4 Health expenditure and funding, by area of health expenditure

4.1 Recurrent expenditure on health goods and services

Recurrent health expenditure in Australia is considered under two broad categories of health 'services' (strictly, health goods and services)—'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 (not elsewhere classified).

Non-institutional expenditure takes in:

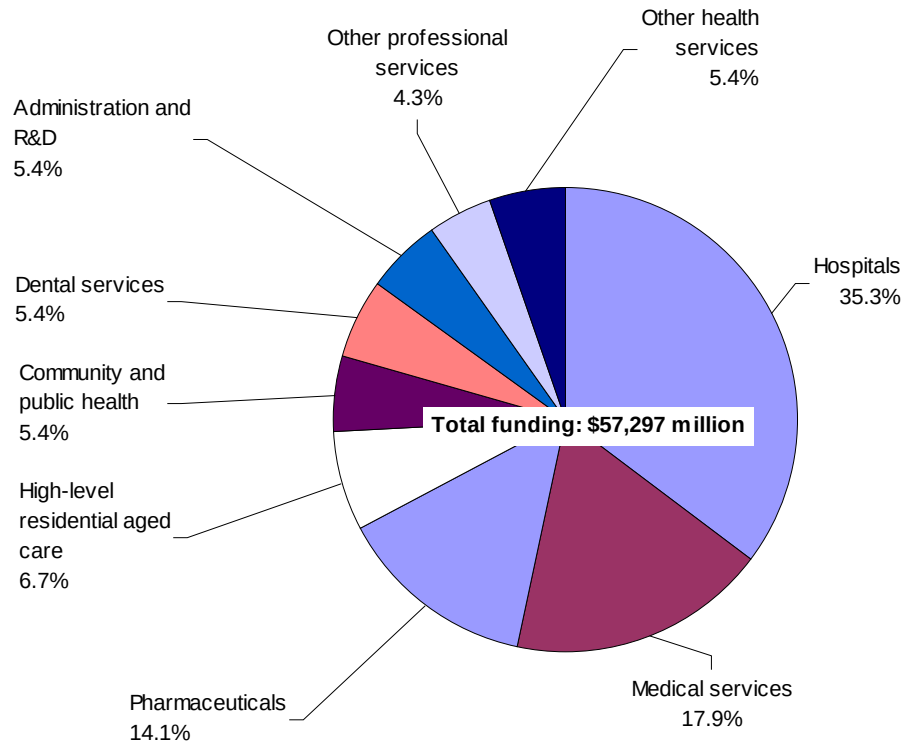
- ambulatory health services, such as those provided by doctors, dentists and other health professionals;
- community health services and public health services;
- health goods (pharmaceuticals and aids and appliances) provided to patients in the community; and
- health-related expenditures, such as 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 2000–01 hospitals were estimated to have accounted for 35.3% of total recurrent expenditure on health services; medical services accounted for 17.9% (Figure 13).

Within these two categories, however, there is substantial overlap. For example, public hospitals spent $1,851 million on salaried medical staff and visiting medical officers during 2000–01 (AIHW 2002). While these are payments in respect of staff that provide 'medical' services, they are included in the gross operating costs of the public hospitals and are counted as expenditure on public hospitals. Further, some other expenditures that make up the estimates of expenditure on hospitals (for example, salaries of technical staff involved in providing diagnostic services) relate to

the provision of services that would usually be classified as 'medical' services 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 A3.

Figure 13: Recurrent expenditure on health goods and services, current prices, by broad area of expenditure, 2000–01

Institutional health services

Hospitals

Hospitals are the largest form of provider of health services in Australia. In the Australian context there are three broad categories of hospitals:

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

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

Table 22: Recurrent expenditure on hospitals, constant prices[a], by broad type of hospital, and annual growth rates 1991–92 to 2001–02

	Public hospitals							
	Public (non-psychiatric)		Public (psychiatric)		Private hospitals		All hospitals	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1991–92	11,405	. .	672	. .	3,445	. .	15,522	. .
1992–93	11,503	0.9	603	–10.3	3,647	5.9	15,753	1.5
1993–94	11,590	0.8	572	–5.1	3,914	7.3	16,076	2.1
1994–95	11,968	3.3	549	–4.2	4,296	9.8	16,813	4.6
1995–96	12,545	4.8	509	–7.3	4,394	2.3	17,448	3.8
1996–97	13,377	6.6	453	–11.0	4,272	–2.8	18,101	3.7
1997–98	14,203	6.2	411	–0.1	4,117	–3.6	18,731	3.5
1998–99	14,674	3.3	419	1.9	4,381	6.4	19,474	4.0
1999–00	15,104	2.9	436	3.8	4,442	1.4	19,982	2.6
2000–01	15,341	1.6	390	–10.5	4,477	0.8	20,208	1.1
2001–02[b]	16,154	5.3	396	1.6	4,910	9.7	21,460	6.2
Average annual growth rate								
1992–03 to 1997–08		4.3		–7.4		2.5		3.5
1997–08 to 2001–02		3.3		–0.9		4.5		3.5
1991–02 to 2001–02		3.5		–5.2		3.6		3.3

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Based on preliminary AIHW and ABS estimates.

