



# Health expenditure

Information Bulletin No 5

September 1990

## Australian hospital expenditure and utilisation 1982-83 to 1988-89

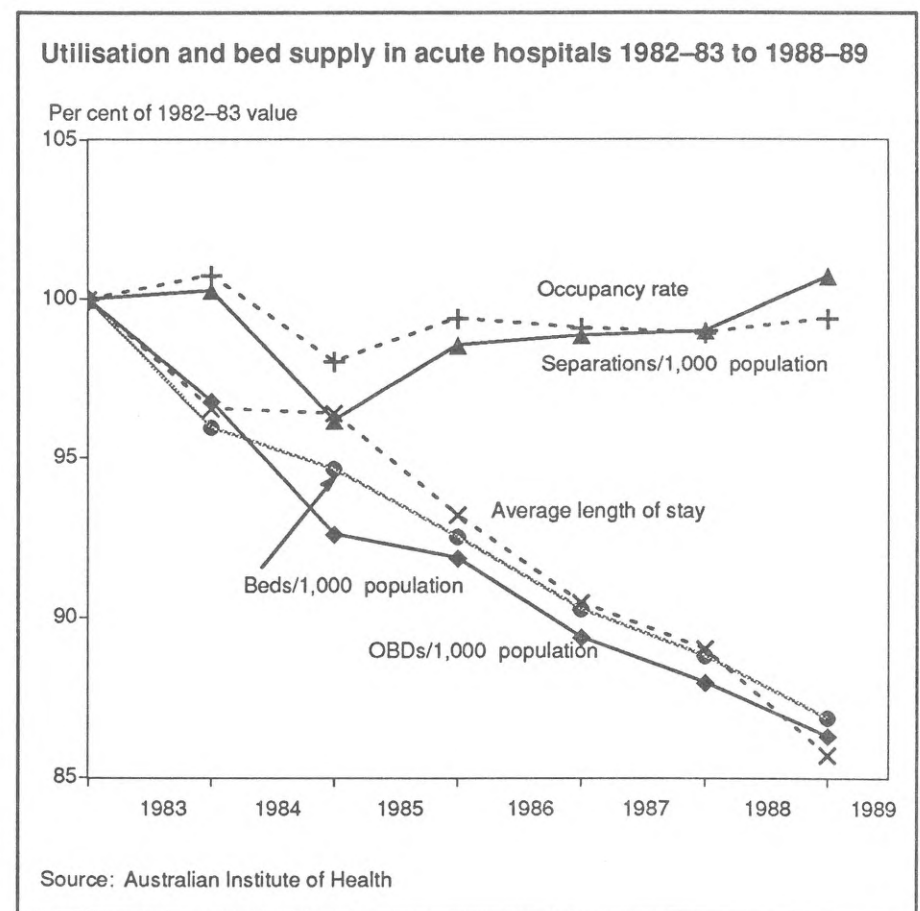
This bulletin surveys utilisation of public and private hospitals in Australia from 1982-83 to 1988-89 and expenditure of these hospitals from 1982-83 to 1987-88.

During the period studied there was a major change in financing arrangements for hospitals with the introduction of Medicare in February 1984.

Under Medicare, all Australian residents are entitled to free hospitalisation and medical treatment as public patients in public hospitals. Alternatively, they may opt to be private patients with the right to choose the doctor who treats them. As private patients they are charged for the hospital services they receive but can cover themselves for most of the costs of these services by taking out private health insurance.

If a private patient chooses a private hospital rather than a public hospital the bed-day charges are higher. This is because a private patient in a public hospital is effectively subsidised by the State health authorities.

Private patients are also charged by medical practitioners attending them in hospital. Medical fees are partially covered by Medicare and private health insurance may be purchased to cover the difference between the Medicare benefit and the Medicare 'schedule fee' set by



the government for a given medical service. Charges exceeding the schedule fee may not be recovered from health insurance.

Further copies of the *Health expenditure information bulletin* are available free of charge from the Publications Section,

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Any questions relating to information contained in the bulletin should be directed to John Goss on (06)2435028.

## Beds in acute care Australian hospitals

The number of beds available in acute care hospitals has been declining since 1980. From 1982-83 to 1988-89, there was a total reduction of 5.2 per cent in available acute care hospital beds, at an annual average rate of 0.9 per cent (Table 1).

However, the trends were quite different for public and private hospitals. Acute care beds available in public hospitals fell 9.2 per cent in the period; in contrast, the number increased by 9.6 per cent in the private sector.

These data must be treated with care, particularly those for more recent years, as there is no longer any formal procedure for bed approval under the Health Insurance Act.

Hospitals differ in the methods they use in counting beds. It is not always clear what should be counted as a bed. For instance, the beds used in day surgery are sometimes counted and sometimes not.

**Table 1: Number of beds in acute hospitals 1982-83 to 1988-89**

Year	Recognised(a) public hospitals	Repatriation hospitals(b)	Total public hospitals	Private hospitals	Total acute hospitals
			<b>(Number)</b>		
1982-83	71,538	2,691	74,229	20,132	94,361
1983-84	68,339	2,715	71,054	20,600	91,654
1984-85	68,213	2,604	70,817	20,724	91,541
1985-86	67,289	2,450	69,739	21,049	90,788
1986-87	66,159	(c)2,345	68,504	21,427	89,931
1987-88	65,793	2,359	68,152	21,657	89,809
1988-89	65,013	2,359	67,372	22,067	89,439
			<b>(Per cent)</b>		
<i>Average annual growth rate</i>					
1982-83 to 1984-85	-2.4	-1.6	-2.3	1.5	-1.5
1984-85 to 1988-89	-1.2	-2.4	-1.2	1.6	-0.6
1982-83 to 1988-89	-1.6	-2.2	-1.6	1.5	-0.9

(a) The estimated number of beds in a year is the average of the number of approved beds at 30 June of that year and the number at 30 June of the preceding year. Some institutions funded under the hospital cost-sharing arrangements (eg. nursing posts) were not recognised as hospitals between 1 September 1981 and 31 January 1984. The estimated number of beds during that period therefore is therefore understated.

(b) *Commonwealth Department of Health Annual Reports* included numbers of beds in repatriation hospitals in public hospital figures from 1982-83 to 1985-86, hence the apparent discrepancies between these figures and *Annual Report* figures.

(c) 1986-87 figures for repatriation hospitals in South Australia, Western Australia and Tasmania are not available and are estimated by interpolation between 1985-86 (*Hospital utilisation and costs study, Volume 2*) and 1987-88 (unpublished Department of Veterans' Affairs) figures.

