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Contents

Acknowledgments	v
Abbreviations	vi
Symbols	viii
Summary	ix
1 Background	1
1.1 The structure of the health sector and its flow of funds.....	4
1.2 Changes to AIHW estimates	6
1.3 Revisions to ABS estimates.....	6
1.4 Structure of report.....	6
2 Total health expenditure	8
2.1 Nominal change in health expenditure	8
2.2 Health expenditure and the GDP	9
2.3 Health expenditure per person.....	14
2.4 Recurrent health expenditure.....	15
3 Funding of health expenditure	22
3.1 Broad trends.....	22
3.2 Australian Government funding	27
3.3 State and territory governments and local government authorities.....	30
3.4 Non-government funding.....	30
4 Health expenditure and funding, by area of health expenditure	43
4.1 Recurrent expenditure.....	43
4.2 Capital expenditure	79
4.3 Non-specific tax expenditures.....	81
5 International comparisons	82
5.1 Health expenditure in OECD countries.....	83
5.2 Health expenditure in the Asia-Pacific region.....	89
5.3 Australian health expenditure using the OECD System of Health Accounts framework.....	90
6 Technical notes	95
6.1 General.....	95
6.2 Definition of health expenditure.....	96
6.3 Data and methods used to produce estimates.....	97

6.4 Changes in data sources and methodologies used in this report.....	103
6.5 Changes in ABS estimates of GDP.....	104
Appendix tables.....	105
Appendix A: National health expenditure matrices, 2007-08 to 2009-10.....	106
Notes to Appendix A tables.....	116
Appendix B: State and territory health expenditure matrices, 2007-08 to 2009-10.....	117
Notes to Appendix B tables.....	142
Appendix C: Detailed disaggregation of selected areas of health expenditure, 2008-09 ...	143
Notes to Appendix C tables.....	148
Appendix D: Price indexes and deflation.....	149
Price indexes.....	149
Appendix E: Population.....	154
Glossary.....	157
References.....	169
List of tables.....	172
List of figures.....	177
List of boxes.....	178

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Abbreviations

ABS	Australian Bureau of Statistics
AHCAs	Australian Health Care Agreements
AIHW	Australian Institute of Health and Welfare
COAG	Council of Australian Governments
CPI	consumer price index
DoHA	Australian Government Department of Health and Ageing
DVA	Australian Government Department of Veterans' Affairs
GDP	gross domestic product
GFCE	government final consumption expenditure
GFS	government finance statistics
GHE	government health expenditure
GP	general practitioner
HEAC	Health Expenditure Advisory Committee
HFCE	household final consumption expenditure
ICHA	International Classification for Health Accounts
IPD	implicit price deflator
LHC	Lifetime Health Cover
MBS	Medicare Benefits Schedule
NHA	National Health Accounts
NICNAS	National Industrial Chemicals Notification and Assessment Scheme
NMDS	national minimum data set
NP	National partnership
OECD	Organisation for Economic Co-operation and Development
OGTR	Office of Gene Technology Regulator
PBS	Pharmaceutical Benefits Scheme
PET	positron emission tomography
PHE	public hospital establishments

PHIAC	Private Health Insurance Administration Council
PHIIS	Private Health Insurance Incentives Scheme
PHOFAs	Public Health Outcome Funding Agreements
PPP	purchasing power parity
RPBS	Repatriation Pharmaceutical Benefits Scheme
SHA	System of Health Accounts
SPP	Specific purpose payment
TGA	Therapeutic Goods Administration
THPI	total health price index
WHO	World Health Organization

Symbols

–	nil or rounded down to zero
..	not applicable
n.a.	not available
n.e.c.	not elsewhere classified

Summary

Expenditure on health in Australia has increased from \$72.2 billion in 1999–00 to \$121.4 billion in 2009–10. At the same time, Australia's gross domestic product (GDP) increased from \$951.0 billion to \$1,284.8 billion, so health expenditure as a proportion of GDP has gone from 7.9% in 1999–00 to 9.4% of GDP in 2009–10. The \$121.4 billion spent on health goods and services during 2009–10 averaged out at \$5,479 per Australian.

This report looks at the period from 1999–00 to 2009–10 and includes important information about the costs of health care in Australia, in terms of both the total number of dollars spent and the proportion of Australia's national income that is spent on health. It also looks at the types of health goods and services that attracted funding and where that funding came from. The report also examines Australia's health spending from an international perspective – how it compares with the region and with other developed economies.

Shares of expenditure

Of the total spent in 2009–10, 95.8% (\$116.3 billion) was recurrent expenditure on health goods and services. The remaining 4.2% was capital expenditure (\$5.0 billion).

Spending on public hospital services in 2009–10 was estimated at \$36.2 billion or 31.2% of total recurrent health expenditure. Expenditure on medical services at \$21.2 billion, or 18.3% of recurrent expenditure, and medications, at \$16.3 billion (14.0%), were other major contributors to total recurrent health spending.

Growth in expenditure

Total health expenditure grew by \$7.9 billion between 2008–09 and 2009–10, representing growth of 7.0% in nominal terms or 3.6% in real terms (after adjustment for inflation).

Increased spending on public hospital services of \$1.5 billion in real terms was the largest component of the overall increase in spending in 2009–10, accounting for just under one-third (30.7%) of the increase in that year, followed by spending on medications which grew by \$1.0 billion.

Total recurrent funding for medications increased by 6.8% between 2008–09 and 2009–10, just under the average growth of the previous 7 years of 7.3% (2003–04 to 2009–10). A 7.5% growth in expenditure on benefit-paid pharmaceuticals between 2008–09 and 2009–10 strongly influenced this increase.

The area of expenditure with the highest percentage growth was health research, which grew by 10.8% in real terms; although this is likely to partly reflect the impact of a changed survey methodology that the Australian Bureau of Statistics (ABS) uses. Dental services (largely made up of private providers) had the second highest percentage growth in 2009–10 – up 7.5%.

Between 1999–00 and 2009–10, Australia's expenditure on health in real terms grew at an average of 5.3% per year, compared with average real growth in GDP of 3.1% per year.

Percentage of GDP

Spending on health accounted for 9.4% of GDP in 2009–10, an increase of 0.4 percentage points from 2008–09. In 2008–09, Australia adopted a new international standard, the System of National Accounts 2008, with an increased scope of production activities. To enable comparisons on a consistent basis, percentages of health expenditure to GDP reported in this publication have been revised back to 1999–00. As such, they differ from previously published estimates.

Government share of expenditure

Governments funded 69.9% of total health expenditure during 2009–10, up from 69.3% in 2008–09 and 69.2% of expenditure in 1999–00. The contribution of the Australian Government was 43.6% of total funding, while state, territory and local governments contributed 26.3% (non-government funding sources provided the remaining 30.1%). The Australian Government's share of public hospital funding was 39.7% in 2009–10, less than its 44.6% share in 1999–00 but an increase from 38.6% in 2006–07. State and territory governments' share of public hospital expenditure was 50.6% in 2009–10, down from 51.2% in 2008–09.

Expenditure in each state and territory

In 2009–10, the estimated national average level of recurrent expenditure on health was \$5,251 per person. In that year, expenditure in Western Australia (\$5,128 per person) was 2.3% below the national average, while the Northern Territory's average spending (\$6,549 per person) was 24.7% higher than the national average. The average annual real growth per person over the period 1999–00 to 2009–10 was highest in South Australia and the Northern Territory (4.3%) compared with the national average of 3.9.

The average annual growth in recurrent health expenditure between 2004–05 and 2009–10 ranged between 3.6% in the Australian Capital Territory and 7.5% in Queensland. In comparison, the national average growth in recurrent health expenditure was 5.4% in the same period.

International comparisons

According to the Organisation for Economic Co-operation and Development (OECD) definitions, Australia's health expenditure as a proportion of GDP was 9.1%, which was 0.5 percentage points lower than the median in 2009 for member states of the OECD. Australia spent a similar proportion of GDP on health as Slovak Republic, Finland, Italy, Spain and Ireland. United States health expenditure as a proportion of GDP in 2009 was the highest at 17.4%. International comparisons are more difficult to interpret at the moment as not all countries have adopted the new international standard for measuring GDP.

Government funding of health expenditure as a proportion of total health expenditure was 68.1% for Australia in 2009 compared to the median for OECD countries of 75.0%.

1 Background

Regular reporting of national health expenditure statistics is vital to understanding the characteristics of Australia's health system and how it has changed over time. This publication reports health expenditure in Australia, by area of expenditure and source of funds, for the period 1999–00 to 2009–10. These statistics show the proportion of economic resources allocated through the health-care system. They also show the rates of growth in the use of those resources over the period. Expenditure is analysed in terms of who provides the funding for health care and the types of services that attract that funding. See Box 1.1 for definitions of health expenditure and health funding.

Box 1.1: Defining health expenditure and health funding

Health expenditure

Health expenditure is reported in terms of who spends the money, rather than who ultimately provides the money for any particular expenditure. In the case of public hospital care, for example, the states and territories incur all expenditures (that is, expenditure on accommodation, medical and surgical supplies, drugs, salaries of doctors and nurses, and so forth) are incurred by the states and territories, but transfers from the Australian Government fund a considerable proportion of those expenditures.

Health funding

Health funding is reported in terms of who provides the funds that are used to pay for health expenditure. In the case of public hospitals, for example, the Australian Government funded 41.5% in 2009–10 and the states and territories funded 48.4%, together providing 89.9% of the funding; these funds are derived ultimately from taxation and other sources of government revenue (Table 4.6). Some other funding for public hospitals comes from private health insurers and from individuals who incur an out-of-pocket cost when they choose to be treated as private patients.