Source AIHW health expenditure database.

Public (non-psychiatric) and private hospitals

In real terms, expenditure on the general hospitals—public (non-psychiatric) and private hospitals—grew by 3.5% and 3.6% per year, respectively, between 1991–92 and 2001–02. Expenditure on public (psychiatric) hospitals, on the other hand, fell consistently over the same period, averaging a real annual decrease of 5.2%.

The relative growth in expenditure on the different types of hospitals—particularly the public (non-psychiatric) and the private hospitals—is often inter-related, with policy initiatives moving expenditure sometimes in the same direction and sometimes in opposite directions.

One of the most important influences on growth in expenditure on hospitals is the Australian Government's policy for funding hospital services. In the case of the public (non-psychiatric) hospitals, funding is governed to a large extent by bilateral agreements between the Australian Government and the various state and territory governments (the Australian health care agreements or AHCAs). Private funding for public (non-psychiatric) hospitals and for private hospitals is also greatly influenced by the Australian Government's private health insurance initiatives. This is because private health insurance provides the bulk of funding for private hospitals and for private services provided in public (non-psychiatric) hospitals.

The latest series of AHCAs covered the five years from 1 July 1998. In the case of private hospital insurance initiatives the major movements were in:

- July 1997, with the introduction of the Private Health Insurance Incentives Subsidy;
- January 1999 with the replacement of the subsidy with a 30% rebate on private health insurance premiums; and
- July 2000 with the introduction of the 'lifetime' cover initiatives to encourage more people to take out and maintain private hospital insurance cover.

During the five-year AHCA period that ended in June 1998, expenditure on public (non-psychiatric) hospitals grew, in real terms, at an average of 4.3% per year, compared with an average growth for private hospitals of 2.5% per year (Table 22). From 1997–98 (the last year of the previous agreement period) to 2001–02, public (non-psychiatric) hospitals experienced a lower average rate of real growth in expenditure, at 3.3%, than they had previously. Expenditure on private hospitals, on the other hand, accelerated after 1997–98 to average 4.5% per year for the period ending 2001–02.

There was a movement from public (non-psychiatric) to private hospitals immediately following the introduction in 1997 of the Australian Government's initial set of private health insurance incentives. In 1997–98 private hospitals experienced a real decline in expenditure of 3.6%, while expenditure on public (non-psychiatric) hospitals grew by 6.2%. In the following year (the first year of the new AHCAs) expenditure on private hospitals increased by 6.4%, while growth in public (non-psychiatric) hospital expenditure slowed to 3.3%. The following year (1999–00) saw modest real growth of 2.9% and 1.4% in expenditure on public (non-psychiatric) hospitals and private hospitals, respectively.

The second set of major reforms to the private health insurance arrangements—the introduction of the age-related penalty provisions for people who failed to take up full private health insurance cover—was phased in from 1 July 1999 and came into full effect at the beginning of the 2000–01 financial year. Under the lifetime cover arrangements, people aged more than 30 years at the time they initially take out private hospital insurance cover are required to pay a penalty rate of premium for health insurance cover. The penalty is equivalent to a loading of 2% for each year by which the person's age exceeds 30 years at the time of joining a health insurance fund.

There was very little growth in the first full year of the new arrangements, 2000–01, possibly because of the eligibility waiting periods for new members. Expenditure growth in both public (non-psychiatric) hospitals (1.6%) and private hospitals (0.8%) was modest. In 2001–02 public (non-psychiatric) hospital expenditure grew by 5.3% and expenditure on private hospitals by 9.7%.

Table 23: Funding of general hospitals[a], current prices, by broad source of funds, 1991–92 to 2001–02 (per cent)

	Government				
Year	Australian Government[b]	State/territory and local	Total	Non-government[b]	Total
1991–92	35.2	38.4	73.6	26.4	100.0
1992–93	36.6	36.8	73.4	26.6	100.0
1993–94	40.3	31.9	72.2	27.8	100.0
1994–95	39.7	32.7	72.4	27.6	100.0
1995–96	38.8	33.8	72.7	27.3	100.0
1996–97	37.3	35.7	73.1	26.9	100.0
1997–98	39.0	37.0	76.0	24.0	100.0
1998–99	42.9	35.6	78.5	21.5	100.0
1999–00	44.5	34.3	78.8	21.2	100.0
2000–01	45.7	35.3	81.0	19.0	100.0
2001–02[c]	44.4	35.3	79.7	20.3	100.0

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

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

(c) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

Public (non-psychiatric) hospitals

More than 90% of all funding for public (non-psychiatric) hospitals comes from governments. The Australian Government's contribution—estimated at 47.9% in 2001–02 (Table 24)—is largely in the form of specific-purpose grants under the AHCAs. The states and territories, which have the major responsibility for operating and regulating public hospitals that operate within their jurisdictions, meet the balance of the net operating costs of the hospitals. In 2001–02, the contribution of the states and territories accounted for 46.2% of the funding for public (non-psychiatric) hospitals.

