individuals.

Between 1991–92 and 1993–94, there was considerable growth in the direct billing rate for medical services[1]. In 1991–92, the rate had been 62.8% of services. That rose to 65.1% in 1992–93 and then to 68.1% in 1993–94.

As Commonwealth government expenditure slowed from 1994–95 to 1996–97, and, to a lesser extent expenditure by health insurance funds also slowed, expenditure by individuals grew more strongly. However, in each of the years between 1997–98 and 1998–99, growth in the Commonwealth Government's expenditure on medical services accelerated, while expenditure by individuals and health insurance funds grew more slowly or even actually reversed. In these years it was the impact of the Commonwealth's subsidy to private health insurance that affected growth in its expenditure. This related to 'in-hospital' medical services claimed through private health insurance. In each of those years the net contribution of private health insurance funds to the funding of medical services actually fell in real terms.

Table 26: Recurrent funding of medical services, constant prices,[(a)] by source of funds, and annual growth rates, 1990–91 to 1999–00

	Commonwealth		Individuals		Health insurance funds		Other non-government		Total	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1990–91	5,312	. .	770	. .	208	. .	360	. .	6,650	. .
1991–92	5,530	4.1	801	4.1	216	4.3	304	–15.4	6,852	3.0
1992–93	5,930	7.2	781	–2.5	226	4.5	324	6.5	7,262	6.0
1993–94	6,405	8.0	767	–1.9	232	2.5	332	2.5	7,736	6.5
1994–95	6,782	5.9	794	3.6	239	3.1	412	23.9	8,227	6.3
1995–96	7,108	4.8	830	4.5	245	2.6	433	5.1	8,616	4.7
1996–97[(b)]	7,199	1.3	878	5.8	246	0.1	470	8.7	8,793	2.1
1997–98[(b)]	7,421	3.1	964	9.8	230	–6.2	474	0.8	9,090	3.4
1998–99[(b)]	7,601	2.4	1,002	3.9	219	–5.0	495	4.4	9,317	2.5
1999–00[(b)]	8,006	5.3	1,005	0.3	206	–5.9	524	5.9	9,741	4.5
Average annual growth rates										
1990–91 to 1992–93		5.7		0.7		4.4		–5.1		4.5
1992–93 to 1997–98		4.6		4.3		0.4		7.9		4.6
1997–98 to 1999–00		3.9		2.1		–5.4		5.2		3.5
1990–91 to 1999–00		4.7		3.0		–0.1		4.3		4.3

(a) Constant price health expenditure for 1990–91 to 1999–00 is expressed in chain volume measures, referenced to the year 1999–00.

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

Source: AIHW health expenditure database.

[1] Department of Health and Ageing, *Medicare Statistics*, Table B8.

Other professional services

Other professional services grew at an average of 4.6% per year between 1990–91 and 1999–00 (Table A11, page 78). Much of this growth occurred in three years—1996–97, 1998–99 and 1999–00. Expenditure on other professional services is largely funded by individual users of services. In those three periods, expenditure grew, in real terms, by 18.5%, 10.7% and 10.4%, respectively.

Community and public health services

Expenditures on 'community health' and 'public health' have been combined because of the considerable definitional difficulties in dividing some expenditures into the separate categories of 'community health services' and 'public health services'. This has been particularly problematic in respect of health services in community facilities that could have either a public health purpose or an individual health purpose (for example, some immunisation, cytology and mammography services).

In 1999–00 expenditure by State and Territory Governments and by local government authorities totalled $1.9 billion out of a total of $2.6 billion spent on community and public health services (Table A10, page 77).

While reliable estimates are not available for earlier years, public health expenditure data for 1999–00 have been collected from each of the jurisdictions using a collection protocol developed through the National public health expenditure project (AIHW 2001b).

Most expenditure on community and public health services is funded by State and Territory Governments and by local government authorities.

Pharmaceuticals and other non-durable health goods

Expenditure recorded in this category includes the cost of drugs and other therapeutic non-durables dispensed to patients within the community, either with or without a prescription by a qualified medical practitioner.