The format that the AIHW has used for reporting expenditure on health since 1985 is based on the World Health Organization's (WHO) reporting structure, which it adopted during the 1970s. That WHO structure was generally referred to as the National Health Accounts (NHA). The Australian version is the Australian National Health Accounts. Australia's reporting format has not changed markedly since the Institute's first national health expenditure report in 1985, despite considerable change in the way health care is delivered and financed.

In 2000, the OECD published a new international reporting framework, known as the System of Health Accounts (SHA). The WHO adopted this framework as its international health expenditure reporting standard. The AIHW has incorporated the SHA framework into its database and reports to the OECD each year using that framework. Since 2007, the OECD has been revising its SHA manual and a pre-edited version of the SHA Manual version 2 was released on the OECD website in March 2011 (OECD 2011b). The AIHW will work towards reporting its health expenditure to the OECD in accordance with the new guidelines.

In Chapter 5, the SHA framework is used to compare Australia with other member countries of the OECD, as well as other countries in the Asia-Pacific region.

The tables and figures in this publication provide expenditure in terms of current and constant prices (Box 1.2). Constant price expenditure adjusts for the effects of inflation using either the annually re-weighted chain price indexes produced by the ABS, or either ABS or AIHW implicit price deflators (IPDs). Because the reference year for both the chain price indexes and the IPDs is 2009-10, the constant price estimates indicate what expenditure would have been had 2009-10 prices applied in all years.

Throughout this publication there are references to the general rate of inflation. These refer to changes in economy-wide prices, not just consumer prices. The ABS calculates the general rate of inflation using the IPD for GDP.

Box 1.2: Expenditure at current and constant prices

Current price estimates

Expenditure at 'current prices' refers to expenditure reported for all years, unadjusted for movements in prices from one year to another (that is, unadjusted for inflation).

Changes in the current price estimates of expenditure from year to year come about through a combination of the effects of changes in:

- (a) the quantities of goods and services
- (b) the prices of those goods and services.

Price changes invalidate comparisons in expenditure at current prices over longer time periods. This is because the value of the currencies that purchased those goods and services generally decreases over time due to inflation.

Deflation and constant price estimates

In order to be able to compare estimates of expenditures in different time periods, it is necessary to compensate for the differences in the values of the currencies that purchased those expenditures. This is possible if the second effect (price changes) is removed. This process is known as 'deflation'.

The result of deflation is a series of annual estimates of expenditure that are all expressed in terms of the value of currency in one selected reference year. These are known as estimates of expenditure at 'constant prices'.

The result is the equivalent to changes from year to year in the quantities of goods and services. This same effect could be achieved if it was possible to actually measure the changes in the different goods and services that make up health expenditure. The main reason for expressing the growth in currency values is that this allows the quantities of the individual goods and services to be aggregated (it is possible to sum the estimated expenditure on hospital services, pharmaceuticals, medical services, and so forth and achieve a meaningful total). Aggregation would not be possible if the quantities were expressed in terms of, say, the numbers of the diverse goods and services.

Deflators

The AIHW has identified tools that it can use to calculate average changes in prices for each of the health goods and services categories that make up total health expenditure in Australia. These are known as 'deflators'. Deflators are useful for removing the effect of those price changes. Because the prices of different goods and services move at different rates, no one deflator can be used to deflate all expenditures (see Appendix D for more information).

Growth in expenditures

Changes in constant price estimates from year to year are referred to throughout this report as either 'growth in real terms' or 'real growth' or simply as 'growth'. These terms are used interchangeably and reflect only the changes in the quantities of health goods and services; they do not include changes that are due to variations in prices of these goods and services from year to year. The reference year used in this report is 2009–10.

Nominal change in expenditures

Changes from year to year in the estimates of expenditure at current prices are referred to throughout this report as 'nominal changes in expenditure', 'in nominal terms' or 'nominal changes'. These reflect changes that come about because of the combined effects of inflation and increase in the amount of health goods and services that are produced.

1.1 The structure of the health sector and its flow of funds

The flow of money around the Australian health care system is complex and is determined by the institutional frameworks in place, both government and non-government. Australia is a federation, governed by a national government (the Australian or Commonwealth Government) and eight state and territory governments. Both these levels of government play important roles in the provision and funding of health care. In some jurisdictions, local governments also play a role. All of these levels of government collectively are called the government sector. What remains is the non-government sector, which, in the case of funding for health care, comprises individuals, private health insurers and other non-government funding sources (principally workers compensation and compulsory motor vehicle third-party insurers, but also including funding for research from non-government sources and miscellaneous non-patient revenue that hospitals receive). Figure 1.1 shows the major flows of funding between the government and non-government sectors and the providers of health goods and services.

Delivery of health care can occur in a diverse range of settings – hospitals, rehabilitation centres, community health centres, health clinics, ambulatory care services, the private consulting rooms of health practitioners, patients' homes or workplaces, and so on. Non-government providers deliver most non-hospital health care in Australia, among them private medical and dental practitioners, other health practitioners (such as physiotherapists, acupuncturists and podiatrists) and pharmaceutical retailers.

In summary, the following are the main features of Australia's health system (see Figure 1.1):

- Universal access to benefits is available for privately provided medical services under Medicare, which the Australian Government funds, with copayments by users when the services are not bulk-billed.
- Eligibility for public hospital services, free at the point of service, is funded jointly by the states and territories and the Australian Government.
- Private health insurance largely funds private hospital activity. The Australian Government, in turn, funds this through the 30–40% rebates on members' contributions to private health insurance.
- The Australian Government, through its Pharmaceutical Benefits Scheme (PBS) and Repatriation Pharmaceutical Benefits Scheme (RPBS), subsidises a wide range of pharmaceuticals outside public hospitals for the general public and eligible veterans, respectively.
- The Australian Government provides most of the funding for health research.
- State and territory health authorities are primarily responsible for public hospitals, mental health programs, the transport of patients, community health services, and public health programs and activities (for example, health promotion and illness prevention).
- Individuals primarily spend money on medications, dental services, aids and appliances, medical services, other health practitioner services and hospitals.

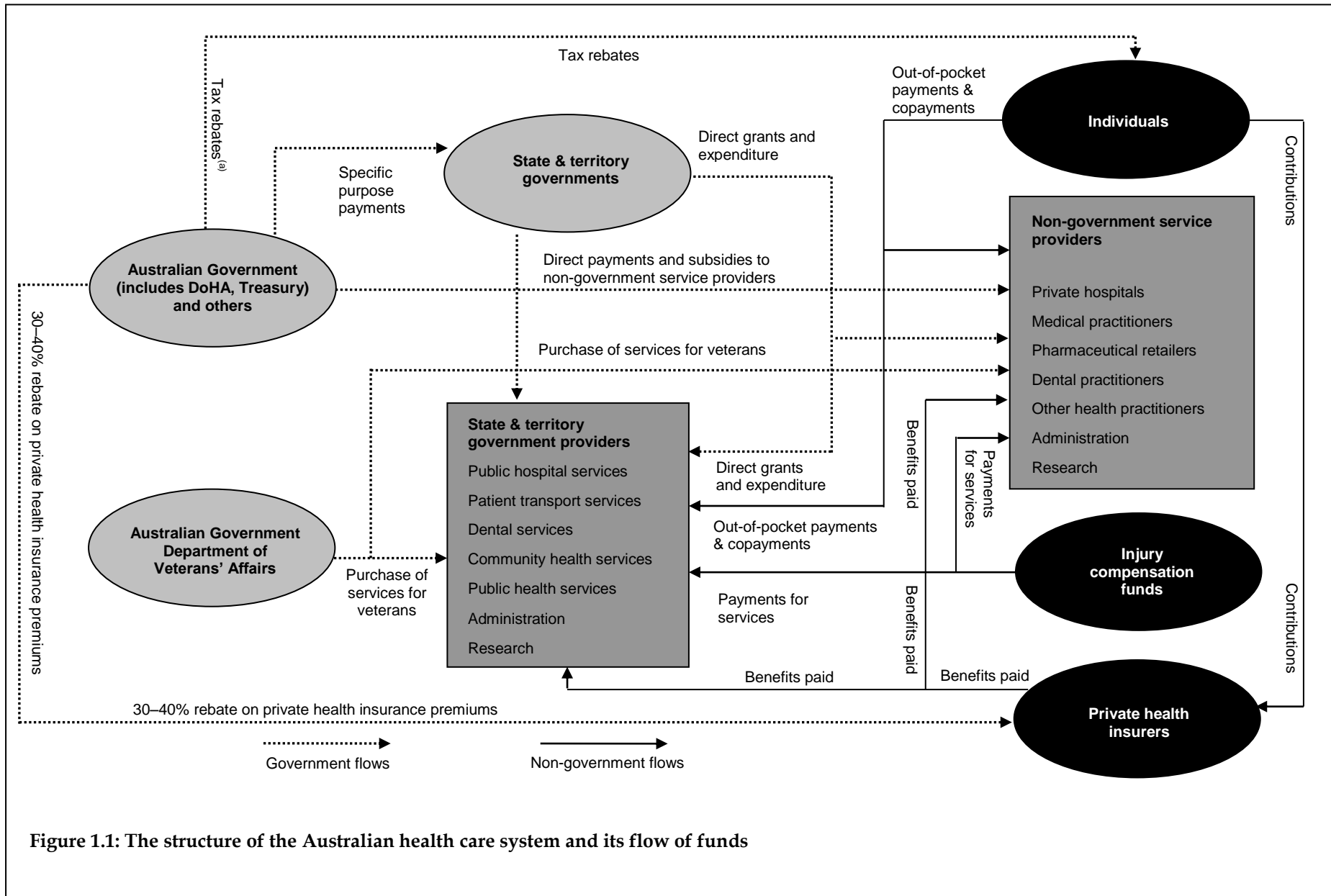


Figure 1.1: The structure of the Australian health care system and its flow of funds

1.2 Changes to AIHW estimates

There have been some revisions to previously published estimates of health expenditure, due to receipt of additional or revised data or changes in methodology. Comparisons over time should therefore be based on the estimates provided in this publication, or from the online data cubes, rather than by reference to earlier editions. For example, estimates in this report are not comparable with the data published in issues prior to 2005–06, because of the reclassification of expenditure on high-level residential aged care from ‘health services’ to ‘welfare services’.