The non-government contribution changed little over the decade, fluctuating around the $1 billion mark.

Table 24: Funding of public (non-psychiatric) hospitals, current prices, by broad source of funds, 1991–92 to 2001–02

	Government					
	Australian Government		State/territory and local		Non-government	
Year	Amount ($m)	Share (%)	Amount ($m)	Share (%)	Amount ($m)	Share (%)
1991–92	4,365	42.7	4,339	47.9	879	9.4
1992–93	4,614	44.6	4,291	46.3	869	9.1
1993–94	5,071	49.4	3,871	40.5	977	10.2
1994–95	5,180	48.6	4,263	41.9	979	9.6
1995–96	5,278	47.3	4,843	43.5	1,025	9.2
1996–97	5,465	45.2	5,558	46.1	1,048	8.7
1997–98	5,898	45.2	6,191	47.4	984	7.4
1998–99	6,650	48.0	6,351	45.8	879	6.3
1999–00	6,978	47.8	6,447	44.1	1,190	8.1
2000–01	7,481	48.8	6,999	45.6	862	5.6
2001–02[(a)]	7,993	47.9	7,707	46.2	978	5.9

(a) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

While the shares of funding met by the two major levels of government—Australian and state and territory—fluctuate from year-to-year, longer term comparisons show some stability (Table 25; Figure 14). The Australian Health Care Agreement 5-year cycle seems to be associated with fluctuations over the period. In particular, the Australian Government's share rose substantially in 1993–94 and 1998–99—the first years of the two Agreement periods.

Table 25: Recurrent funding of public (non-psychiatric) hospitals, constant prices[a], by source of funds, and annual growth rates 1991–92 to 2001–02

	Government									
	Australian Government[b]		State/territory and local		Total		Non–government[b]		Total	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1991–92	4,598	. .	5,160	. .	9,757	. .	1,022	. .	10,779	. .
1992–93	4,874	6.0	5,052	–2.1	9,927	1.7	989	–3.2	10,916	1.3
1993–94	5,516	13.2	4,516	–10.6	10,033	1.1	1,140	15.3	11,173	2.4
1994–95	5,682	3.0	4,891	8.3	10,572	5.4	1,126	–1.3	11,698	4.7
1995–96	5,922	4.2	5,448	11.4	11,370	7.5	1,157	2.8	12,527	7.1
1996–97	6,029	1.8	6,165	13.1	12,194	7.2	1,165	0.6	13,358	6.6
1997–98	6,387	5.9	6,729	9.2	13,116	7.6	1,070	–8.1	14,186	6.2
1998–99	7,030	10.1	6,715	–0.2	13,745	4.8	929	–13.2	14,674	3.4
1999–00	7,212	2.6	6,663	–0.8	13,875	0.9	1,230	32.4	15,104	2.9
2000–01	7,481	3.7	6,999	5.0	14,479	4.4	862	–29.9	15,341	1.6
2001–02[c]	7,742	3.5	7,464	6.7	15,207	5.0	947	9.8	16,154	5.3
Average annual growth rate										
1992–93 to 1997–98		5.6		5.9		5.7		1.6		5.4
1997–98 to 2001–02		4.9		2.6		3.8		–3.0		3.3
1991–92 to 2001–02		5.3		3.8		4.5		–0.8		4.1