Included in this is expenditure on therapeutic goods of a type that would be sold by pharmacies. These include patent medicines, first aid/wound care products, analgesics, feminine hygiene products, cold sore preparations and a number of complementary health products that are sold in both pharmacies and other retail outlets (for example, supermarkets and health stores). 'Health foods', such as bran or malt, are not included.

Total expenditure on pharmaceuticals increased, in real terms, by 7.3%, to $6,448 million in 1999–00 (Table A11, page 78 and Table A10, page 77). While total expenditure on pharmaceuticals experienced consistent growth between 1990–91 and 1999–00, 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 on the Pharmaceutical Benefits Schedule (PBS) for which benefits were actually paid.

Items that are listed on the PBS but which have a price that is below the statutory patient co-payment are recorded in the all other pharmaceuticals category.

Benefit paid items

Expenditure on benefit paid pharmaceuticals grew, in real terms, at an average of 10.7% per year from 1990–91 to 2000–01 (Table 27). The period of most rapid growth in expenditure on benefit paid pharmaceuticals was from 1997–98 to 2000–01, when it averaged 13.2% per year, greater than the overall rate of growth in health expenditure. Growth in that period was shared between the Commonwealth (14.3%) and individuals (7.5%).

Table 27: Recurrent expenditure on benefit paid pharmaceuticals, constant prices,[(a)] by source of funds, and annual growth rates, 1990–91 to 2000–01

	Commonwealth		Individuals		Total	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1990–91	1,509	. .	271	. .	1,780	. .
1991–92	1,526	1.1	356	31.5	1,882	5.8
1992–93	1,812	18.7	406	14.0	2,218	17.8
1993–94	2,122	17.1	444	9.4	2,566	15.7
1994–95	2,325	9.6	514	15.7	2,839	10.6
1995–96	2,741	17.9	541	5.1	3,281	15.6
1996–97	2,781	1.5	561	3.8	3,342	1.9
1997–98	2,803	0.8	598	6.5	3,400	1.7
1998–99	3,092	10.3	603	0.8	3,695	8.7
1999–00	3,523	13.9	652	8.2	4,175	13.0
2000–01[(b)]	4,186	18.8	743	14.0	4,929	18.1
Average annual growth rates						
1990–91 to 1992–93		9.6		22.5		11.6
1992–93 to 1997–98		9.1		8.0		8.9
1997–98 to 2000–01		14.3		7.5		13.2
1990–91 to 2000–01		10.7		10.6		10.7

(a) Constant price health expenditure for 1990–91 to 2000–01 is expressed in chain volume measures, referenced to the year 1999–00.

(b) Based on preliminary AIHW estimates.

Source: AIHW health expenditure database.

All other pharmaceuticals

Expenditure on all other pharmaceutical items includes expenditure on over-the-counter medicines and other non-durable therapeutics as well as prescribed medications for which no benefits are paid under the PBS.

Expenditure on other pharmaceutical items grew, in real terms, by an average of 3.8% between 1990–91 and 2000–01 (Table 28). Growth in this, to some extent, mirrors that for benefit paid items. This is largely due to the effect of the PBS patient co-payment threshold and the increased availability of cheaper alternatives to items on the PBS that would have attracted pharmaceutical benefits. The expenditure by the Commonwealth from 1997–98 reflects the Private Health Insurance Rebates.

The major sources of funding for other pharmaceutical items are individuals' out-of-pocket expenditure and ancillary tables provided by private health insurance funds.

Table 28: Recurrent funding of other pharmaceuticals, constant prices,[(a)] by source of funds, and annual growth rates, 1990–91 to 2000–01