In 2007–08, an important change was made to include capital consumption as part of recurrent health expenditure for all years (see Section 6.4 for details). In previous editions it had been shown as a separate (non-recurrent) form of expenditure. The AIHW’s online data cubes also incorporate this change for all years back to 1961.

The work of the Health Expenditure Advisory Committee (HEAC) (see Section 6.1) will, over time, further enhance the quality and comparability of health expenditure data reported in *Health expenditure Australia* publications. This may entail revisions and other changes in future issues of this publication.

1.3 Revisions to ABS estimates

Revisions to ABS estimates of GDP have affected the estimates in this publication, as in previous issues. GDP estimates for this publication are sourced from the ABS (ABS 2011b).

Australia has been one of the first countries to adopt a newly developed international standard, the System of National Accounts 2008. The new system has increased the scope of production activities included in the measurement of GDP. The changes have increased the size of Australia’s GDP, which has had the effect of reducing Australia’s health to GDP ratio, particularly in comparison with other countries that have not yet adopted the new standard.

This change has been applied retrospectively so health expenditure to GDP ratios for all years back to 1999–00 in this report are not consistent with those shown in previous *Health expenditure Australia* reports.

More information about the new System can be found at <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5310.0.55.002?OpenDocument>.

1.4 Structure of report

The first chapter of this report provides the background to the structure of the Australian health sector and how money flows throughout the system. It also explains a number of concepts important to the understanding of this report – namely, the distinction between health funding and expenditure, and reference to expenditure in current and constant price terms.

A broad picture of total national health expenditure in 2009–10 (and back to 1999–00) is presented in Chapter 2.

Chapter 3 analyses this expenditure in terms of who ultimately provided the funding for the expenditure – the Australian Government, state and territory and local governments, and the non-government sector.

Chapter 4 contains an analysis of health expenditure and funding by area of expenditure, including expenditure on public and private hospitals, patient transport, medical services, dental services, other health practitioner services, health goods (that is, medications and aids and appliances), community health and public health services, as well as health research. This chapter also covers expenditure on the investment in health facilities and equipment (capital expenditure) and capital consumption (depreciation) by governments and non-specific tax expenditure.

International comparisons, presented in Chapter 5, show how expenditure on health in Australia compares with selected OECD and Asia-Pacific countries.

Technical information on the definitions, methods and data is provided in Chapter 6.

The appendixes include more detailed national and state and territory health expenditure matrices; detailed disaggregations of expenditure on hospitals, medical services, other health practitioner services and medications; information on the price indexes and deflators; and population data.

2 Total health expenditure

Total expenditure on health goods and services in Australia in 2009–10 was estimated at \$121.4 billion (Table 2.1). Of this, 95.8% was recurrent expenditure and 4.2% was capital expenditure (Table 2.7). Expenditure in 2009–10 was 7.0% higher than in the previous year (an increase of \$7.9 billion). This was due to a 3.6% growth in real health expenditure and a health inflation rate of 3.2% during the year (see tables 2.1 and 2.4). This growth was 1.7 percentage points below the average for the decade 1999–00 to 2009–10 (5.3%).

Table 2.1: Total health expenditure, current and constant prices^(a), and annual rates of change, 1999–00 to 2009–10

Year	Amount (\$ million)		Change from previous year (%)	
	Current	Constant	Nominal change ^(b)	Real growth ^(b)
1999–00	52,570	72,160	..	..
2000–01	58,269	77,301	10.8	7.1
2001–02	63,099	81,000	8.3	4.8
2002–03	68,798	85,647	9.0	5.7
2003–04	73,509	88,597	6.8	3.4
2004–05	81,061	94,208	10.3	6.3
2005–06	86,685	96,761	6.9	2.7
2006–07	94,938	102,391	9.5	5.8
2007–08	103,563	109,148	9.1	6.6
2008–09	113,445	117,086	9.5	7.3
2009–10	121,355	121,355	7.0	3.6
Average annual change (%)				
1999–00 to 2004–05			9.0	5.5
2004–05 to 2009–10			8.4	5.2
1999–00 to 2009–10			8.7	5.3

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

(b) Nominal changes in expenditure from year to year refer to the change in current price estimates. Real growth is the growth in expenditure at constant prices. Refer to Box 1.2 for more information.

Source: AIHW health expenditure database.

2.1 Nominal change in health expenditure

A change in expenditure, at current prices, from one year to another can result from either changes in prices (inflation) or growth in volume; or a combination of both (see Box 1.2).

The first of these – inflation – can be further subdivided and analysed in terms of ‘general inflation’ and ‘excess health inflation’ (Box 2.1). The second – volume growth – is affected by things like changes in the population’s age structure, changes in the overall and relative intensity of use of different health goods and services, changes in technology and medical practice, and general economic and social conditions.

Box 2.1: Inflation

Inflation refers to changes in prices over time. Inflation can be positive (that is, prices are increasing over time) or negative.

General inflation

General inflation refers to the average rate of change in prices throughout the economy over time. The measure used for the general rate of inflation is the IPD for GDP.

Health inflation

Health inflation is a measure of the average rate of change in prices within the health goods and services sector of the economy. Changes in the total health prices index measure health inflation (see Appendix D).

Excess health inflation

Excess health inflation is the amount by which the rate of health inflation exceeds the general rate of inflation. Excess health inflation will be positive if health prices are increasing at a more rapid rate than prices generally throughout the economy. It will be negative when the general level of prices throughout the broader economy is increasing more rapidly than health prices.

Total health expenditure increased in nominal terms from \$52.6 billion in 1999–00 to \$121.4 billion in 2009–10 (Table 2.1).

2.2 Health expenditure and the GDP

The method used to calculate Australia's GDP was revised in September 2009, due to the ABS adopting the new international standard—the System of National Accounts 2008. These changes increased the scope of production activities included in the GDP, and these increases in GDP have correspondingly reduced health expenditure to GDP ratios compared to what these would have been using the previous definition of GDP.

This is the second *Health expenditure Australia* report published since the GDP revision. Health expenditure to GDP ratios for 2009–10 and for earlier years reported in this publication will not be consistent with those published in previous *Health expenditure Australia* reports.

The ratio of Australia's health expenditure to GDP (health to GDP ratio) can be viewed from two perspectives. It indicates the proportion of overall economic activity contributed by health expenditure and it shows the cost to the nation of providing its health system.

Spending on health accounted for 9.4% of GDP in 2009–10, an increase of 0.4 percentage points from 2008–09 and an increase of 1.5 percentage points from the 7.9% of GDP in 1999–00 (Table 2.2). The past year represents the largest annual increase in the ratio from 1999–00 to 2009–10.

Table 2.2: Total health expenditure and GDP, current prices, and annual health to GDP ratios, 1999–00 to 2009–10

Year	Total health expenditure (\$ million)	GDP (\$ million)	Ratio of health expenditure to GDP (%)
1999–00	52,570	663,810	7.9
2000–01	58,269	708,919	8.2
2001–02	63,099	759,028	8.3
2002–03	68,798	804,261	8.6
2003–04	73,509	865,271	8.5
2004–05	81,061	926,447	8.7
2005–06	86,685	1,001,440	8.7
2006–07	94,938	1,091,633	8.7
2007–08	103,563	1,185,740	8.7
2008–09	113,445	1,255,241	9.0
2009–10	121,355	1,284,827	9.4

Sources: AIHW health expenditure database and ABS 2011b.

Differential growth in health expenditure and GDP

The health to GDP ratio can change between periods for one or both of the following reasons:

- the level of use of health goods and services can grow at a different rate to the rate for all goods and services in the economy (a volume effect)
- prices in the health sector can move at different rates from those in the economy more generally (excess health inflation, see Box 2.1).

Thus, changes in the ratio, both up and down, can be as much to do with changes in GDP as with changes in health expenditure.

Over the decade from 1999–00 to 2009–10, expenditure on health grew in real terms at an average of 5.3% per year, compared with an average annual real growth in GDP of 3.1% (Table 2.3). Both GDP and health expenditure grew in every year from 1999–00 to 2009–10.

Apart from 2 years, 2003–04 and 2005–06, health expenditure grew more strongly than GDP for all years since 1999–00. The greatest difference between the growth of health expenditure and GDP occurred in 2008–09 when the health expenditure and GDP growth rates were 7.3% and 1.4%, respectively.

Real growth rates for GDP were generally higher for the period 1999–00 to 2004–05 (averaging 3.3%) compared to the average rate for the period 2004–05 to 2009–10 (2.8%). The average annual growth rate for health expenditure was 5.5% and 5.2% for the corresponding periods.