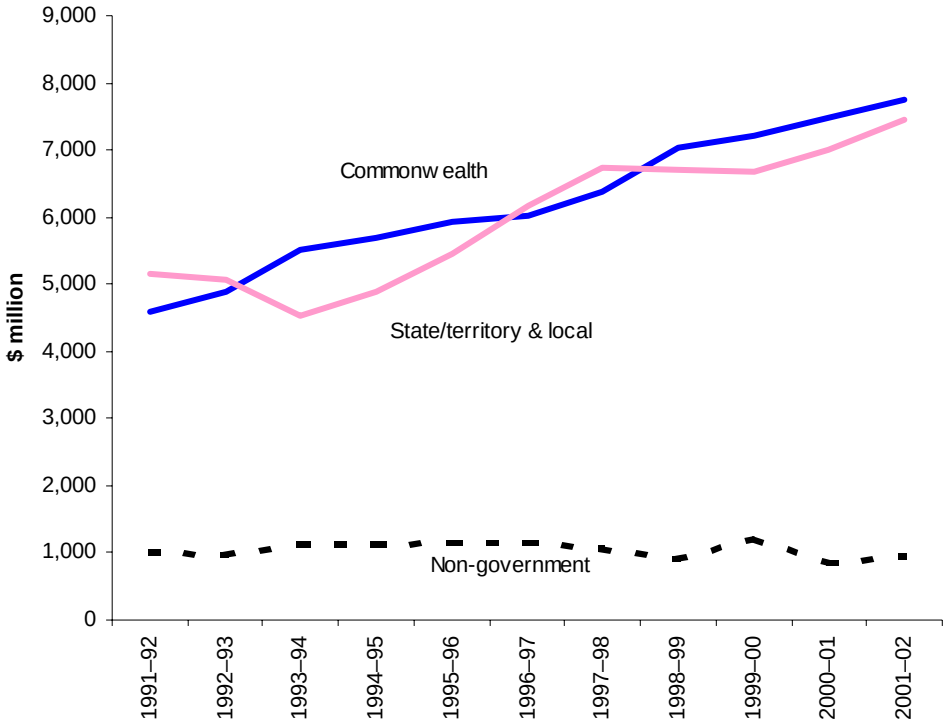
(a) constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

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

(c) Based on preliminary AIHW and ABS estimates.

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

Source: AIHW health expenditure database.



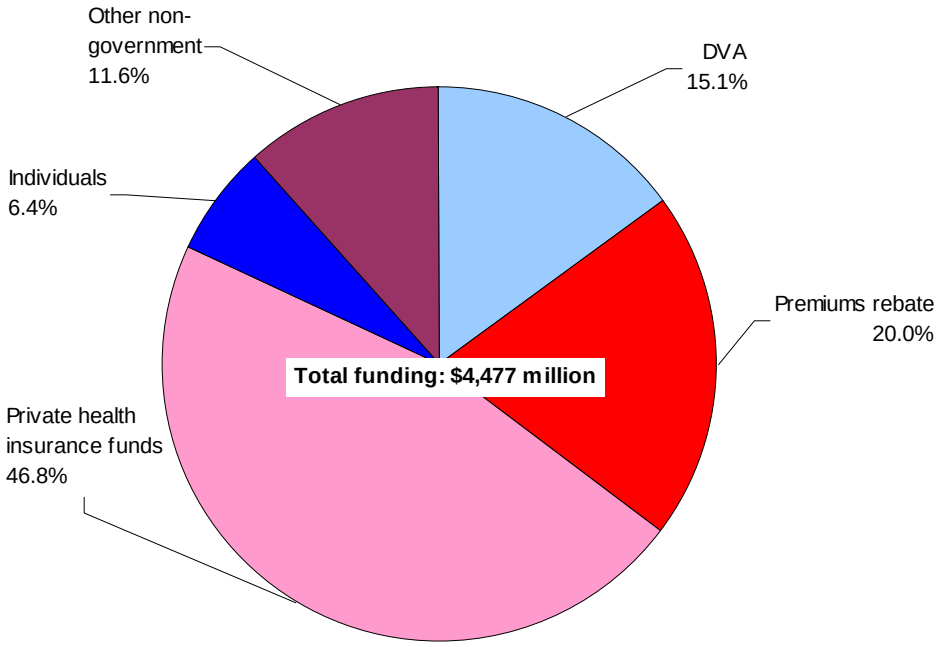
(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

Source: Table 25.

Figure 14: Funding of public (non-psychiatric) hospitals, constant prices[(a)], by broad source of funds, 1991–92 to 2001–02

Private hospitals

Total expenditure on private hospitals in 2000–01 is estimated at $4,477 million (Figure 15). More than two-thirds (66.8%) of this was sourced through private health insurance funds. Of this, 46.8% was funded out of the premiums paid by members and other revenues flowing to the funds; the remaining 20.0%was indirectly funded out of the rebates paid by the Australian Government in respect of contributors' premiums. In 2000–01 those rebates, in total, amounted to $1.9 billion (Table 20), and $0.9 billion of that is estimated to have been directed to the funding of private hospitals.



Source: Table A3

Figure 15: Funding of private hospitals, current prices, by broad source of funds, 2000–01

Public (psychiatric) hospitals

Public (psychiatric) hospitals are stand-alone institutions operated by, or on behalf of, state and territory governments. Their main function is to provide psychiatric care to admitted patients. It should be noted that institutions classified in this publication as public (non-psychiatric) hospitals also provide psychiatric care, sometimes in general wards and sometimes in dedicated psychiatric wards. The related expenditure, however, is not separately captured as expenditure on psychiatric care.

Total expenditure on public (psychiatric) hospitals in 2001–02 is estimated at $409 million. Almost all of this ($385 million) was funded by state and territory and local governments.