Sources: Recognised public and private hospitals:

1982-83 to 1985-86: *Commonwealth Department of Health Annual Report 1985-86*. AGPS, Canberra: Table 11: 113.

1986-87: *Commonwealth Department of Health: Health statistical supplement 1986-87*. AGPS, Canberra: Table 10: 9.

1987-88 and 1988-89: *Department of Community Services and Health Annual Report 1988-89*. AGPS, Canberra: Table 79: 46.

Repatriation hospitals:

Both general and auxiliary hospitals included in the data

1982-83 to 1984-85: unpublished data, Department of Veterans' Affairs, Canberra.

1985-86: Department of Veterans' Affairs (quoted in Mathers C, Harvey R (1988) *Hospital utilisation and costs study, Volume 2*. AGPS for the Australian Institute of Health, Canberra :65).

1986-87: figures for NSW, Victoria and Queensland: unpublished data, Department of Veterans' Affairs.

1987-88 to 1988-89: unpublished data, Department of Veterans' Affairs.

**Table 2: Number of acute hospital beds per 1,000 population, 1982-83 to 1988-89**

Year	Recognised public hospitals	Repatriation hospitals	Total public hospitals	Private hospitals	Total acute hospitals
			<b>(Number per 1,000 population)</b>		
1982-83	4.68	0.18	4.85	1.32	6.17
1983-84	4.41	0.18	4.59	1.33	5.92
1984-85	4.35	0.17	4.52	1.32	5.84
1985-86	4.23	0.15	4.39	1.32	5.71
1986-87	4.10	0.15	4.24	1.33	5.57
1987-88	4.01	0.14	4.16	1.32	5.48
1988-89	3.90	0.14	4.04	1.32	5.36
			<b>(Per cent)</b>		
<i>Average annual growth rate</i>					
1982-83 to 1984-85	-3.6	-2.9	-3.5	0.2	-2.7
1984-85 to 1988-89	-2.7	-3.9	-2.7	0.03	-2.1
1982-83 to 1988-89	-3.0	-3.6	-3.0	0.1	-2.3

Sources: Mean resident population:

1982-83: ABS (March quarter 1989) *Australian Demographic Statistics*. Cat no 3101.0.

1983-84 to 1988-89: ABS (June quarter 1989) *Australian Demographic Statistics*. Cat no 3101.0.

Number of beds: see Table 1.

### Occupied bed-days (OBDs) in acute care hospitals

The number of days beds in a hospital are occupied by patients is one measure of the use of hospital services (Table 3). (Definitions of acute hospitals vary from country to country. Therefore care should be taken in directly comparing Australian figures with other countries. For example, 9 per cent of Australian recognised public hospital bed-days are for non-acute nursing home type patients.) In common with a number of other Western countries, the number of occupied bed-days has declined in Australian hospitals in recent years.

The number of occupied bed-days in acute care hospitals fell by 5.9 per cent from 1982-83 to 1988-89, an annual average decline of 1.0 per cent (Table 3). These figures slightly exceed the corresponding decline in beds.

The private hospital share of occupied bed-days rose slightly from 21.2 per cent in 1982-83 to 21.9 per cent in 1985-86, and then fell slightly to 20.9 per cent in 1988-89. Overall, the private hospital share of total occupied bed-days was relatively steady (Table 3).

The number of acute care hospital, occupied bed-days per head of population declined 13.7 per cent, an annual average decline of 2.4 per cent. The annual average decline for private hospitals was 2.7 per cent, and for recognised public hospitals, 2.4 per cent (Table 4).

Recognised public hospitals showed a continual decline in occupied bed-days per head of population in the period 1982-83 to 1988-89, whereas the pattern for change in private hospitals is variable.

**Table 3: Occupied bed-days in acute hospitals, 1982-83 to 1988-89**

Year	Recognised public hospitals	Repatriation hospitals	Total public hospitals	Private hospitals(a)	Total acute hospitals
			('000)		
1982-83	17,124.6	816.4	17,941.0	4,839.2	22,780.2
1983-84	16,755.4	836.1	17,591.5	4,740.8	22,332.3
1984-85	16,305.9	807.1	17,113.0	4,525.4	21,638.5
1985-86	16,221.8	773.0	16,994.8	4,766.2	21,761.0
1986-87	16,007.1	718.7	16,725.8	4,778.0	21,503.8
1987-88	16,248.3	730.8	16,979.1	4,531.0	21,510.1
1988-89	16,144.0	804.4	16,948.4	4,488.0	21,436.4
			(Per cent)		
Average annual growth rate					
1982-83 to 1984-85	-2.4	-0.6	-2.3	-3.3	-2.5
1984-85 to 1988-89	-0.2	-0.1	-0.2	-0.2	-0.2
1982-83 to 1988-89	-1.0	-0.2	-0.9	-1.2	-1.0

(a) See Appendix A for details of the estimation

Sources: Recognised public hospitals:

1982-83 to 1983-84: Commonwealth Department of Health, unpublished data.

1984-85 to 1988-89: State and Territory Health Authorities, unpublished data.

Repatriation hospitals data:

Repatriation Commission Annual Reports.

Private hospitals:

1982-83 to 1983-84 eligible patients: Commonwealth Department of Health.

1984-85 eligible and non-eligible patients: Commonwealth Department of Health, unpublished data.

1985-86: *Hospital utilisation and costs study, Volume 2* (1988) Table 5.1: 87.

1986-87 to 1988-89: Department of Community Services and Health (May 1988) *Private hospital survey No. 1*; Department of Community Services and Health (February 1989) *Private hospital survey No. 3, 1 January - 30 June 1988*; and Department of Community Services and Health (February 1990) *Private hospital survey No. 5, 1 January - 30 June 1989*.

**Table 4: Occupied bed-days in acute hospitals per 1,000 population, 1982-83 to 1988-89**

Year	Recognised public hospitals	Repatriation hospitals	Total public hospitals	Private hospitals	Total acute hospitals
			(Number per 1,000 population)		
1982-83	1,120	53	1,173	316	1,490
1983-84	1,082	54	1,136	306	1,442
1984-85	1,040	51	1,091	289	1,380
1985-86	1,020	49	1,069	300	1,369
1986-87	992	45	1,036	296	1,332
1987-88	991	45	1,035	276	1,311
1988-89	968	48	1,016	269	1,286
			(Per cent)		
Average annual growth rate					
1982-83 to 1984-85	-3.6	-1.8	-3.6	-4.5	-3.8
1984-85 to 1988-89	-1.8	-1.6	-1.8	-1.7	-1.8
1982-83 to 1988-89	-2.4	-1.7	-2.4	-2.7	-2.4

Sources: Occupied bed-days (OBDs): see Table 3.  
Population: see Table 2.