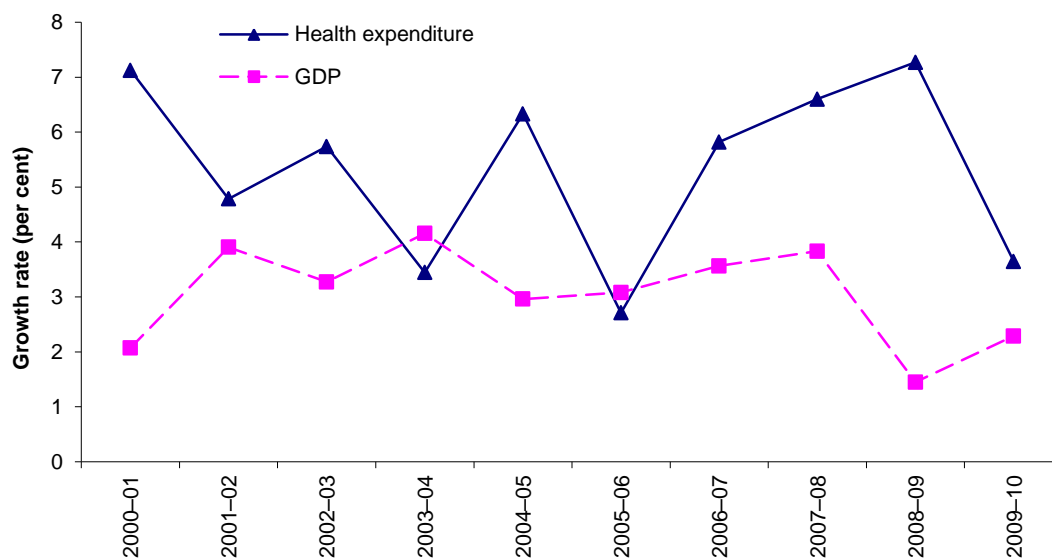
In 2009–10, real health expenditure increased by 3.6% and GDP increased by 2.3%. The real health expenditure growth rate for 2009–10 (3.6%) was 3.7 percentage points lower than the previous year and 1.7 percentage points lower than the average annual growth rate (5.3%) over the decade.

Table 2.3: Total health expenditure and GDP, constant prices^(a), and annual growth rates, 1999–00 to 2009–10

Year	Total health expenditure		GDP	
	Amount (\$ million)	Growth rate (%)	Amount (\$ million)	Growth rate (%)
1999–00	72,160	..	951,013	..
2000–01	77,301	7.1	970,714	2.1
2001–02	81,000	4.8	1,008,609	3.9
2002–03	85,647	5.7	1,041,613	3.3
2003–04	88,597	3.4	1,084,901	4.2
2004–05	94,208	6.3	1,117,004	3.0
2005–06	96,761	2.7	1,151,424	3.1
2006–07	102,391	5.8	1,192,462	3.6
2007–08	109,148	6.6	1,238,158	3.8
2008–09	117,086	7.3	1,256,092	1.4
2009–10	121,355	3.6	1,284,827	2.3
Average annual growth rate (%)				
1999–00 to 2004–05		5.5		3.3
2004–05 to 2009–10		5.2		2.8
1999–00 to 2009–10		5.3		3.1

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

Sources: AIHW health expenditure database and ABS 2011b.



(a) Growth rates calculated from the preceding year to the year indicated.

(b) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

Source: Table 2.3.

Figure 2.1: Annual growth^(a) of health expenditure and GDP, constant prices^(b), 2000–01 to 2009–10

Health inflation

The prices of different goods and services in the economy often move at different rates. Some goods and services become more or less expensive relative to others. Differences in the rate at which prices in the health sector move (health inflation) relative to the general level of inflation have an influence on the proportion of GDP that is devoted to health goods and services – the health to GDP ratio.

In order to gauge differences between health inflation and general inflation, it is necessary to have agreed measures of both. In Australia, general inflation is usually measured by changes in the ABS IPD for GDP and health inflation by changes in the AIHW total health price index (THPI). These two inflation measures moved at different rates for most years since 1999–00 (Table 2.4). In some years they moved in the same direction, but at different rates; in others they have moved in different directions.

Health inflation has been lower than general inflation for 6 of the past 10 years. The average excess health inflation over the past 5 years (-0.7%) was 0.6 percentage points lower than for the 5 years from 1999–00 to 2004–05. Health inflation was 3.1 percentage points higher than general inflation in 2009–10, largely reflecting the negligible change in general inflation (as measured by the GDP deflator) (Table 2.4).

The GDP deflator is the generally accepted measure of inflation for the economy and gives a good indication of the 'opportunity cost' of health spending to the economy as a whole. However as the GDP deflator includes the price received for exports, during times of large increases in export prices, the GDP deflator shows increases which are not due to goods and services that consumers themselves consume. If the desire was to measure the impact of health spending on consumers, the price change related to total final consumption expenditure may be a better indicator of general inflation. This would have produced an estimate for general inflation of 3.1% in 2009–10 (ABS 2011b) rather than 0.1%, and an excess health inflation rate of 0.1% for the year.

Table 2.4: Annual rates of health inflation, 1999–00 to 2009–10 (per cent)

Period	Health inflation ^(a)	General inflation ^(b)	Excess health inflation
1999–00 to 2000–01	3.5	4.6	-1.1
2000–01 to 2001–02	3.3	3.0	0.3
2001–02 to 2002–03	3.1	2.6	0.5
2002–03 to 2003–04	3.3	3.3	—
2003–04 to 2004–05	3.7	4.0	-0.3
2004–05 to 2005–06	4.1	4.9	-0.7
2005–06 to 2006–07	3.5	5.3	-1.7
2006–07 to 2007–08	2.3	4.6	-2.2
2007–08 to 2008–09	2.1	4.4	-2.1
2008–09 to 2009–10	3.2	0.1	3.1
Average annual growth rate (%)			
1999–00 to 2004–05	3.4	3.5	-0.1
2004–05 to 2009–10	3.1	3.8	-0.7
1999–00 to 2009–10	3.2	3.7	-0.4

(a) Based on the total health price index. Refer to Appendix D for further details.

(b) Based on the implicit price deflator for GDP. Refer to Appendix D for further details.

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

Sources: AIHW health expenditure database and ABS 2011b.

The way real growth in health goods and services and excess health inflation contribute to changes in the annual ratio of health expenditure to GDP is shown in Table 2.5. The second last column shows the increase or decrease in the volume of health goods and services relative to the increase or decrease in the GDP volume. The last column is excess health inflation and shows the increase or decrease in the price of health goods and services compared to price changes in the economy as a whole.

In 2009–10, the ratio of health expenditure to GDP was 9.4%, an increase of 4.5% on the previous year (Table 2.5). This comprised a 1.3% increase in the volume of health goods and services, relative to the increase in GDP volume, and a 3.1% surplus in the health inflation rate compared with price changes in the general economy.

During 2005–06 the change in the health to GDP ratio was -1.1% (Table 2.5). This comprised a decrease in the volume of health goods and services relative to the increase in GDP volume (-0.4%) and a greater decrease (-0.7%) in health prices relative to general inflation.

Table 2.5: Components of the annual change in the health expenditure to GDP ratio, 1999–00 to 2009–10 (per cent)

Year	Ratio of health expenditure to GDP	Change in ratio	Components of change in ratio	
			Difference in growth rates—health expenditure and GDP ^(a)	Excess health inflation
1999–00	7.9	..	..	..
2000–01	8.2	3.8	5.0	–1.1
2001–02	8.3	1.1	0.8	0.3
2002–03	8.6	2.9	2.4	0.5
2003–04	8.5	–0.7	–0.7	—
2004–05	8.7	3.0	3.3	–0.3
2005–06	8.7	–1.1	–0.4	–0.7
2006–07	8.7	0.5	2.2	–1.7
2007–08	8.7	0.4	2.7	–2.2
2008–09	9.0	3.5	5.7	–2.1
2009–10	9.4	4.5	1.3	3.1

(a) The difference between the real growth rate in total health expenditure and the real growth rate in GDP (see Table 2.3).

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

Sources: AIHW health expenditure database and ABS 2011b.

2.3 Health expenditure per person

Assuming there are no changes in the cost-effectiveness of the existing mix of health goods and services, it would be anticipated that health expenditure would need to grow at the same rate as the population in order to maintain the average level of health goods and services available to each person in the community. Similarly, it would be expected that larger populations should incur higher total expenditures just to provide their members with the same average levels of health goods and services as smaller populations (ignoring the impact of economies of scale). Therefore, it is important to examine health expenditure on an average per person basis, in order to remove these population differences from the analysis.

During 2009–10, estimated per person expenditure on health averaged \$5,479, which was \$237 more per person than in the previous year (Table 2.6). Real growth in per person health expenditure between 1999–00 and 2009–10 averaged 3.8% per year, compared with 5.3% for total national health expenditure (Table 2.1). The difference between these two growth rates is attributable to growth in the overall size of the Australian population.

Table 2.6: Average health expenditure per person^(a), current and constant prices^(b), and annual growth rates, 1999–00 to 2009–10

Year	Amount (\$)		Annual change in expenditure (%)	
	Current	Constant	Nominal change	Real growth
1999–00	2,762	3,791	..	..
2000–01	3,024	4,011	9.5	5.8
2001–02	3,231	4,147	6.8	3.4
2002–03	3,480	4,332	7.7	4.5
2003–04	3,674	4,428	5.6	2.2
2004–05	4,003	4,652	9.0	5.1
2005–06	4,220	4,710	5.4	1.3
2006–07	4,549	4,906	7.8	4.1
2007–08	4,877	5,140	7.2	4.8
2008–09	5,242	5,410	7.5	5.3
2009–10	5,479	5,479	4.5	1.3
Average annual growth rate (%)				
1999–00 to 2004–05			7.7	4.2
2004–05 to 2009–10			6.5	3.3
1999–00 to 2009–10			7.1	3.8

(a) Based on annual estimated resident population. Refer to Appendix E for further details.

(b) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

Source: AIHW health expenditure database.

2.4 Recurrent health expenditure

Recurrent health expenditure is expenditure that does not result in the creation or acquisition of fixed assets (new or second-hand). It consists mainly of expenditure on wages, salaries and supplements, purchases of goods and services and consumption of fixed capital. It excludes expenditure on capital which is included in total health expenditure.

Recurrent expenditure usually accounts for around 94% to 96% of all expenditure on health goods and services in a year (Table 2.7). In 2009–10, recurrent expenditure was \$116.3 billion (95.8% of total expenditure). The remainder was incremental change in the health-related capital stock – capital expenditure.