High-level residential aged care services

People receiving residential aged care are categorised according to the level of care they require and receive. Each resident is placed in 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 come within the four highest levels of care are regarded as receiving

welfare services, and none of the expenditure related to that care is classified as health services expenditure.

Total recurrent expenditure on high-level residential aged care in 2000–01 was $3,899 million. Of this, the Australian Government funded $2,877 million, state and territory and local governments funded $284 million and the non-government sector $737 million (Table A3, page 75).

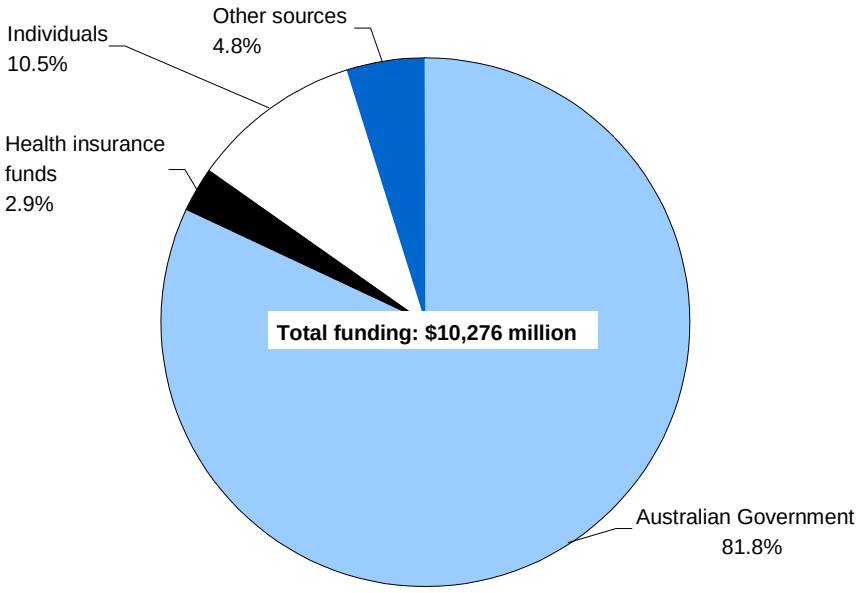
Non-institutional health services

Medical services

Expenditure on medical services does not include the medical care component of hospital care provided to admitted patients in public hospital. Nor does it include medical services provided at outpatient clinics in public hospitals (see Section 4.1).

Between 1991–92 and 2000–01 expenditure on medical services increased, in real terms, at an average of 3.7% per year (Table 26). Between 1999–00 and 2000–01 the rate of growth was 1.5%.

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 $10.3 billion spent on medical services in 2000–01, some 81.8% was funded by the Australian Government (Figure 16). This was made up almost exclusively of medical benefits paid under Medicare, with some funding from the Department of Veterans' Affairs for medical services to eligible veterans and their dependants, as well as payments to general practitioners under alternative funding arrangements.



Source: Table A3.

Figure 16: Recurrent expenditure on medical services, current prices, by source of funds, 2000–01

Because it provides the bulk of the funding for medical services, the Australian Government's expenditure was the main determinant of growth. Between 1991–92 and 1993–94, the Australian Government's expenditure grew at an average of 8.2% per year while expenditure by individuals fell by 3% per year. This reflects the considerable growth in the direct billing rate for medical services in this period[1]. In 1991–92 the rate had been 62.8% of services; it rose to 65.1% in 1992–93 and then to 68.1% in 1993–94.

As Australian Government expenditure slowed from 1994–95 to 1998–99 expenditure by individuals accelerated. In 1999–00 expenditure by the Australian Government grew by 5.9% while expenditure by individuals grew by 0.1%. In 2000–01 Australian Government expenditure grew more slowly while health insurance funds accelerated sharply by 43.3%.

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

Table 26: Recurrent funding of medical services, constant prices[(a)] by source of funds, and annual growth rates, 1991–92 to 2000–01

	Australian Government		Individuals		Health insurance funds		Other non-government		Total	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1991–92	5,595	. .	1,082	. .	296	. .	411	. .	7,384	. .
1992–93	6,160	10.1	1,080	–0.2	317	6.9	448	9.0	8,004	8.4
1993–94	6,552	6.4	1,019	–5.7	311	–1.9	441	–1.5	8,323	4.0
1994–95	6,889	5.1	968	–5.0	294	–5.4	502	13.7	8,653	4.0
1995–96	7,231	5.0	961	–0.7	281	–4.2	502	0.0	8,975	3.7
1996–97	7,423	2.7	986	2.6	277	–1.7	529	5.4	9,214	2.7
1997–98	7,630	2.8	1,021	3.5	237	–14.2	500	–5.5	9,388	1.9
1998–99	7,824	2.5	1,070	4.8	224	–5.8	524	4.8	9,641	2.7
1999–00	8,284	5.9	1,072	0.1	209	–6.7	556	6.0	10,120	5.0
2000–01	8,407	1.5	1,078	0.6	299	43.3	492	–11.5	10,276	1.5
Average annual growth rate										
1992–93 to 1997–98		4.4		–1.1		–5.6		2.2		3.2
1997–98 to 2000–01		3.3		1.8		8.0		–0.6		3.1
1991–92 to 2000–01		4.6		—		0.1		2.0		3.7

(a) Constant price health expenditure for 1991–92 to 2000–01 is expressed in chain volume measures, referenced to the year 2000–01.