## Occupancy rates

Occupancy rates are a simple ratio of actual occupied bed-days to the available bed-days in a hospital in a year. Thus, figures in Table 5 are calculated from the figures in Table 1 and Table 3.

From 1982-83 to 1988-89, total occupancy rates changed slightly from 66.1 per cent to 65.7 per cent (Table 5). However, trends in occupancy rates in public and private hospitals were markedly different.

The recognised public hospitals occupancy rate increased somewhat from 65.6 per cent in 1982-83 to 68.0 per cent in 1988-89. In contrast, the private hospitals occupancy rate fell dramatically from 65.9 per cent to 55.7 per cent in the same period (Table 5).

These divergent trends are not due to differences in the usage of hospitals, but to changes in the numbers of beds in public and private hospitals. If private hospitals had closed their beds at the same

rate as the recognised public hospitals (Table 1), their occupancy rates would have increased from 65.9 per cent in 1982-83 to 67.2 per cent in 1988-89. In fact, private hospitals opened 1935 beds in the period, and it was this that severely reduced their occupancy rates.

Since, as was discussed earlier, the number of beds in a hospital is reported differently, its occupancy rate must be interpreted with care. A fall in occupancy rates can occur concurrently with an increase in the number of patients treated (compare Tables 5 & 6), and is not a measure of how efficiently the resources of a hospital are being used. Some hospitals effectively close down many services at weekends to avoid paying staff penalty rates. This reduces the occupancy rate, but may be the most efficient way to function for a hospital providing non-urgent services.

**Table 5: Occupancy rates in acute hospitals 1982-83 to 1988-89**

Year	Recognised public hospitals	Repatriation hospitals	Total public hospitals	Private hospitals	Total acute hospitals
			(Per cent)		
1982-83	65.6	83.1	66.2	65.9	66.1
1983-84	67.0	84.1	67.6	62.9	66.6
1984-85	65.5	84.9	66.2	59.8	64.8
1985-86	66.0	86.4	66.8	62.0	65.7
1986-87	66.3	84.0	66.9	61.1	65.5
1987-88	67.5	84.6	68.1	57.2	65.4
1988-89	68.0	93.4	68.9	55.7	65.7
<i>Average annual growth rate</i>			(Per cent)		
1982-83 to 1984-85	-0.1	1.1	0.0	-4.7	-1.0
1984-85 to 1988-89	1.0	2.4	1.0	-1.8	0.3
1982-83 to 1988-89	0.6	2.0	0.7	-2.7	-0.1

Note: Occupancy rate is calculated from Tables 1 and 3 from the formula:

$$\text{Occupancy rate} = \frac{\text{OBDs} \times 100}{\text{No. beds} \times 365}$$

(366 is used for leap years 1983-84 and 1987-88)

Source: Number of beds: see Table 1.

Occupied bed-days: see Table 3.

## Number of patients treated in acute care hospitals

Hospitals provide services to patients who are admitted to hospitals (inpatients) and to those who attend outpatient clinics and use emergency and casualty services (non-inpatients).

The proportion of public hospital resources used for non-inpatient services is not known with accuracy (Australian Institute of Health (1988; 1989).

The average proportion of public hospital resources used for non-inpatient services is estimated at between 20 to 35 per cent of the total costs. It is, therefore, an important component of what a public hospital does.

Unfortunately, the data on non-inpatient services are inconsistent, so a series for the years 1982-83 to 1988-89 cannot be provided. The data that are available indicate that in recent years there has been a significant growth in the number of non-inpatient services provided by public hospitals. Non-inpatient services rose from 37.7 million in 1985-86 to 43.8 million in 1987-88. This annual average growth of

7.7 per cent is much higher than the growth in inpatient services.

Private hospitals provide very few non-inpatient services, so this difference between private and public hospitals must be considered when comparing the two systems.

The utilisation data in this *Information bulletin* relate to services provided to inpatients. The number of inpatients treated in a hospital is traditionally measured by the number of people who 'separate' from the hospital in a year. That is, the number of people who leave a hospital either because their treatment at that hospital is finished, or because of death.

Between 1982-83 and 1988-89 there was an increase in the number of patients separating from hospitals. Overall separations increased by 9.8 per cent or an annual average rate of 1.6 per cent (Table 6). Separations in recognised public hospitals increased at an annual average rate of 1.1 per cent

from 1982–83 to 1988–89, and in private hospitals, at an annual average rate of 2.8 per cent.

Separations from recognised public hospitals were lower in 1984–85 than in 1982–83 and 1983–84, but rose each year until 1988–89, showing a total growth of 6.9 per cent from 1982–83 to 1988–89 (Table 6). The fall in 1984–85 was largely due to the NSW doctors' dispute. In NSW separations fell by 100,000 in 1984–85 compared with 1983–84.

From 1982–83 to 1988–89, private hospital separations grew consistently by a total of 18.2 per cent and the share of total inpatients treated in private hospitals rose from 23.1 per cent in 1982–83

to 24.8 per cent in 1988–89.

From 1982–83 to 1988–89, separations per head of population fell for recognised public hospitals by 2.0 per cent, an annual average decline of 0.3 per cent (Table 7).

Private hospital separations per head of population increased by an annual average 1.4 per cent.

Acute hospital separations per head of population fell by 4.1 per cent in 1984–85 (largely due to the NSW doctor's dispute), but then rose by 4.7 per cent between 1984–85 and 1988–89, showing overall no significant change (Table 7).

**Table 6: Separations in acute hospitals, 1982–83 to 1988–89**

Year	Recognised public hospitals	Repatriation hospitals	Total public hospitals	Private hospitals	Total acute hospitals
			('000)		
1982–83	2,463.0	65.6	2,528.5	757.5	3,286.1
1983–84	2,473.7	68.1	2,541.8	794.9	3,336.7
1984–85	2,362.7	66.2	2,428.9	812.3	3,241.2
1985–86	2,430.4	64.6	2,494.9	872.2	3,367.1
1986–87	2,478.3	62.1	2,540.4	888.1	3,428.5
1987–88	2,544.0	73.9	2,617.9	871.1	3,489.0
1988–89	2,632.2	81.8	2,714.0	895.6	3,609.6
			(Per cent)		
Average annual growth rate					
1982–83 to 1984–85	-2.1	0.5	-2.0	3.6	-0.7
1984–85 to 1988–89	2.7	5.4	2.8	2.5	2.7
1982–83 to 1988–89	1.1	3.8	1.2	2.8	1.6

Sources: Recognised public hospitals:

State health authorities annual reports.

Commonwealth and States health authorities.