	Commonwealth		State and local governments		Health insurance funds		Individuals and other non-govt		Total	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1990–91	1	. .	2	. .	49	. .	1,539	. .	1,591	. .
1991–92	—	. .	—	. .	44	–11.1	1,661	7.9	1,704	7.1
1992–93	—	. .	—	. .	46	5.7	1,618	–2.6	1,664	–2.3
1993–94	—	. .	—	. .	48	5.2	1,652	2.1	1,700	2.1
1994–95	—	. .	2	. .	46	–4.3	1,847	11.8	1,895	11.4
1995–96	—	. .	12	666.8	48	2.5	1,759	–4.8	1,818	–4.0
1996–97	—	. .	11	–4.7	46	–3.5	1,853	5.4	1,910	5.1
1997–98	2	. .	16	44.6	35	–24.3	2,166	16.9	2,219	16.2
1998–99	6	198.0	—	. .	30	–12.7	2,278	5.1	2,314	4.3
1999–00	12	99.3	—	. .	32	4.9	2,229	–2.1	2,273	–1.8
2000–01[(b)]	14	18.2	—	. .	35	10.8	2,264	1.5	2,313	1.8
Average annual growth rates										
1990–91 to 1992–93		. .		. .		–3.1		2.5		2.3
1992–93 to 1997–98		. .		. .		–5.5		6.0		5.9
1997–98 to 2000–01		91.5		. .		0.5		1.5		1.4
1990–91 to 2000–01		38.6		. .		–3.2		3.9		3.8

(a) Constant price health expenditure for 1990–91 to 2000–01 is expressed in chain volume measures, referenced to the year 1999–00.
(b) Based on preliminary AIHW estimates.
Source: AIHW health expenditure database.

Aids and appliances

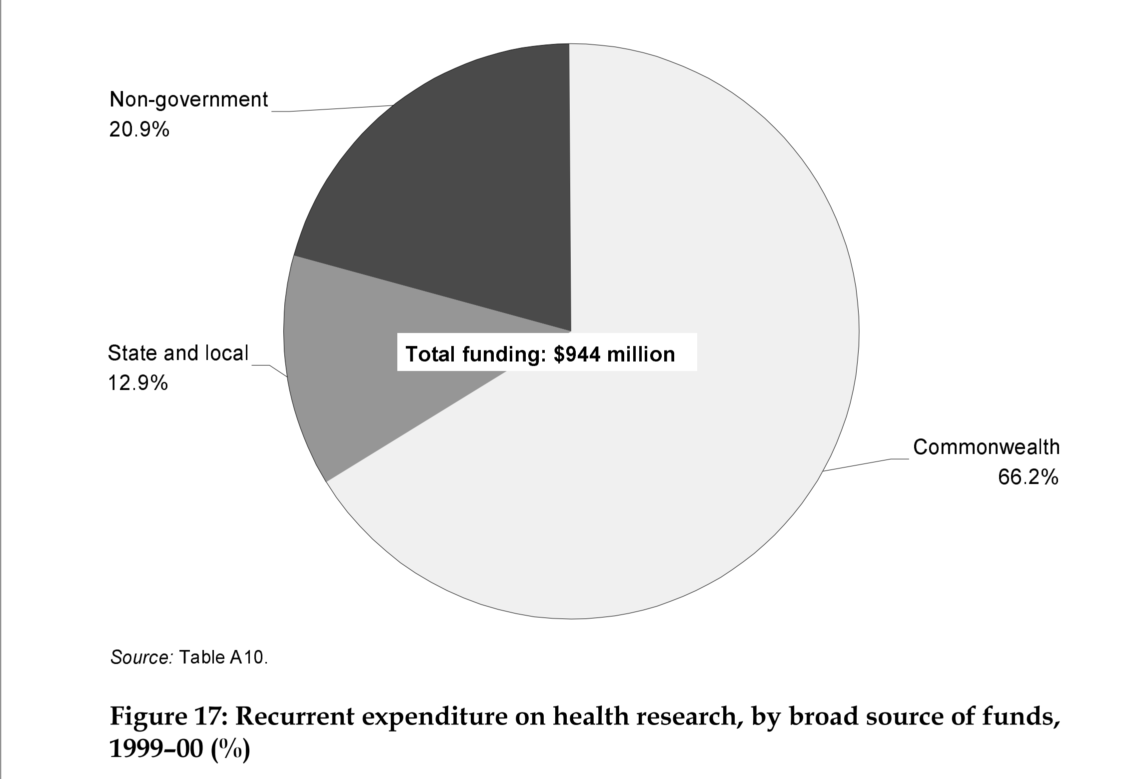
Expenditure on aids and appliances comprises a wide range of medical durable goods such as glasses, hearing aids and other medical devices. This item grew by 15.0%, to $1,507 million, in 1999–00 (Table A10, page 77) and grew by 7.8% in real terms over the period 1990–91 to 1999–00 (Table A11, page 78). Revisions to ABS Household Final Consumption Expenditure for medicines, aids and appliances resulted in substantial upward revisions to this series (see Chapter 6 'Technical notes').