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

Source: AIHW health expenditure database.

Other professional services

Expenditure on other professional services is largely funded by individual users of services (60% in 2000–01).

In real terms, expenditure on other professional services grew at an average of 3.4% per year between 1991–92 and 2000–01 (Table A5). Between 1997–98 and 2000–01 it grew by 12.3% per year. As a proportion of recurrent health expenditure it has remained fairly constant in each year.

Community and public health services

Expenditures on 'community health' and 'public health' are combined here because of the considerable definitional difficulties in dividing some expenditure 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 2000–01 expenditure by state and territory governments and by local government authorities totalled $2.5 billion out of a total of $3.1 billion spent on community and public health services (Table A3). While reliable estimates are not available for earlier years, public health expenditure data for 2000–01 have been collected from each of

the jurisdictions using a collection protocol developed through the National Public Health Expenditure Project (AIHW 2001b).

Pharmaceuticals and other non-durable health goods

Expenditure recorded for pharmaceuticals and other non-durable health goods 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. It includes expenditure on therapeutic goods of a type that would be sold by pharmacies—for example, 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 such as supermarkets and health stores. 'Health foods', such as bran and malt, are not included.

In real terms, total expenditure on pharmaceuticals increased by 17.1%, to $8,085 million in 2000–01 (Table A3 and Table A5). While total expenditure experienced consistent growth between 1991–92 and 2000–01, 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 for which benefits were actually paid. Items that are listed on the PBS but have a price below the statutory patient co-payment are recorded in the 'all other pharmaceuticals' category.

Benefit-paid items

In real terms, expenditure on benefit-paid items grew at an average of 11.3% per year from 1991–92 to 2001–02 (Table 27). The period of most rapid growth was from 1997–98 to 2001–02, when growth averaged 13.1% per year, greater than the overall rate of growth in health expenditure. Growth in that period was shared between the Australian Government (14.0%) and individuals (8.8%).

Table 27: Recurrent expenditure on benefit-paid pharmaceuticals, constant prices[a], by source of funds, and annual growth rates, 1991–92 to 2001–02

	Australian Government		Individuals		Total	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1991–92	1,554	. .	363	. .	1,917	. .
1992–93	1,880	21.0	422	16.3	2,302	20.1
1993–94	1,929	2.6	404	–4.3	2,333	1.3
1994–95	2,124	10.1	469	16.2	2,593	11.2
1995–96	2,538	19.5	500	6.4	3,038	17.1
1996–97	2,749	8.3	556	11.2	3,305	8.8
1997–98	2,808	2.2	599	7.8	3,407	3.1
1998–99	3,096	10.3	628	5.0	3,725	9.3
1999–00	3,528	13.9	681	8.4	4,210	13.0
2000–01	4,316	22.3	775	13.8	5,091	20.9
2001–02[b]	4,743	9.9	840	8.4	5,583	9.7
Average annual growth rate						
1992–93 to 1997–98		8.4		7.2		8.2
1997–98 to 2001–02		14.0		8.8		13.1
1991–92 to 2001–02		11.8		8.7		11.3

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(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.

In real terms, expenditure on other pharmaceutical items grew by an average of 6.8% between 1991–92 and 2001–02 (Table 28). To some extent, this growth 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. Expenditure by the Australian Government from 1997–98 reflects the private health insurance rebates.

The main sources of funding for other pharmaceutical items are individuals' out-of-pocket expenditure and ancillary tables provided by private health insurance funds. The most rapid period of growth (10.0%) was from 1997–98 to 2001–02, which can largely be attributed to growth in expenditure by individuals (9.5%).