Total health expenditure and recurrent expenditure grew in real terms at 5.3% and 5.4% respectively per year between 1999–00 and 2009–10. After 2004–05 annual real growth averaged 5.2% for total health expenditure and 5.4% for recurrent expenditure (Table 2.8).

Table 2.7: Total and recurrent health expenditure, current prices, and recurrent expenditure as a proportion of total health expenditure, 1999–00 to 2009–10

Year	Total health expenditure (\$ million)	Recurrent expenditure (\$ million)	Recurrent as a proportion of total health expenditure (%)
1999–00	52,570	49,564	94.3
2000–01	58,269	54,978	94.4
2001–02	63,099	59,522	94.3
2002–03	68,798	64,822	94.2
2003–04	73,509	69,901	95.1
2004–05	81,061	76,781	94.7
2005–06	86,685	81,933	94.5
2006–07	94,938	89,449	94.2
2007–08	103,563	98,017	94.6
2008–09	113,445	107,745	95.0
2009–10	121,355	116,306	95.8

Source: AIHW health expenditure database.

Table 2.8: Total and recurrent health expenditure, constant prices^(a) and annual growth rates, 1999–00 to 2009–10

Year	Total health expenditure		Recurrent expenditure	
	(\$ million)	Annual growth (%)	(\$ million)	Annual growth (%)
1999–00	72,160	..	68,502	..
2000–01	77,301	7.1	73,349	7.1
2001–02	81,000	4.8	76,822	4.7
2002–03	85,647	5.7	81,132	5.6
2003–04	88,597	3.4	84,447	4.1
2004–05	94,208	6.3	89,407	5.9
2005–06	96,761	2.7	91,580	2.4
2006–07	102,391	5.8	96,598	5.5
2007–08	109,148	6.6	103,439	7.1
2008–09	117,086	7.3	111,389	7.7
2009–10	121,355	3.6	116,306	4.4
	Average annual growth rate (%)			
1999–00 to 2004–05		5.5		5.5
2004–05 to 2009–10		5.2		5.4
1999–00 to 2009–10		5.3		5.4

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

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

Source: AIHW health expenditure database.

Recurrent expenditure, by state and territory

These state-based health expenditure estimates include estimates of expenditure incurred by all service providers and funded by all sources – state and territory governments, the Australian Government, private health insurance funds, individuals (through out-of-pocket payments) and providers of injury compensation cover. These state and territory estimates of expenditure are not limited to the areas of responsibility of state and territory governments.

To the greatest extent possible, the Institute has applied consistent estimation methods and data sources across all the states and territories. But there could be differences from one jurisdiction to another in the quality of the data on which they are based. This means that, while some broad comparisons can be made, caution should be exercised when comparing the results for jurisdictions.

Of the \$116.3 billion in national recurrent health expenditure in 2009–10, over half (56.8%) was spent in the two most populous states, New South Wales (\$37.4 billion) and Victoria (\$28.7 billion) (Table 2.9).

The average annual real growth in recurrent health expenditure between 1999–00 and 2009–10 ranged between 3.6% in the Australian Capital Territory and 6.5% in Queensland (Table 2.10). In contrast, the national average growth in recurrent health expenditure was 5.4% in the same period.

Table 2.9: Total recurrent health expenditure, current prices, for each state and territory, all sources of funds, 1999–00 to 2009–10 (\$ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1999–00	16,891	12,382	8,863	4,605	3,920	1,254	1,042	606	49,564
2000–01	18,434	14,086	10,035	5,186	4,233	1,363	979	663	54,978
2001–02	19,907	15,468	10,595	5,611	4,539	1,586	1,109	709	59,522
2002–03	21,416	16,962	11,532	6,335	5,052	1,513	1,230	782	64,822
2003–04	23,640	17,590	12,451	6,936	5,501	1,575	1,339	868	69,901
2004–05	26,106	19,120	13,734	7,620	6,075	1,704	1,482	941	76,781
2005–06	27,386	20,401	15,199	8,035	6,446	1,851	1,569	1,047	81,933
2006–07	29,637	22,005	17,124	8,925	6,882	2,016	1,718	1,142	89,449
2007–08	32,025	23,765	19,058	10,013	7,718	2,294	1,845	1,300	98,017
2008–09	34,819	26,216	21,225	11,072	8,452	2,490	2,007	1,464	107,745
2009–10	37,358	28,734	23,276	11,639	9,077	2,601	2,128	1,493	116,306

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

Source: AIHW health expenditure database.

Table 2.10: Total recurrent health expenditure, constant prices^(a), for each state and territory, all sources of funds, and annual growth rates, 1999–00 to 2009–10

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
Year	\$ million								
1999–00	23,102	16,912	12,456	6,508	5,482	1,714	1,491	837	68,502
2000–01	24,415	18,486	13,667	7,051	5,683	1,808	1,354	886	73,349
2001–02	25,573	19,601	13,937	7,361	5,895	2,053	1,491	911	76,822
2002–03	26,654	20,879	14,722	8,044	6,364	1,893	1,601	976	81,132
2003–04	28,229	21,025	15,280	8,559	6,705	1,910	1,686	1,053	84,447
2004–05	30,064	22,031	16,206	9,073	7,161	1,985	1,782	1,106	89,407
2005–06	30,068	22,661	17,297	9,200	7,293	2,073	1,804	1,186	91,580
2006–07	31,373	23,735	18,775	9,854	7,529	2,183	1,903	1,247	96,598
2007–08	33,154	25,168	20,381	10,743	8,201	2,428	1,969	1,397	103,439
2008–09	35,894	27,049	22,048	11,480	8,758	2,567	2,073	1,520	111,389
2009–10	37,358	28,734	23,276	11,639	9,077	2,601	2,128	1,493	116,306
	Average annual growth rate (%)								
1999–00 to 2004–05	5.4	5.4	5.4	6.9	5.5	3.0	3.6	5.7	5.5
2004–05 to 2009–10	4.4	5.5	7.5	5.1	4.9	5.6	3.6	6.2	5.4
1999–00 to 2009–10	4.9	5.4	6.5	6.0	5.2	4.3	3.6	6.0	5.4

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

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

Source: AIHW health expenditure database.

Average recurrent expenditure per person

Average recurrent health expenditure per person varies from state to state, for example because of different socioeconomic and demographic profiles. Health policy initiatives which the state or territory government and the Australian Government pursue have additional influences on health expenditure in a particular state or territory.

The per person recurrent health expenditure estimates for individual states and territories must always be treated with caution. The expenditure estimates on which they are based include expenditures on health goods and services provided to patients from other states and territories. The population that provides the denominator in the calculation is, however, the resident population of the state or territory in which the expenditure was incurred. This particularly affects the estimates for the Australian Capital Territory, which includes expenditure for relatively large numbers of New South Wales residents. Note that per person estimates for the Australian Capital Territory are therefore not reported in this publication.

On a per person basis, in 2009–10, the estimated national average level of recurrent expenditure on health was \$5,251 per person (Table 2.11 and Figure 2.2). In that year, expenditure in Western Australia (\$5,128 per person) was 2.3% below the national average, while the Northern Territory's average spending (\$6,549 per person) was 24.7% higher than the national average. Table 2.12 shows the average recurrent health expenditure per person after adjusting for the effects of inflation. The average annual real growth per person over the period 1999–00 to 2009–10 was highest in South Australia and the Northern Territory (4.3%). The national average for that period was 3.9% (Table 2.13).

Table 2.11: Average recurrent health expenditure per person^(a), current prices, for each state and territory^(b), all sources of funds, 1999–00 to 2009–10 (\$)

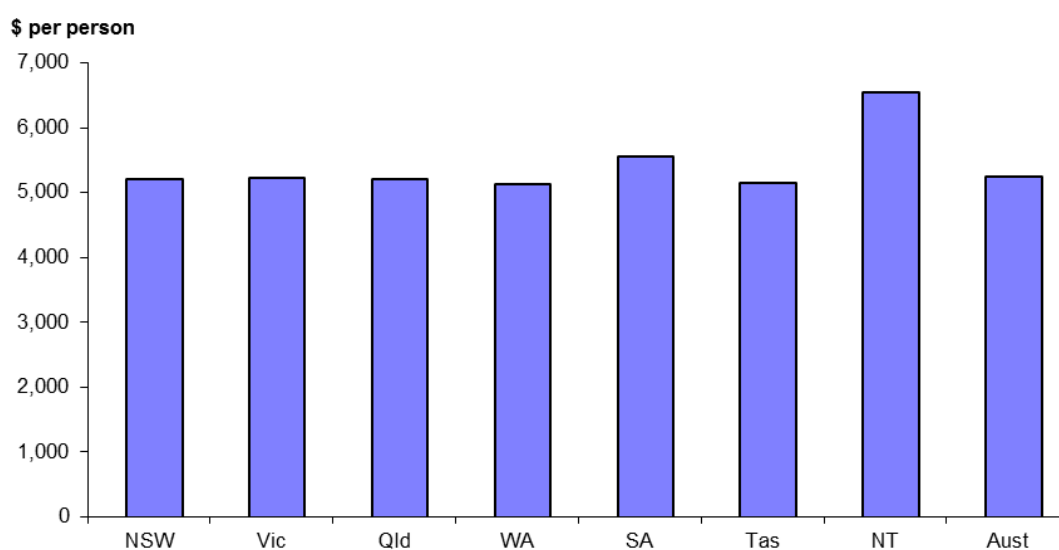
Year	NSW	Vic	Qld	WA	SA	Tas	NT	Australia ^(c)
1999–00	2,620	2,627	2,510	2,473	2,609	2,658	3,118	2,604
2000–01	2,824	2,953	2,793	2,747	2,807	2,891	3,377	2,853
2001–02	3,014	3,200	2,886	2,931	2,992	3,358	3,572	3,048
2002–03	3,221	3,467	3,063	3,270	3,311	3,186	3,924	3,279
2003–04	3,534	3,552	3,228	3,525	3,581	3,276	4,329	3,493
2004–05	3,880	3,813	3,481	3,812	3,931	3,516	4,617	3,792
2005–06	4,035	4,012	3,758	3,944	4,134	3,790	5,026	3,989
2006–07	4,321	4,256	4,137	4,281	4,365	4,100	5,377	4,286
2007–08	4,612	4,516	4,492	4,683	4,843	4,631	5,977	4,616
2008–09	4,945	4,887	4,880	5,023	5,243	4,977	6,604	4,979
2009–10	5,200	5,225	5,204	5,128	5,553	5,147	6,549	5,251
Percentage variation from the national average								
1999–00	0.6	0.9	-3.6	-5.0	0.2	2.1	19.8	..
2000–01	-1.0	3.5	-2.1	-3.7	-1.6	1.3	18.3	..
2001–02	-1.1	5.0	-5.3	-3.8	-1.8	10.2	17.2	..
2002–03	-1.8	5.7	-6.6	-0.3	1.0	-2.8	19.7	..
2003–04	1.2	1.7	-7.6	0.9	2.5	-6.2	23.9	..
2004–05	2.3	0.6	-8.2	0.5	3.7	-7.3	21.8	..
2005–06	1.2	0.6	-5.8	-1.1	3.6	-5.0	26.0	..
2006–07	0.8	-0.7	-3.5	-0.1	1.9	-4.3	25.5	..
2007–08	-0.1	-2.2	-2.7	1.5	4.9	0.3	29.5	..
2008–09	-0.7	-1.8	-2.0	0.9	5.3	—	32.6	..
2009–10	-1.0	-0.5	-0.9	-2.3	5.7	-2.0	24.7	..