Research

Expenditure on research includes research undertaken at tertiary institutions, in private non-profit organisations and in government facilities. It does not include commercially oriented research undertaken or commissioned by private business. The costs associated with private business research are assumed to have been included in the prices charged for the goods and services such as pharmaceuticals supported by that research.

Total expenditure on health research in 1999–00 was $944 million (Table A10, page 77). Estimated expenditure grew, in real terms, at an average of 6.4% per year between 1990–91 and 2000–01 (Table 29).

Most of this (66.2%) was funded by the Commonwealth (Figure 17). State and local governments provided 12.9% of funding for research and a further 20.9% was provided by non-government sources.



Source: Table A10.

Figure 17: Recurrent expenditure on health research, by broad source of funds, 1999–00 (%)

Table 29: Recurrent funding for health research, constant prices,[(a)] and annual growth rates, by broad source of funds, 1990–91 to 2000–01

	Government							
	Commonwealth		State and local		Non-government		Total	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1990–91	338	. .	119	. .	64	. .	521	. .
1991–92	359	6.1	116	–2.5	63	–0.8	538	3.3
1992–93	410	14.4	42	–63.6	86	35.5	538	—
1993–94	435	6.1	66	56.2	98	14.9	600	11.4
1994–95	445	2.2	104	57.6	111	12.8	660	10.0
1995–96	487	9.5	93	–10.7	120	7.8	700	6.0
1996–97	496	1.9	110	17.8	127	6.4	733	4.8
1997–98	452	–8.9	101	–7.6	137	7.5	690	–5.8
1998–99	530	17.2	96	–4.9	126	–7.7	753	9.0
1999–00	625	17.9	122	26.5	197	56.2	944	25.4
2000–01[(b)]	665	6.4	128	4.9	180	–8.6	973	3.1
Average annual growth rates								
1990–91 to 1992–93		10.2		–40.4		15.9		1.7
1992–93 to 1997–98		2.0		19.1		9.8		5.1
1997–98 to 2000–01		13.7		8.0		9.6		12.1
1990–91 to 2000–01		7.0		0.7		11.0		6.4

(a) Constant price health expenditure for 1990–91 to 2000–01 is expressed in chain volume measures, referenced to the year 1999–00.

(b) Based on preliminary AIHW and ABS estimates.

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 fifty years is not uncommon for buildings), capital expenditure fluctuates greatly from year to year (Table 30 and Figure 18). It is, therefore, meaningless to look at average growth rates over a relatively short period like ten years. In 1999–00 capital expenditure on health facilities and investments, in real terms, was $2,643 million, 4.7% of total health expenditure.

Commonwealth 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 Commonwealth funding of capital were somewhat distorted by the negative outlays that resulted from the disposal of the Repatriation General Hospitals.

State and local governments, on the other hand, spend a lot of their resources on 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 that 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 half of all capital outlays in any year. This is largely the result of investment in private hospitals and residential aged care facilities.