*Hospital utilisation and costs study, Volume 2* (1988).

For 1988–89 admissions data is used. For previous years it is separations data.

Repatriation hospitals:

1982–83 to 1985–86: Repatriation Commission Annual Reports.

1986–87 to 1988–89: Repatriation and Department of Veterans' Affairs Annual Reports.

Private hospitals:

1982–83 to 1983–84: estimated from Department of Health unpublished data. (See Appendix B)

1984–85 to 1985–86: Department of Health unpublished data.

1986–87 to 1988–89 estimated from the formula :

Separations = OBDs/ALOS

Occupied bed-days: see Table 3.

Average length of stay (ALOS) figures: see Table 8.

**Table 7: Separations in acute hospitals per 1,000 population, 1982–83 to 1988–89**

Year	Recognised public hospitals	Repatriation hospitals	Total public hospitals	Private hospitals	Total acute hospitals
			(Number per 1,000 population)		
1982–83	161.07	4.29	165.36	49.54	214.89
1983–84	159.75	4.40	164.14	51.33	215.48
1984–85	150.66	4.22	154.89	51.80	206.69
1985–86	152.84	4.06	156.90	54.85	211.76
1986–87	153.55	3.85	157.40	55.03	212.42
1987–88	155.10	4.51	159.61	53.11	212.72
1988–89	157.85	4.91	162.76	53.71	216.46
			(Per cent)		
Average annual growth rate					
1982–83 to 1984–85	-3.3	-0.7	-3.2	2.3	-1.9
1984–85 to 1988–89	1.2	3.8	1.2	0.9	1.2
1982–83 to 1988–89	-0.3	2.3	-0.3	1.4	0.12

Sources: Separations: see Table 6.

Population: see Table 2.

### Average length of stay

The message of Table 8 is clear. The average length of stay (ALOS) for a patient in an acute care hospital fell significantly and consistently from 1982-83 to 1988-89, at an average annual rate of 2.5 per cent, the greatest fall being 4.0 per cent in private hospitals. This reduced the ALOS by one full day overall, and enabled hospitals to treat more patients and, at the same time, reduce the total number of occupied bed-days (Tables 3 and 6).

The ALOS in recognised public hospitals fell by 11.8 per cent from 1982-83 to 1988-89, an annual

average decline of 2.1 per cent (from 6.9 to 6.1 days).

Private hospitals showed a dramatic fall of 21.5 per cent during the same period— an annual average decline of 4.0 per cent (from 6.4 days to 5.0 days).

The difference in ALOS between private hospitals and recognised public hospitals in 1982-83 was 0.6 days, but by 1988-89 it had grown to 1.1 days. It is likely that the introduction of day surgery, and the difference in case mix between public and private hospitals explains some of this difference.

**Table 8: Average length of stay(a) in acute hospitals, 1982-83 to 1988-89**

Year	Recognised public hospitals	Repatriation hospitals	Total public hospitals	Private hospitals	Total acute hospitals
			(Days)		
1982-83	6.95	12.45	7.10	6.39	6.93
1983-84	6.77	12.28	6.92	5.96	6.69
1984-85	6.90	12.18	7.05	5.57	6.68
1985-86	6.67	11.97	6.81	5.46	6.46
1986-87(b)	6.46	11.58	6.58	5.38	6.27
1987-88(c)	6.39	9.88	6.49	5.20	6.17
1988-89(d)	6.13	9.83	6.24	5.01	5.94
			(Per cent)		
<i>Average annual growth rate</i>					
1982-83 to 1984-85	-0.4	-1.1	-0.4	-6.6	-1.9
1984-85 to 1988-89	-2.9	-5.2	-3.0	-2.6	-2.9
1982-83 to 1988-89	-2.1	-3.9	-2.1	-4.0	-2.5

(a) Average length of stay for all hospital categories (except for private hospitals for the period 1986-87 to 1988-89) is calculated from the formula: ALOS = OBDs/Separations.

(b) 1986-87 private hospital ALOS is a figure estimated from log linear regression.

(c) 1987-88 private hospital ALOS is a weighted average of June 87, December 87 and June 88 ALOS from *Private hospital survey No. 1; No. 2 and No. 3*, with December 87 given a weight of 2, and June figures given a weight of 1.

(d) 1988-89 private hospital ALOS is a weighted average of June 88, December 88 and June 89 ALOS from *Private hospital survey No. 3; No. 4 and No. 5*, with December 88 given a weight of 2 and June figures given a weight of 1.

### Expenditure by acute care hospitals 1982-83 to 1987-88

Acute care hospital expenditure as a proportion of total recurrent health expenditure fell significantly from 41.9 per cent in 1982-83 to 40.0 per cent in 1984-85 and 39.5 per cent in 1987-88 (*Information Bulletin No 4*), but expenditure by acute care hospitals increased by 62.7 per cent from \$5,243 million in 1982-83 to \$8,530 million in 1987-88 (Table 9). After accounting for inflation, the increase was 18.3 per cent or an annual average increase in real expenditure of 3.4 per cent (Table 10).

Real expenditure for recognised public hospitals increased by 17.3 per cent from 1982-83 to

1987-88, an annual average increase of 3.2 per cent.

For private hospitals it increased from \$985 million to \$1215 million (1987-88 dollars)— 23.3 per cent, at an annual average rate of 4.3 per cent.

Population growth averaged 1.5 per cent per year in the period 1982-83 to 1987-88. Therefore the real annual average increase in per person expenditure for acute care hospitals is 2.0 per cent (Table 11). Although a 2.0 per cent increase per year is not large, over 5 years this compounds to an overall real increase in spending on hospital services of 10 per cent, and over 10 years to an increase of 22 per cent.

**Table 9: Recurrent expenditure in acute hospitals, 1982-83 to 1987-88**

Year	Recognised public hospitals	Repatriation hospitals(a)	Total public hospitals(a)	Private hospitals	Total acute hospitals
			(\$ million)		
1982-83	4,320	207	4,527	716	5,243
1983-84	4,651	234	4,885	803	5,688
1984-85	5,054	258	5,311	869	6,180
1985-86	5,567	272	5,840	969	6,808
1986-87	6,319	295	6,614	1,127	7,742
1987-88	6,974	341	7,315	1,215	8,530
			(Per cent)		
<i>Average annual growth rate</i>					
1982-83 to 1984-85	8.2	11.7	8.3	10.2	8.6
1984-85 to 1987-88	11.3	9.9	11.3	11.8	11.3
1982-83 to 1987-88	10.1	10.6	10.1	11.2	10.2

(a) Superannuation and workers' compensation are not included.

Source: Australian Institute of Health: Australian health expenditure data base.