(a) Based on annual estimated resident population. Refer to Appendix E for further details.

(b) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(c) Australian average includes ACT.

Source: AIHW health expenditure database.



(a) Based on annual estimated resident population. Refer to Appendix E for further details.

(b) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(c) Australian average includes ACT.

Source: Table 2.11.

Figure 2.2: Average recurrent health expenditure per person^(a), current prices, for each state and territory^(b) and Australia^(c), 2009-10 (\$)

Table 2.12: Average recurrent health expenditure per person^(a), constant prices^(b), for each state and territory^(c), all sources of funds, 1999-00 to 2009-10 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	NT	Australia ^(d)
1999-00	3,583	3,588	3,528	3,496	3,649	3,634	4,308	3,599
2000-01	3,740	3,875	3,804	3,735	3,769	3,835	4,514	3,806
2001-02	3,872	4,055	3,797	3,846	3,887	4,348	4,594	3,933
2002-03	4,008	4,268	3,911	4,151	4,170	3,986	4,899	4,104
2003-04	4,220	4,246	3,962	4,349	4,365	3,972	5,251	4,220
2004-05	4,468	4,394	4,107	4,539	4,633	4,097	5,427	4,415
2005-06	4,431	4,456	4,277	4,516	4,677	4,244	5,690	4,458
2006-07	4,574	4,590	4,535	4,727	4,775	4,439	5,874	4,628
2007-08	4,775	4,783	4,804	5,024	5,146	4,901	6,424	4,871
2008-09	5,098	5,042	5,069	5,209	5,433	5,132	6,854	5,147
2009-10	5,200	5,225	5,204	5,128	5,553	5,147	6,549	5,251

(a) Based on annual estimated resident population. Refer to Appendix E for further details.

(b) Constant price health expenditure for 1999-00 to 2009-10 is expressed in terms of 2009-10 prices. Refer to Appendix D for further details.

(c) ACT per person averages are not separately calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(d) Australian average includes ACT.

Source: AIHW health expenditure database.

Table 2.13: Annual growth in recurrent health expenditure per person^(a), constant prices^(b), all sources of funding, by state and territory^(c), 1999–00 to 2009–10 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	NT	Australia ^(d)
1999–00 to 2000–01	4.4	8.0	7.8	6.9	3.3	5.5	4.8	5.8
2000–01 to 2001–02	3.5	4.6	–0.2	3.0	3.1	13.4	1.8	3.3
2001–02 to 2002–03	3.5	5.2	3.0	7.9	7.3	–8.3	6.6	4.3
2002–03 to 2003–04	5.3	–0.5	1.3	4.8	4.7	–0.4	7.2	2.8
2003–04 to 2004–05	5.9	3.5	3.7	4.4	6.2	3.1	3.4	4.6
2004–05 to 2005–06	–0.8	1.4	4.2	–0.5	0.9	3.6	4.8	1.0
2005–06 to 2006–07	3.2	3.0	6.0	4.7	2.1	4.6	3.2	3.8
2006–07 to 2007–08	4.4	4.2	5.9	6.3	7.8	10.4	9.4	5.2
2007–08 to 2008–09	6.8	5.4	5.5	3.7	5.6	4.7	6.7	5.7
2008–09 to 2009–10	2.0	3.6	2.7	–1.5	2.2	0.3	–4.5	2.0
Average annual growth rate (%)								
1999–00 to 2004–05	4.5	4.1	3.1	5.4	4.9	2.4	4.7	4.2
2004–05 to 2009–10	3.1	3.5	4.8	2.5	3.7	4.7	3.8	3.5
1999–00 to 2009–10	3.8	3.8	4.0	3.9	4.3	3.5	4.3	3.9

(a) Based on annual estimated resident population. Refer to Appendix E for further details.

(b) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

(c) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(d) Australian average includes ACT.

Source: AIHW health expenditure database.

3 Funding of health expenditure

3.1 Broad trends

In 2009–10, governments provided \$84.8 billion or 69.9% of the total to fund health expenditure in Australia. The contribution of the Australian Government was \$52.9 billion (43.6% of total funding) and state, territory and local governments contributed \$31.9 billion (26.3%) (tables 3.1 and 3.2).

Non-government funding sources (individuals, private health insurance and other non-government sources) provided the remaining \$36.6 billion (30.1%).

Australian Government funding increased between 2008–09 and 2009–10 by \$2.8 billion; state, territory and local governments' funding by \$3.4 billion; and non-government funding by \$1.7 billion.

Table 3.1: Total funding for health expenditure, current prices, by source of funds, 1999–00 to 2009–10 (\$ million)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1999–00	23,304	13,076	36,380	16,189	52,570
2000–01	25,864	13,601	39,465	18,803	58,269
2001–02	27,752	14,661	42,413	20,686	63,099
2002–03	30,005	16,780	46,785	22,013	68,798
2003–04	32,033	17,349	49,382	24,127	73,509
2004–05	35,493	19,426	54,918	26,143	81,061
2005–06	37,074	21,907	58,981	27,704	86,685
2006–07	39,872	24,485	64,358	30,581	94,938
2007–08	44,773	26,379	71,152	32,411	103,563
2008–09	50,071	28,493	78,563	34,882	113,445
2009–10	52,919	31,870	84,789	36,566	121,355

(a) Funding of expenditure has been adjusted for non-specific tax expenditures (i.e. includes tax expenditures identifiable as for health) (see page 29).

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

Source: AIHW health expenditure database.

At the broad level, the relative shares of funding by the different funding sources altered little between 1999–00 and 2009–10. The Australian Government's contribution ranged from a low of 42.0% in 2006–07 to a high of 44.4% in 2000–01, while the state, territory and local governments' contribution ranged from a low of 23.2% in 2001–02 to a high of 26.3% in 2009–10. Non-government sector funding ranged from 30.1% to 32.8% (Table 3.2 and Figure 3.1).

Table 3.2: Total funding for health expenditure, by source of funds as a proportion of total health expenditure, 1999–00 to 2009–10 (per cent)

Year	Government			Non-government			Total
	Australian Government	State/territory and local	Total	Health insurance funds	Individuals ^(a)	Other ^(b)	
1999–00	44.3	24.9	69.2	6.9	16.7	7.3	30.8
2000–01	44.4	23.3	67.7	7.1	18.0	7.2	32.3
2001–02	44.0	23.2	67.2	8.0	17.5	7.2	32.8
2002–03	43.6	24.4	68.0	8.0	16.7	7.3	32.0
2003–04	43.6	23.6	67.2	8.1	17.5	7.3	32.8
2004–05	43.8	24.0	67.7	7.7	17.4	7.1	32.3
2005–06	42.8	25.3	68.0	7.6	17.4	6.9	32.0
2006–07	42.0	25.8	67.8	7.6	17.4	7.2	32.2
2007–08	43.2	25.5	68.7	7.6	16.8	6.9	31.3
2008–09	44.1	25.1	69.3	7.8	17.2	5.7	30.7
2009–10	43.6	26.3	69.9	7.6	17.5	5.0	30.1