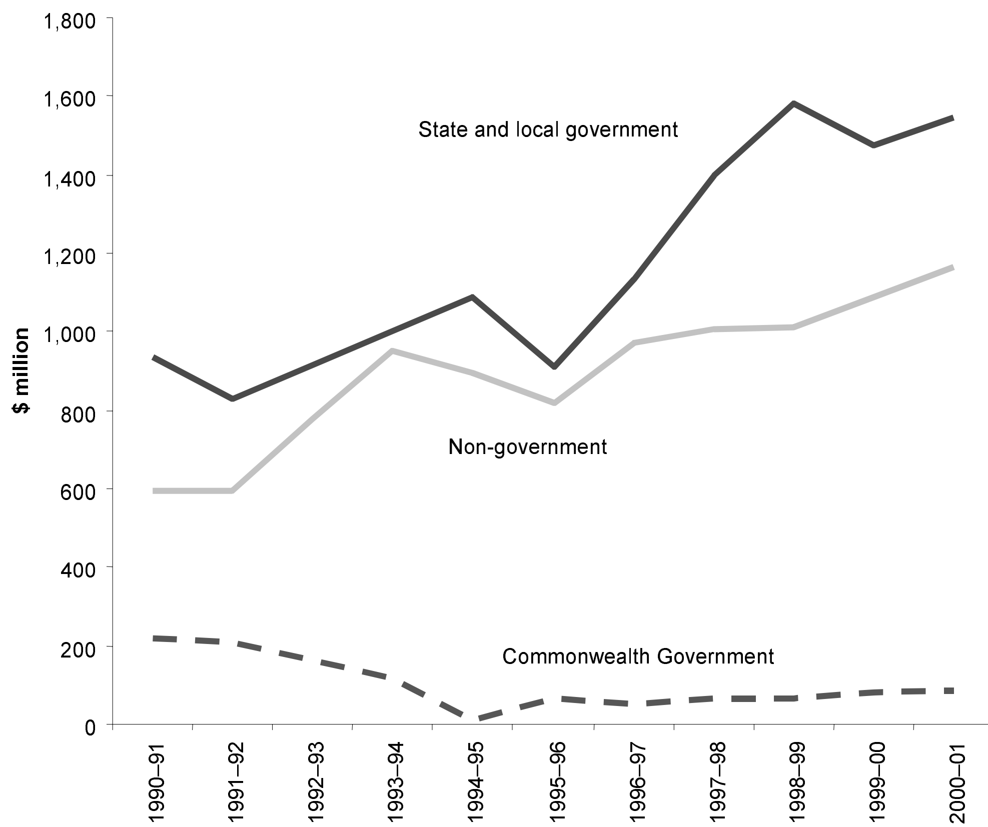
Table 30: Outlays on capital, constant prices,[a] by source of funds, 1990–91 to 2000–01 ($ million)

Year	Commonwealth	State and local	Non-government	Total
1990–91	219	938	597	1,754
1991–92	210	830	595	1,635
1992–93	163	916	777	1,856
1993–94	114	1,003	953	2,070
1994–95	9	1,089	894	1,993
1995–96	67	908	821	1,795
1996–97	52	1,132	972	2,156
1997–98	65	1,397	1,006	2,468
1998–99	68	1,580	1,014	2,662
1999–00	79	1,476	1,087	2,643
2000–01[b]	87	1,545	1,166	2,798

(a) Constant price health expenditure for 1990–91 to 2000–01 is expressed in chain volume measures, referenced to the year 1999–00.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.



(a) Constant price health expenditure for 1990–91 to 2000–01 is expressed in chain volume measures, referenced to the year 1999–00.

Source: Table 30.

Figure 18: Outlays of capital, constant prices,[(a)] by broad source of funds, 1990–91 to 2000–01

4.3 Capital consumption by governments

Estimated capital consumption (depreciation) by governments was $997 million in 2000–01. This was up from $934 million in 1999–00 (Table 31).

Table 31: Estimated capital consumption by governments, current and constant[(a)] prices and annual growth rates, 1990–91 to 2000–01

	Current prices	Constant prices	
Year	$ million		Real growth (%)
1990–91	521	631	. .
1991–92	497	574	–8.9
1992–93	508	574	–0.1
1993–94	523	583	1.7
1994–95	529	582	–0.2
1995–96	571	570	–2.1
1996–97	531	533	–6.4
1997–98	579	578	8.3
1998–99	853	846	46.6
1999–00	934	934	7.4
2000–01[(b)]	997	973	7.1

(a) Constant price health expenditure for 1990–91 to 2000–01 is expressed in chain volume measures, referenced to the year 1999–00.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.