**Table 10: Real recurrent expenditure in acute hospitals, 1982–83 to 1987–88(a)**

Year	Recognised public hospitals	Repatriation hospitals(b)	Total public hospitals	Private hospitals	Total acute hospitals
(\$ million—1987–88 prices)					
1982–83	5,943	284	6,227	985	7,212
1983–84	6,025	303	6,328	1,040	7,369
1984–85	6,167	314	6,481	1,060	7,542
1985–86	6,420	314	6,734	1,117	7,851
1986–87	6,640	310	6,951	1,184	8,135
1987–88	6,974	341	7,315	1,215	8,530
Average annual growth rate (Per cent)					
1982–83 to 1984–85	1.9	5.2	2.0	3.7	2.3
1984–85 to 1987–88	4.2	2.8	4.1	4.6	4.2
1982–83 to 1987–88	3.2	3.7	3.3	4.3	3.4

(a) Prices are reflat to 1987–88 prices using the hospital and clinical deflator. The base year for this deflator is 1984–85. The deflator does not measure changes in wage costs due to award restructuring; only award wage increases are captured. (see *Health Expenditure Information Bulletin No. 4*, January 1990, Table 15).

(b) Superannuation and workers' compensation are not included.

Source: Australian Institute of Health: Australian health expenditure data base.

**Table 11: Real recurrent expenditure in acute hospitals per person, 1982–83 to 1987–88(a)**

Year	Recognised public hospitals	Repatriation hospitals(b)	Total public hospitals	Private hospitals	Total acute hospitals
(\$—1987–88 prices)					
1982–83	388.66	18.58	407.24	64.42	471.67
1983–84	389.08	19.59	408.67	67.18	475.85
1984–85	393.26	20.04	413.30	67.61	480.91
1985–86	403.73	19.75	423.48	70.25	493.72
1986–87	411.43	19.21	430.64	73.38	504.03
1987–88	425.18	20.82	446.00	74.07	520.07
Average annual growth rate (Per cent)					
1982–83 to 1984–85	0.6	3.8	0.7	2.4	1.0
1984–85 to 1987–88	2.6	1.3	2.6	3.1	2.6
1982–83 to 1987–88	1.8	2.3	1.8	2.8	2.0

(a) Prices are reflat to 1987–88 prices using the hospital and clinical deflator. The base year for this deflator is 1984–85. The deflator does not measure changes in wage costs due to award restructuring; only award wage increases are captured. (See *Health Expenditure Information Bulletin No. 4*, January 1990, Table 15).

(b) Superannuation and workers' compensation are not included.

Source: Australian Institute of Health: Australian health expenditure data base.  
Population: see Table 2.

### Differences in costs between public and private hospitals

It is difficult to compare the costs of public and private hospitals for a number of reasons:

- differences in the provision of non-inpatient services;
- differences in the way medical services are provided and paid for; and
- differences in accounting practices;
- other factors.

It is not possible to make adjustments to allow for these differences for all years from 1982–83 to 1988–89.

#### Differences in non-inpatient services

Public hospitals provide many services for out-patients which private hospitals largely do not.

As non-inpatient services consume between 20 and 35 per cent of the running costs of public hospitals, this is a significant area of difference.

#### Differences in in-hospital medical service provision

Most medical services in private hospitals are provided by private doctors who are not employed by the hospitals.

These doctors work on a fee-for-service basis and are paid in the usual way. Medicare pays 75 per cent of the schedule fee, 25 per cent comes from health insurance funds (for those who are privately insured), and anything above the schedule fee is paid by the patient.

In public hospitals, most medical services are supplied by doctors engaged by the hospital and paid either on a sessional basis or as members of the hospital staff. Payments to doctors were 12.6 per cent of public recognised hospital recurrent expenditure in 1985–86.

However, 32 per cent of occupied bed-days in recognised public hospitals are attributable to private patients who are charged for medical services on a fee-for-service basis, with the fees being paid directly to the doctor.

The AIH hospital utilisation and costs study estimates in 1985-86 indicated that the cost per adjusted bed-day of in-hospital medical services provided by private medical practitioners rather than the hospital was \$13 in public hospitals and \$81 in private hospitals.

#### Differences in accounting practice

Private hospital expenditure in Tables 10 and 11 is estimated from the revenue that private hospitals receive.

This revenue is used to fund depreciation, capital

expenditure and profit (or surplus) as well as recurrent expenditure.

For public hospitals, the data in Tables 10 to 11 are for recurrent expenditure only. Depreciation and capital expenditure are not included. Public hospitals are not required to make a profit.

#### Other factors

Public and private hospitals have different mixes of patients and there may be differences in the severity of cases treated. The net impact of these differences is not known.

Public hospitals are the main centres for education of doctors, nurses and other health professionals and for research. The private sector is engaged in these activities to a smaller absolute and to a smaller proportional extent.

### Public/private ratio of occupied bed-days by State and Territory

Tables 12 to 20 set out data on the proportion of public patients in recognised public and private hospitals for the years 1985-86 to 1988-89 for each of the States and Territories. These data are of relevance because the Medicare Agreement penalises any State or Territory when public bed-days as a proportion of total recognised public and private hospital bed-days falls below 53 per cent. Victoria was penalised for falling below this level in 1988-89 to the extent of \$15.3 million.

The non-public patient category in tables 12 to 20 includes private nursing home type patients, veterans who are not treated free of charge, workers' compensation and third party insurance patients, ineligible patients and other private patients. The public patient category includes public nursing home type patients as well as other public patients.

These figures do not include repatriation hospitals.

**Table 12: Occupied bed-day public ratios for recognised public and private hospitals, New South Wales, 1985-86 to 1988-89**

	1985-86	1986-87	1987-88	1988-89
<b>Occupied bed-days ('000)</b>				
Recognised public hospitals				
Public patients	3,888	3,768	3,874	3,806
Non-public patients	2,176	2,176	2,170	2,081
Total	6,064	5,944	6,043	5,887
Private hospitals	(a)1,383	(a)1,395	(a)1,303	(a)1,262
Total	7,447	7,339	7,346	7,149
<b>Occupied bed-days, public hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	64.1	63.4	64.1	64.6
Non-public patients	35.9	36.6	35.9	35.4
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days, acute hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	52.2	51.3	52.7	53.2
Non-public patients	29.2	29.6	29.5	29.1
Total	81.4	81.0	82.3	82.3
Private hospitals	18.6	19.0	17.7	17.7
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days per 1,000 population</b>				
Recognised public hospitals				
Public patients	707	676	684	664
Non-public patients	396	391	383	363
Total	1,103	1,067	1,068	1,026
Private hospitals	252	250	230	220
Total	1,355	1,317	1,298	1,247

(a) Private hospital occupied bed-days for NSW and ACT are disaggregated using the proportions from the 1985-86 *Hospital utilisation and costs study*, Volume 2 (1988), Table 5.3, :89. The proportions for NSW and the ACT are 0.987 and 0.013 respectively.