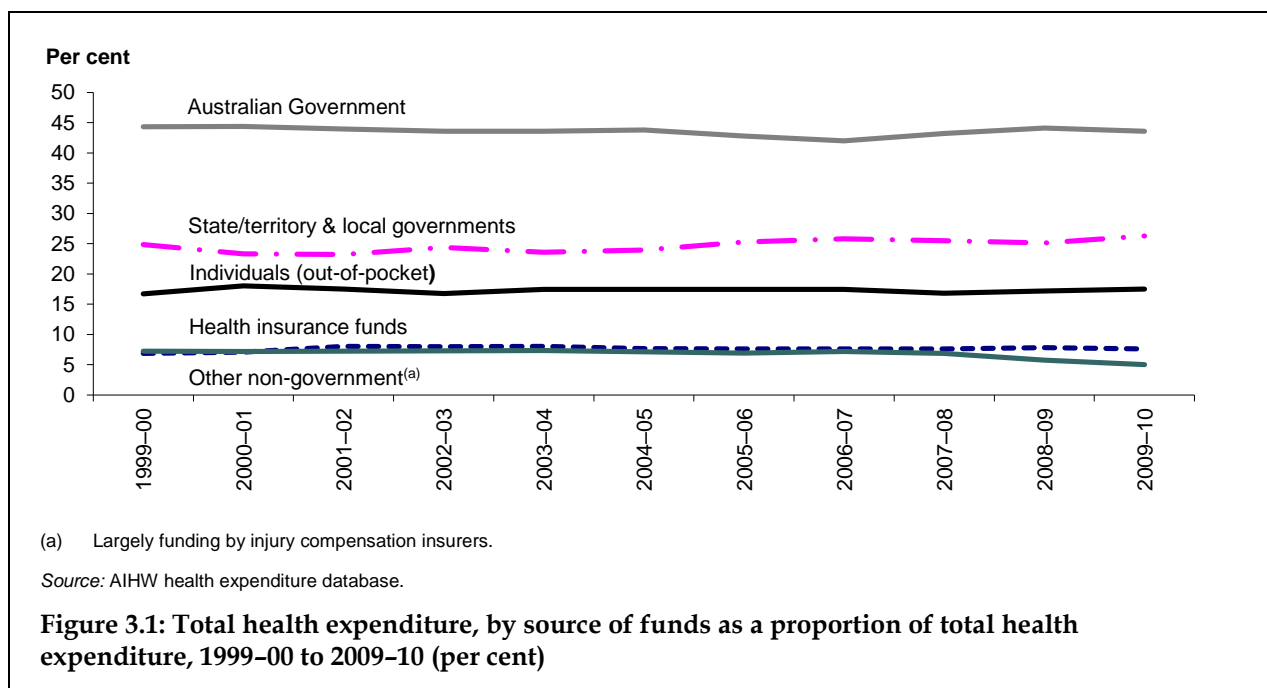
(a) Funding of expenditure has been adjusted for non-specific tax expenditures (see page 29).

(b) Largely funding by injury compensation insurers.

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

Source: AIHW health expenditure database.

The Australian Government’s contribution in 2009–10 was 43.6%, which was 0.7 percentage points lower than in 1999–00, and 0.5 percentage points lower than in 2008–09. The contribution of the state, territory and local governments in 2009–10 was 26.3%, 1.4 percentage points higher than in 1999–00 (Table 3.2).



(a) Largely funding by injury compensation insurers.

Source: AIHW health expenditure database.

Figure 3.1: Total health expenditure, by source of funds as a proportion of total health expenditure, 1999–00 to 2009–10 (per cent)

Health funding can also be expressed as a proportion of GDP. Over the decade from 1999–00 to 2009–10, government funding increased, as a proportion of GDP, from 5.5% to 6.6%. Just over half of this was the result of increases in funding by the Australian Government, from 3.5% to 4.1% of GDP. Funding by state, territory and local governments increased from 2.0% to 2.5% (Table 3.3). Non-government funding sources increased from 2.4% to 2.8% of GDP.

Table 3.3: Total health expenditure, current prices, by source of funds as a proportion of GDP, 1999–00 to 2009–10 (per cent)

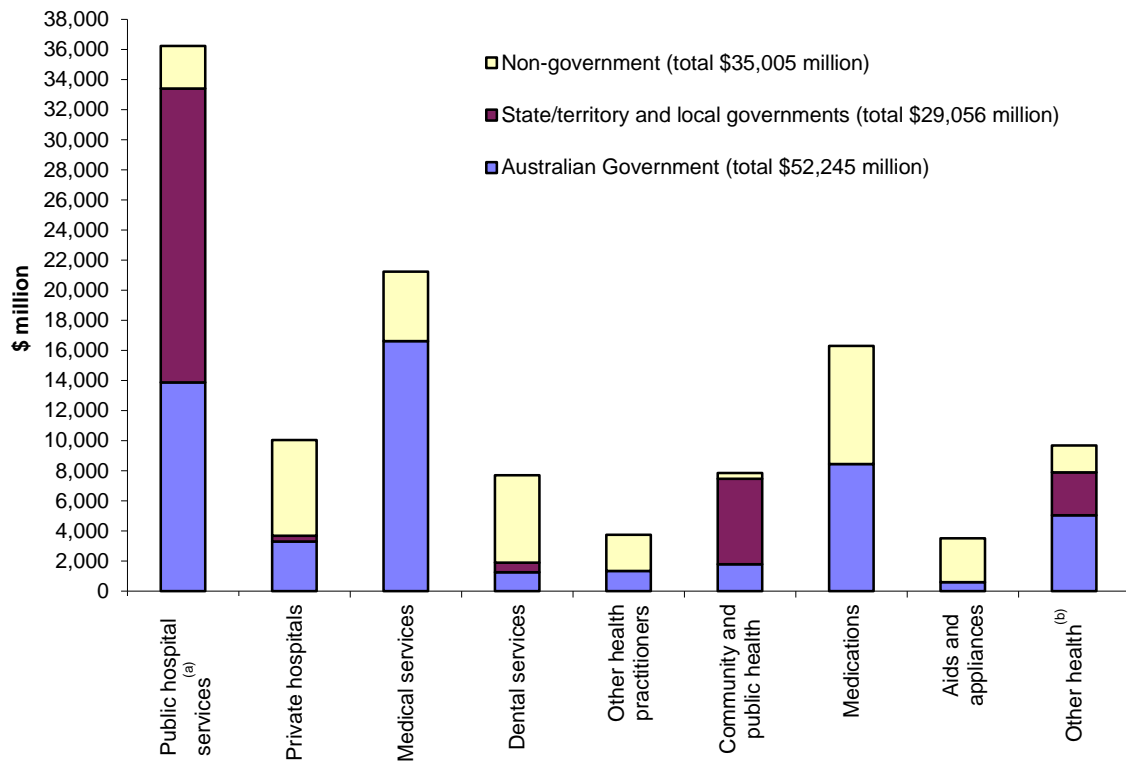
Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1999–00	3.5	2.0	5.5	2.4	7.9
2000–01	3.6	1.9	5.6	2.7	8.2
2001–02	3.7	1.9	5.6	2.7	8.3
2002–03	3.7	2.1	5.8	2.7	8.6
2003–04	3.7	2.0	5.7	2.8	8.5
2004–05	3.8	2.1	5.9	2.8	8.7
2005–06	3.7	2.2	5.9	2.8	8.7
2006–07	3.7	2.2	5.9	2.8	8.7
2007–08	3.8	2.2	6.0	2.7	8.7
2008–09	4.0	2.3	6.3	2.8	9.0
2009–10	4.1	2.5	6.6	2.8	9.4

(a) Funding of expenditure has been adjusted for non-specific tax expenditures (see page 29).

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

Sources: AIHW health expenditure database and ABS 2011b.

The distribution of funding by the Australian Government, state, territory and local governments and the non-government sector varies depending on the types of health goods and services being provided (Figure 3.2). The Australian Government provides a substantial amount of funding for medical services, with the balance primarily sourced from individuals. The state, territory and local governments on the other hand provide most of the funding for community and public health services. The governments share most of the funding for public hospital services while individuals account for a large portion of the funding for medications, dental services, and aids and appliances.



(a) Public hospital services exclude certain services undertaken in hospitals. Can include services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).

(b) Other health comprises patient transport services, administration and research.

Source: Table A3.

Figure 3.2: Recurrent health expenditure, by area of expenditure and source of funds, current prices, 2009-10

After allowing for inflation, real growth in the Australian Government's funding for health averaged 5.1% a year from 1999-00 to 2009-10. At the same time, the state, territory and local government funding grew at an average of 5.9% per year and non-government funding by 5.2% a year (Table 3.4).

In 2009-10, the Australian Government's funding grew by 2.7%, while funding by state, territory and local governments and by non-government sources grew by 8.3% and 1.2%, respectively.

Table 3.4: Funding of total health expenditure, constant prices^(a), and annual growth in funding, by source of funds, 1999–00 to 2009–10

Year	Government						Non-government ^(b)		Total	
	Australian Government ^(b)		State/territory and local		Total		Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)				
1999–00	32,086	..	17,954	..	50,039	..	22,120	..	72,160	..
2000–01	34,333	7.0	18,210	1.4	52,544	5.0	24,757	11.9	77,301	7.1
2001–02	35,553	3.6	19,101	4.9	54,654	4.0	26,345	6.4	81,000	4.8
2002–03	37,157	4.5	21,250	11.2	58,407	6.9	27,240	3.4	85,647	5.7
2003–04	38,230	2.9	21,401	0.7	59,630	2.1	28,967	6.3	88,597	3.4
2004–05	40,728	6.5	23,244	8.6	63,972	7.3	30,236	4.4	94,208	6.3
2005–06	40,864	0.3	25,028	7.7	65,892	3.0	30,869	2.1	96,761	2.7
2006–07	42,605	4.3	26,905	7.5	69,510	5.5	32,881	6.5	102,391	5.8
2007–08	46,939	10.2	28,145	4.6	75,083	8.0	34,065	3.6	109,148	6.6
2008–09	51,542	9.8	29,420	4.5	80,962	7.8	36,124	6.0	117,086	7.3
2009–10	52,919	2.7	31,870	8.3	84,789	4.7	36,566	1.2	121,355	3.6
Average annual growth rate (%)										
1999–00 to 2004–05		4.9		5.3		5.0		6.5		5.5
2004–05 to 2009–10		5.4		6.5		5.8		3.9		5.2
1999–00 to 2009–10		5.1		5.9		5.4		5.2		5.3

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

(b) Funding of expenditure has been adjusted for non-specific tax expenditures (see page 29).

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

Source: AIHW health expenditure database.