Table 28: Recurrent funding of other pharmaceuticals, constant prices[a], by source of funds, and annual growth rates, 1991–92 to 2001–02

	Australian Government		State/territory 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 (%)
1991–92	. .	. .	. .	. .	45	. .	1,693	. .	1,738	. .
1992–93	. .	. .	. .	. .	48	5.6	1,682	–0.6	1,730	–0.5
1993–94	. .	. .	. .	. .	50	5.2	1,705	1.4	1,755	1.5
1994–95	. .	. .	2	. .	48	–4.3	1,850	8.5	1,899	8.2
1995–96	. .	. .	12	661.8	49	2.5	1,751	–5.4	1,812	–4.6
1996–97	. .	. .	12	–0.1	47	–3.6	1,922	9.8	1,982	9.4
1997–98	3	. .	17	44.5	33	–31.2	2,247	16.9	2,300	16.1
1998–99	7	123.9	—	. .	30	–8.0	2,414	7.4	2,451	6.6
1999–00	14	84.1	—	. .	31	4.0	2,647	9.7	2,692	9.8
2000–01	79	484.4	—	. .	37	19.8	2,878	8.7	2,995	11.2
2001–02[b]	84	5.2	—	. .	46	22.0	3,236	12.4	3,365	12.4
Average annual growth rate										
1992–93 to 1997–98		. .		. .		–7.3		6.0		5.9
1997–98 to 2001–02		124.4		. .		8.7		9.5		10.0
1991–92 to 2001–02		. .		. .		0.1		6.7		6.8

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Based on preliminary AIHW estimates.

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

Source: AIHW health expenditure database.

Aids and appliances

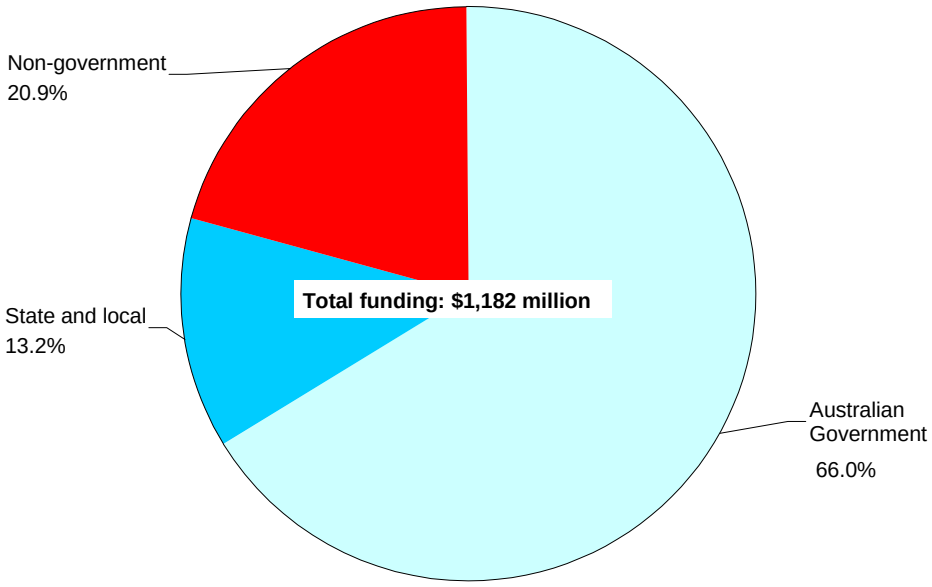
'Aids and appliances' takes in a wide range of medical durable goods such as spectacles, hearing aids and other devices. Expenditure on this item grew by 23.4%, to $2,108 million, in 2000–01 (Table A3; Table A5) and by 10.4% in real terms over the period 1991–92 to 2000–01. Revisions to the ABS estimate of household final consumption expenditure for medicines, aids and appliances resulted in substantial upward revisions to this series (see Chapter 6).

Research

'Research' takes in research done at tertiary institutions, in private non-profit organisations and in government facilities. It does not include commercially oriented research carried out 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 estimated expenditure on health research in 2000–01 was $1,182 million (Table A3). In real terms, estimated expenditure grew at an average of 9.0% per year between 1991–92 and 2000–01 (Table A5). Most of this (66.0%) was funded by the Australian Government (Figure 17). State and territory and local governments

provided 13.2% of funding for research and a further 20.9% was provided by non-government sources.



Source: Table A3.

Figure 17: Recurrent expenditure on health research, current prices, by broad source of funds, 2000–01

Table 29: Recurrent funding for health research, constant prices[a], and annual growth rates, by broad source of funds, 1991–92 to 2001–02

	Government							
	Australian Government		State/territory and local		Non-government		Total	
Year	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)	Amount ($m)	Growth (%)
1991–92	363	. .	117	. .	64	. .	544	. .
1992–93	415	14.4	43	–63.5	87	35.6	545	0.1
1993–94	440	6.1	67	56.2	100	14.9	607	11.4
1994–95	450	2.2	105	57.6	112	12.8	668	10.0
1995–96	493	9.5	94	–10.7	121	7.8	708	6.0
1996–97	504	2.3	111	18.2	129	6.8	745	5.2
1997–98	459	–8.9	103	–7.6	139	7.4	701	–5.9
1998–99	533	16.1	97	–5.8	127	–8.4	757	8.0
1999–00	647	21.3	126	30.2	204	60.5	977	29.1
2000–01	780	20.6	156	23.2	246	20.7	1,182	20.9
2001–02[b]	813	4.3	162	4.0	220	–10.7	1,195	1.1
Average annual growth rate								
1992–93 to 1997–98		2.0		19.2		9.9		5.2
1997–98 to 2001–02		15.4		12.0		12.2		14.3
1991–92 to 2001–02		8.4		3.3		13.2		8.2

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(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 50 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 such as 10 years. In real terms, capital expenditure on health facilities and investments, in 2000–01 was $2,631 million, 4.3% of total health expenditure. In 2001–02 it is estimated at $2,842 million.