Source: Data for public hospitals from State health authority returns to the Commonwealth Department of Community Services and Health under the Medicare Agreement.

Private hospital data for 1985-86 from collection associated with the private hospital bed-day subsidy scheme.

Private hospital data for 1986-87 to 1988-89 from the *Private Hospital Surveys*.



**Table 13: Occupied bed-day public ratios for recognised public and private hospitals, Victoria, 1985-86 to 1988-89**

	1985-86	1986-87	1987-88	1988-89
<b>Occupied bed-days ('000)</b>				
Recognised public hospitals				
Public patients	2,385	2,296	2,451	2,542
Non-public patients	1,243	1,253	1,303	1,243
Total	3,628	3,549	3,754	3,786
Private hospitals	1,413	1,405	1,305	1,288
Total	5,041	4,954	5,059	5,074
<b>Occupied bed-days, public hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	65.7	64.7	65.3	67.2
Non-public patients	34.3	35.3	34.7	32.8
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days, acute hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	47.3	46.3	48.4	50.1
Non-public patients	24.7	25.3	25.8	24.5
Total	72.0	71.6	74.2	74.6
Private hospitals	28.0	28.4	25.8	25.4
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days per 1,000 population</b>				
Recognised public hospitals				
Public patients	576	549	579	593
Non-public patients	300	299	308	290
Total	876	848	886	883
Private hospitals	341	336	308	300
Total	1,218	1,184	1,194	1,183

Source: Data for public hospitals from State health authority returns to the Commonwealth Department of Community Services and Health under the Medicare Agreement.  
Private hospital data for 1985-86 from collection associated with the private hospital bed-day subsidy scheme.  
Private hospital data for 1986-87 to 1988-89 from the *Private Hospital Surveys*.

**Table 14: Occupied bed-day public ratios for recognised public and private hospitals, Queensland, 1985-86 to 1988-89**

	1985-86	1986-87	1987-88	1988-89
<b>Occupied bed-days ('000)</b>				
Recognised public hospitals				
Public patients	2,067	2,093	2,098	2,121
Non-public patients	438	439	429	413
Total	2,505	2,532	2,527	2,534
Private hospitals	964	924	883	894
Total	3,469	3,456	3,410	3,428
<b>Occupied bed-days, public hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	82.5	82.7	83.0	83.7
Non-public patients	17.5	17.3	17.0	16.3
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days, acute hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	59.6	60.6	61.5	61.9
Non-public patients	12.6	12.7	12.6	12.0
Total	72.2	73.3	74.1	73.9
Private hospitals	27.8	26.7	25.9	26.1
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days per 1,000 population</b>				
Recognised public hospitals				
Public patients	796	790	774	762
Non-public patients	169	166	158	148
Total	965	955	933	910
Private hospitals	371	349	326	321
Total	1,336	1,304	1,259	1,231

Source: Data for public hospitals from State health authority returns to the Commonwealth Department of Community Services and Health under the Medicare Agreement.  
Private hospital data for 1985-86 from collection associated with the private hospital bed-day subsidy scheme.  
Private hospital data for 1986-87 to 1988-89 from the *Private Hospital Surveys*.

**Table 15: Occupied bed-day public ratios for recognised public and private hospitals, Western Australia, 1985-86 to 1988-89**

	1985-86	1986-87	1987-88	1988-89
<b>Occupied bed-days ('000)</b>				
Recognised public hospitals				
Public patients	1,152	1,145	1,146	1,170
Non-public patients	382	374	346	335
Total	1,534	1,519	1,493	1,505
Private hospitals	371	398	400	391
Total	1,905	1,917	1,893	1,896
<b>Occupied bed-days, public hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	75.1	75.4	76.8	77.7
Non-public patients	24.9	24.6	23.2	22.3
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days, acute hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	60.5	59.7	60.6	61.7
Non-public patients	20.0	19.5	18.3	17.7
Total	80.5	79.2	78.9	79.4
Private hospitals	19.5	20.8	21.1	20.6
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days per 1,000 population</b>				
Recognised public hospitals				
Public patients	801	774	753	746
Non-public patients	266	253	227	214
Total	1,067	1,027	981	960
Private hospitals	258	269	263	249
Total	1,326	1,295	1,243	1,209

Source: Data for public hospitals from State health authority returns to the Commonwealth Department of Community Services and Health under the Medicare Agreement.  
Private hospital data for 1985-86 from collection associated with the private hospital bed-day subsidy scheme.  
Private hospital data for 1986-87 to 1988-89 from the *Private Hospital Surveys*.

**Table 16: Occupied bed-day public ratios for recognised public and private hospitals, South Australia, 1985-86 to 1988-89**

	1985-86	1986-87	1987-88	1988-89
<b>Occupied bed-days ('000)</b>				
Recognised public hospitals				
Public patients	1,214	1,195	1,199	1,192
Non-public patients	333	341	325	320
Total	1,547	1,536	1,524	1,512
Private hospitals	495	506	497	511
Total	2,042	2,042	2,021	2,023
<b>Occupied bed-days, public hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	78.5	77.8	78.7	78.9
Non-public patients	21.5	22.2	21.3	21.1
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days, acute hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	59.4	58.5	59.3	58.9
Non-public patients	16.3	16.7	16.1	15.8
Total	75.7	75.2	75.4	74.7
Private hospitals	24.3	24.8	24.6	25.3
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days per 1,000 population</b>				
Recognised public hospitals				
Public patients	882	861	856	842
Non-public patients	242	246	232	226
Total	1,124	1,106	1,088	1,068
Private hospitals	360	364	355	361
Total	1,483	1,471	1,442	1,428

Source: Data for public hospitals from State health authority returns to the Commonwealth Department of Community Services and Health under the Medicare Agreement.  
Private hospital data for 1985-86 from collection associated with the private hospital bed-day subsidy scheme.  
Private hospital data for 1986-87 to 1988-89 from the *Private Hospital Surveys*.

**Table 17: Occupied bed-day public ratios for recognised public and private hospitals, Tasmania, 1985-86 to 1988-89**

	1985-86	1986-87	1987-88	1988-89
<b>Occupied bed-days ('000)</b>				
Recognised public hospitals				
Public patients	414	386	404	401
Non-public patients	82	94	65	77
Total	496	480	469	478
Private hospitals	121	131	127	125
Total	617	611	596	603
<b>Occupied bed-days, public hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	83.5	80.4	86.2	83.9
Non-public patients	16.5	19.6	13.8	16.1
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days, acute hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	67.1	63.2	67.8	66.5
Non-public patients	13.3	15.4	10.9	12.8
Total	80.4	78.6	78.7	79.3
Private hospitals	19.6	21.4	21.3	20.7
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days per 1,000 population</b>				
Recognised public hospitals				
Public patients	931	863	901	891
Non-public patients	184	210	145	172
Total	1,116	1,073	1,046	1,063
Private hospitals	272	293	283	278
Total	1,387	1,366	1,330	1,341

Source: Data for public hospitals from State health authority returns to the Commonwealth Department of Community Services and Health under the Medicare Agreement.  
 Private hospital data for 1985-86 from collection associated with the private hospital bed-day subsidy scheme.  
 Private hospital data for 1986-87 to 1988-89 from the *Private Hospital Surveys*.

**Table 18: Occupied bed-day public ratios for recognised public and private hospitals, Northern Territory, 1985-86 to 1988-89**

	1985-86	1986-87	1987-88	1988-89
<b>Occupied bed-days ('000)</b>				
Recognised public hospitals				
Public patients	168	171	170	174
Non-public patients	23	22	18	14
Total	191	193	188	188
Private hospitals	0	0	(a)	(a)
Total	191	193	188	188
<b>Occupied bed-days, public hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	88.0	88.6	90.4	92.7
Non-public patients	12.0	11.4	9.6	7.3
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days, acute hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	88.0	88.6	90.4	92.7
Non-public patients	12.0	11.4	9.6	7.3
Total	100.0	100.0	100.0	100.0
Private hospitals	0.0	0	(a)	(a)
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days per 1,000 population</b>				
Recognised public hospitals				
Public patients	1,106	1,097	1,083	1,113
Non-public patients	151	141	114	88
Total	1,257	1,238	1,197	1,201
Private hospitals	0	0	(a)	(a)
Total	1,257	1,238	1,197	1,201

(a) Data for the Northern Territory private hospital not available.

Source: Data for public hospitals from State health authority returns to the Commonwealth Department of Community Services and Health under the Medicare Agreement.  
 Private hospital data for 1985-86 from collection associated with the private hospital bed-day subsidy scheme.  
 Private hospital data for 1986-87 to 1988-89 from the *Private Hospital Surveys*.

**Table 19: Occupied bed-day public ratios for recognised public and private hospitals, Australian Capital Territory, 1985-86 to 1988-89**

	1985-86	1986-87	1987-88	1988-89
<b>Occupied bed-days ('000)</b>				
Recognised public hospitals				
Public patients	143	137	132	150
Non-public patients	114	117	118	106
Total	257	254	250	255
Private hospitals	(a)18	(a)19	(a)17	(a)17
Total	275	273	267	272
<b>Occupied bed-days, public hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	55.6	53.9	52.9	58.5
Non-public patients	44.4	46.1	47.1	41.5
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days, acute hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	52.0	50.2	49.5	55.0
Non-public patients	41.4	42.9	44.1	38.9
Total	93.4	93.0	93.6	93.9
Private hospitals	6.6	7.0	6.4	6.1
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days per 1,000 population</b>				
Recognised public hospitals				
Public patients	560	522	490	543
Non-public patients	446	446	437	384
Total	1,006	967	927	927
Private hospitals	71	72	64	60
Total	1,078	1,040	991	987

(a) Private hospital occupied bed-days for NSW and ACT are disaggregated using the proportions from the 1985-86 *Hospital utilisation and costs study, Volume 2 (1988)*, Table 5.3, p89. The proportions for NSW and the ACT are 0.987 and 0.013 respectively.

Source: Data for public hospitals from State health authority returns to the Commonwealth Department of Community Services and under the Health Medicare Agreement.

Private hospital data for 1985-86 from collection associated with the private hospital bed-day subsidy scheme.

Private hospital data for 1986-87 to 1988-89 from the *Private Hospital Surveys*.

**Table 20: Occupied bed-day public ratios for recognised public and private hospitals, Australia, 1985-86 to 1988-89**

	1985-86	1986-87	1987-88	1988-89
<b>Occupied bed-days ('000)</b>				
Recognised public hospitals				
Public patients	11,431	11,191	11,474	11,555
Non-public patients	4,791	4,816	4,775	4,589
Total	16,222	16,007	16,248	16,144
Private hospitals	4,766	4,778	4,531	4,488
Total	20,988	20,785	20,780	20,632
<b>Occupied bed-days, public hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	70.5	69.9	70.6	71.6
Non-public patients	29.5	30.1	29.4	28.4
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days, acute hospitals (Per cent)</b>				
Recognised public hospitals				
Public patients	54.5	53.8	55.2	56.0
Non-public patients	22.8	23.2	23.0	22.2
Total	77.3	77.0	78.2	78.2
Private hospitals	22.7	23.0	21.8	21.8
Total	100.0	100.0	100.0	100.0
<b>Occupied bed-days per 1,000 population</b>				
Recognised public hospitals				
Public patients	719	693	700	693
Non-public patients	301	298	291	275
Total	1,020	992	991	968
Private hospitals	300	296	276	269
Total	1,320	1,288	1,267	1,237

Source: Data for public hospitals from State health authority returns to the Commonwealth Department of Community Services and Health under the Medicare Agreement.

Private hospital data for 1985-86 from collection associated with the private hospital bed-day subsidy scheme.

Private hospital data for 1986-87 to 1988-89 from the *Private Hospital Surveys*.

## Appendix A: Estimation of occupied bed-days in private hospitals, 1982-83 to 1988-89

Year	Eligible	Non-eligible	Total	Non-eligible as a percentage of eligible
	('000)	('000)		('000)
1982-83(a)	4,549.6	(c)289.6	(c)4,839.2	6.36
1983-84(a)	4,457.1	(c)283.7	(c)4,740.8	6.36
1984-85	4,272.9	252.5	4,525.4	5.91
1985-86	4,325.8	440.4	4,766.2	(d)10.18
1986-87(b)	(c)4,438.8	(c)339.2	4,778.0	7.64
1987-88(b)	(c)4,293.1	(c)237.9	4,531.0	5.54
1988-89(b)	(c)4,256.9	(c)231.1	4,488.0	5.43

(a) The private hospital bed-day subsidy scheme was effective from 1 July 1975 to 30 September 1986. Those not eligible for the bed-day subsidy were inpatients who had a right to claim compensation or damages. Before February 1984, the subsidy was given to all, at a flat rate. On 1 February 1984, the system was changed, and subsidies became payable at a rate dependent on the category of the private hospital concerned. To determine payment, it was necessary to know the size of the hospital, total discharges (eligible plus non-eligible patients), bed-days relating to eligible patients, and the mix of patient bed-days by patient classification, ie. medical, maternity, surgical, advanced surgical and nursing home type patients. Statistics for non-eligible patient bed-days were a byproduct of this information. Before the change in the system, data were collected on eligible patients only.