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

State and territory and local governments, in contrast, devote much of their resources to new and replacement capital for government service providers (for example, hospitals and community health facilities). There were particularly high levels of capital expenditure in Queensland towards the end of the 1990s as some of the state's very old or run-down capital stock was replaced.

Typically, capital expenditure by the non-government sector accounts for between one-third and half of all capital outlays in any year. This is largely the result of investment in private hospitals and residential aged care facilities.

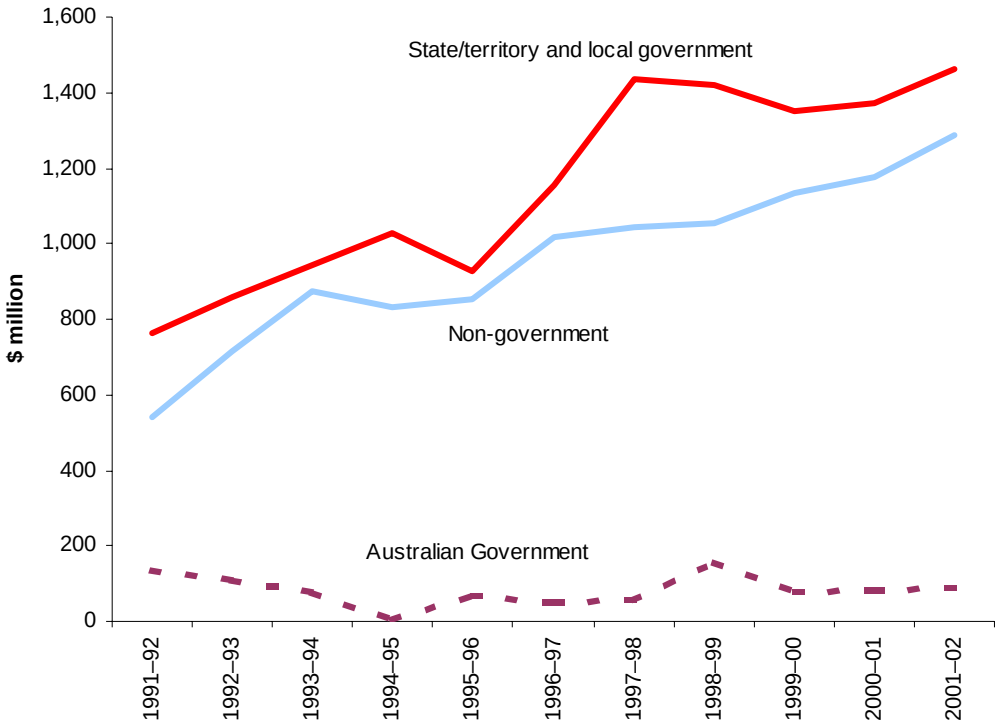
Table 30: Outlays on capital, constant prices[a], by source of funds, 1991–92 to 2001–02 ($ million)

Year	Australian Government	State/territory and local	Non-government	Total
1991–92	140	761	542	1,443
1992–93	113	856	716	1,686
1993–94	79	941	876	1,897
1994–95	7	1,026	832	1,865
1995–96	67	926	855	1,848
1996–97	52	1,155	1,015	2,222
1997–98	60	1,434	1,045	2,538
1998–99	158	1,420	1,054	2,631
1999–00	79	1,350	1,132	2,561
2000–01	84	1,373	1,174	2,631
2001–02[b]	92	1,461	1,289	2,842

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.



(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

Source: Table 30.

Figure 18: Outlays of capital, constant prices[(a)] by broad source of funds, 1991–92 to 2001–02

4.3 Capital consumption by governments

Estimated capital consumption (depreciation) by governments was $970 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 prices[a], and annual growth rates, 1991–92 to 2001–02

	Current prices	Constant prices	
Year	$ million		Real growth (%)
1991–92	497	514	. .
1992–93	508	525	2.2
1993–94	523	537	2.3
1994–95	529	543	1.1
1995–96	571	581	7.0
1996–97	531	544	–6.5
1997–98	579	589	8.3
1998–99	877	889	50.9
1999–00	934	954	7.3
2000–01	970	970	1.7
2001–02[b]	1,033	1,015	4.6

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.