To obtain total numbers of OBDs in private hospitals for the years 1982-83 and 1983-84, the OBDs for non-eligible patients were estimated by applying the arithmetic mean of the proportion of non-eligible to eligible patients for 1984-85, 1986-87 and 1987-88 to the available 1982-83 and 1983-84 data on eligible patients. The 1985-86 proportion was not used because, for part of that year, day admissions in private hospitals were classified as non-eligible. All references to eligible and non-eligible refer to eligibility for the private hospital bed-day subsidy, not to eligibility for hospital treatment under the Medicare Agreement.

(b) The data are calculated from Table 5 of *Private Hospital Surveys* Nos. 1 to 5. The numbers in the non-eligible column are the numbers of compensable patients, calculated from the *Private Hospital Surveys*. From the data collected on 30 June 1987, the ratio of non-eligible patients to total OBDs in 1986-87 was calculated to be 7.1%. For 1987-88, it was 5.25%, which is the arithmetic mean of the data collected on 31 December 1987 (5.8%) and 30 June 1988 (4.7%). For 1988-89, it was 5.15%, which is the arithmetic mean of the data collected on 31 December 1988 (4.9%) and 30 June 1989 (5.4%).

(c) These figures are estimated according to the above methods. All other figures are either from bed-day subsidy data or the *Private Hospital Surveys*.

(d) The substantial increase in the proportion of non-eligible to eligible patients from 1984-85 to 1985-86 occurred because for part of 1985-86 day admissions for private hospitals were no longer eligible for subsidy.

Sources: 1982-83 to 1985-86 OBDs, Department of Community Services and Health unpublished data.

1986-87 to 1988-89, *Private Hospital Surveys* Nos. 1 to 5, Department of Community Services and Health.

## Appendix B: Estimation of separations in private hospitals, 1982-83 to 1987-88

Year	Eligible	Non-eligible	Total	Non-eligible as a percentage of eligible(a)
	('000)	('000)		('000)
1982-83	698.2	(c)59.5	(c)757.7	8.52
1983-84(b)	753.4		(c)794.9	
1984-85	737.6	74.7	812.3	10.13
1985-86	803.9	68.3	872.2	8.50
1986-87	(c)849.1	76.9	926.0	9.05
1987-88	(c)843.6	(c)53.9	897.4	6.38

(a) The proportions of non-eligible to eligible patients are found as follows :

1986-87 and 1987-88 data are from Table 4 of *Private Hospital Surveys* Nos. 1, 2 and 3. For 1986-87, the proportion of compensable to total separations was 8.3%. Hence, non-eligible as a proportion of eligible patients was 9.051%(8.3/91.7). For 1987-88, an arithmetic mean of 31 December 1987 and 30 June 1988 surveys was calculated. The proportions of compensable to total separations were 6.5% and 5.5% from the two respective surveys. Hence, the proportion of non-eligible to eligible patients was 6.383% (6.5+5.5/93.5+94.5).

The above proportions together with the 1984-85 proportion were then averaged, and this figure was applied to the 1982-83 eligible patient figure to obtain the number of non-eligible patients for the year.

(b) 1983-84 includes 7 months without Medicare and 5 months with Medicare. Data on non-eligible patients was collected only in the Medicare period. A factor of 1.05509 was calculated in a similar way to the note (a) calculation and then applied to the 1983-84 figure to estimate total separations for that year.

(c) These figures are estimated. All others are either from bed-day subsidy scheme data or from the *Private Hospital Surveys*.

Sources: 1982-83 to 1985-86, Department of Community Services and Health, unpublished data.

1986-87 to 1987-88, *Private Hospital Surveys* Nos. 1, 2 and 3, Department of Community Services and Health.

**Acute care hospital** or **acute hospital** in this *Information Bulletin* generally includes all recognised public hospitals, all repatriation hospitals and all private hospitals. The only exception is in Tables 12 to 20 where the term **acute hospitals** excludes repatriation hospitals.

This use of the words **acute hospital** is different from the definition used in the 1985-86 *Hospital Utilisation and Costs Study* produced by the Australian Institute of Health, in which private psychiatric hospitals (which provide about 9 per cent of private hospital bed-days) were not included in the category **acute care hospitals** (*Hospital Utilisation and Costs Study*, Volume 2, Table 5.1). The data are not available to enable the separation of private psychiatric hospitals from other private hospitals for the whole period 1982-83 to 1988-89.

**Adjusted bed-day** non-inpatient treatments and non-inpatient visits are converted to equivalent occupied bed-days using the HASAC formulae:

5.753 non-inpatient treatments	= 1 occupied bed-day
1.917 non-inpatient visits	= 1 occupied bed-day

**Recurrent expenditure of private hospitals** is estimated by calculating the revenue that private hospitals receive from patient bed-day fees, theatre and other fees and Government subsidies. As this is an estimate of revenue, it will not necessarily correspond to the actual expenditure in any one

year, but over time the differences between revenue and expenditure will average out. Thus the trend in revenues gives an accurate indication of the trend in expenditures.

Revenue of private hospitals is an overestimate of recurrent expenditure (because revenue is used to fund depreciation), some capital expenditure and profit (or surplus) as well as recurrent expenditure. The revenue estimate does not include extra money that may flow into a hospital when there is a change of ownership of that hospital or more share capital is issued. Thus some capital expenditure will be funded in this way through shareholder's funds rather than by recurrent revenue.

**Recurrent expenditure of recognised public hospitals** (Tables 9 to 11) is the gross operating costs of these institutions as reported by the State health authorities.

The recurrent health expenditure of repatriation hospitals is as reported by the Department of Veterans' Affairs.

**Recognised public hospitals** are those listed in Schedule C of each State and Territory Government's Medicare Agreement and the Medicare Direction to the ACT Health Authority. For those recognised hospitals of a multi-purpose nature, data should only be in respect of the acute care component of the institution.

## References

Australian Institute of Health (1989) *Working Party on inpatient/non-inpatient services: Report to the Australian Health Ministers' Advisory Council* September 1989.

Australian Institute of Health (1988) *Hospital utilisation and costs study Volume 2: Survey of public hospitals and related data*. AGPS, Canberra.