3.2 Australian Government funding

The Australian Government provided \$52.9 billion to fund health expenditure in 2009–10 (Table 3.5). This represented 62.4% of total government health funding (calculated from Table 3.1). This was made up of:

- funding by the Australian Government Department of Veterans' Affairs (DVA) of goods and services provided to eligible veterans and their dependants (\$3.5 billion or 6.6% of the Australian Government total)
- National healthcare Specific purpose payment (SPP) and National partnership (NP) payments to the states and territories (\$12.7 billion or 24.0%)
- rebates and subsidies for privately insured persons under the Private Health Insurance Act 2007 (\$4.3 billion or 8.1%)
- direct expenditure by the Australian Government on health programs – mostly administered through the Australian Government Department of Health and Ageing (DoHA) – for which it has primary responsibility (such as Medicare Benefits Schedule (MBS) and PBS) (\$31.9 billion or 60.3%), and
- non-specific tax expenditure (\$0.5 billion or 1.0%).

Table 3.5: Funding of health expenditure by the Australian Government, current prices, by type of expenditure, 1999–00 to 2009–10 (\$ million)

Year	DVA	Grants to states (SPP & NP payments)	Health insurance premium rebates ^(a)	Own program expenditure	Non-specific tax expenditure	Total
1999–00	2,180	6,440	1,576	12,947	162	23,304
2000–01	2,371	6,874	2,031	14,415	173	25,864
2001–02	2,593	7,391	2,118	15,447	203	27,752
2002–03	2,836	8,095	2,250	16,599	225	30,005
2003–04	3,013	8,219	2,387	18,162	250	32,033
2004–05	3,162	8,840	2,645	20,554	291	35,493
2005–06	3,126	9,233	2,883	21,501	332	37,074
2006–07	3,302	9,894	3,073	23,228	376	39,872
2007–08	3,437	11,316	3,587	26,052	382	44,773
2008–09	3,507	12,984	3,643	29,455	483	50,071
2009–10	3,502	12,721	4,262	31,894	540	52,919

(a) Comprises health insurance rebates claimed through the taxation system as well as rebates paid directly to health insurance funds by the Australian Government which enable them to reduce premiums charged to individuals for health insurance policies.

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

Source: AIHW health expenditure database.

Department of Veterans' Affairs

DVA funding of health is largely through its purchase of health goods and services on behalf of eligible veterans and their dependants. In 2009–10, its funding totalled \$3.5 billion (Table 3.6). Almost half of this (48.1%) was for hospitals – public hospital services (21.7%) and private hospitals (26.4%).

Table 3.6: Department of Veterans' Affairs health expenditure, by area of expenditure, 2009–10

Area of expenditure	Amount (\$m)	Proportion (%)
Public hospital services ^(a)	760	21.7
Private hospitals	924	26.4
Patient transport services	145	4.2
Medical services	832	23.7
Dental services	107	3.1
Other health practitioners	202	5.8
Community health	2	—
Medications	486	13.9
Aids and appliances	2	0.1
Administration	40	1.2
Research	1	—
Total	3,502	100.0

(a) Public hospital services exclude certain services undertaken in hospitals. Services can include those provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).

Source: AIHW health expenditure database.

Grants to states and territories

Historically, most of the SPPs by the Australian Government to state and territory governments were provided under the series of 5-year Australian Health Care Agreements (AHCAs) between the Commonwealth and each state and territory government (see Box 4.2). The AHCA payments were primarily to fund expenditure on public hospital services. The SPPs for highly specialised drugs were also categorised as funding for public hospital services for these estimates. In addition, funding for public health activities was provided through the 5-year Public Health Outcome Funding Agreements (PHOFAs).

From 1 January 2009, the new federal financial framework came into effect and the National Healthcare Agreement became the major source of funding of health activities by the state and territory governments (see Box 3.1).

Box 3.1 Overview of the National Healthcare Agreement

The National Healthcare Agreement is one of six National Agreements covering the areas of healthcare, school education, skills and workforce development, disability services, affordable housing, and Indigenous reform. Governments make National Agreements under the Intergovernmental Agreement on Federal Financial Relations. They define the objectives, outcomes, outputs and performance indicators of the agreement, and clarify roles and responsibilities, to guide the Commonwealth and the states and territories in the delivery of services across a particular sector (COAG 2008).

Under the financial arrangements agreed by Council of Australian Governments (COAG) in November 2008, there was a major rationalisation of the number of payments to the states and territories, reducing the number of major special purpose payments from over 90 to five, of which one is the National Healthcare Agreement. The Australian Government also provides National Partnership (NP) payments to fund specific projects. Those relevant to health comprise Hospitals and Health Workforce Reform and Preventive Health. Funding for public health programs is now included within the National Healthcare Agreement and through NP payments. Subsequent to these 2008 COAG agreements, there have been further health reform agreements progressed by COAG (see <www.coagreform.council.gov.au>).

Rebates of private health insurance contributions

The Australian Government provides a 30–40% rebate of the premium charged to people with private health insurance cover by a registered private health insurer. Members of private health funds mostly claimed this rebate through a reduction in the premium charged by the insurer. In this case, the insurer could claim a payment from the Australian Government to cover the cost of charging a reduced premium. Alternatively, individuals can pay the full premium and then claim the rebate back through the taxation system.

Although this rebate, which has been available from 1998, was actually a rebate based on the health insurance premium payable, it has been regarded in these estimates as a form of subsidy by the Australian Government of the expenses incurred – including benefits on health goods and services – by the private health insurance funds.

During 2009–10, the total value of the rebate that related to health goods and services was estimated at \$4.3 billion (Table 3.5). The majority of this (\$4.1 billion) was in the form of reimbursement of reduced premiums that private health insurance funds charged, with the balance provided in the form of rebates to individuals payable through the taxation system (Table 3.12).

Australian Government funding of its own expenditures

The Australian Government funds health programs that are regarded as being its own expenditures. These include the MBS and the PBS, public health activities, research, Aboriginal community-controlled health and substance use services, and health-related capital consumption and capital expenditure. In 2009–10, the Australian Government provided \$31.9 billion in funding for its own program expenditures (Table 3.5).

Non-specific tax expenditure

The only tax expenditure currently included in non-specific tax expenditure is the ‘medical expenses tax rebate’.

Taxpayers who spend large amounts of money on health-related goods and services for themselves and/or their dependants in a tax year are able to claim a tax rebate. The rebate in 2009–10 was set at 20 cents in the dollar and applied only to the amount by which those expenditures exceeded the prescribed threshold of \$1,500.

The individual expenditures that are subject to this form of rebate cannot be separately identified. Therefore it is not possible to allocate this form of funding to particular area(s) of health expenditure. The related expenditures are assumed to have been included in the estimates of health expenditure and they would be shown as being funding by individuals in the various health expenditure matrices. A broad adjustment is made to redistribute the total funding through these tax expenditures to funding by the Australian Government. In 2009–10, the total value of these tax expenditures was estimated at \$540 million (Table 3.5).

3.3 State and territory governments and local government authorities

State and territory governments are the main providers of publicly provided health goods and services in Australia. Those goods and services are financed by a combination of SPPs from the Australian Government, funding by the states and territories out of their own fiscal resources, and funding from non-government sources (usually in the form of user fees).

Approximately two-thirds (67.2%) of recurrent funding by state/territory and local governments was for public hospital services. The state and territory governments provided a total of \$19.5 billion to fund public hospital services in 2009–10 (calculated from Table A3).

Funding for health by state, territory and local governments grew at an average of 5.9% per year between 1999–00 and 2009–10 (Table 3.4).

3.4 Non-government funding

Non-government funding for health was estimated at \$36.6 billion, or 30.1% of total funding in 2009–10 (Table 3.7).

From 2000–01 to 2006–07, the non-government share of total funding fluctuated around 32% to 33% but dropped to 30.1% in 2009–10. The average annual real growth in funding from non-government sources from 1999–00 to 2009–10 was 5.2% (tables 3.7 and 3.8).

Most non-government funding for health goods and services in Australia comes from out-of-pocket payments by individuals. This includes where people meet the full cost of goods and services and where they share the funding of goods and services with third-party payers – for example, private health insurance funds or the Australian Government. Funding by individuals accounted for 58.1% (\$21.2 billion) of estimated non-government funding of health goods and services during 2009–10 (calculated from Table 3.7). This was 17.5% of total funding of health expenditure (government and non-government). Private health insurance funds provided 7.6% (\$9.2 billion) of total funding in 2009–10, with the balance of non-government funding – 5.0% (\$6.0 billion) – coming from other non-government sources (mainly in the form of payments by compulsory motor vehicle third-party and workers compensation insurers).

Over the decade to 2009–10, the proportion of total health funding that private health insurance funds provided increased by 0.7 of a percentage point (6.9% to 7.6%), funding by individuals increased by 0.8 of a percentage point (16.7% to 17.5%), and other non-government sources of funding declined from 7.3% to 5.0% (Table 3.7).

Table 3.7: Non-government sector funding of total health expenditure, by source of funds, current prices, 1999–00 to 2009–10

Year	Private health insurance funds ^(a)		Individuals ^(b)		Other non-government ^(c)		All non-government sources	
	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
1999–00	3,601	6.9	8,777	16.7	3,811	7.3	16,189	30.8
2000–01	4,123	7.1	10,499	18.0	4,181	7.2	18,803	32.3
2001–02	5,075	8.0	11,050	17.5	4,562	7.2	20,686	32.8
2002–03	5,472	8.0	11,514	16.7	5,027	7.3	22,013	32.0
2003–04	5,919	8.1	12,828	17.5	5,381	7.3	24,127	32.8
2004–05	6,220	7.7	14,131	17.4	5,792	7.1	26,143	32.3
2005–06	6,578	7.6	15,108	17.4	6,018	6.9	27,704	32.0
2006–07	7,216	7.6	16,553	17.4	6,811	7.2	30,581	32.2
2007–08	7,862	7.6	17,416	16.8	7,133	6.9	32,411	31.3
2008–09	8,845	7.8	19,516	17.2	6,521	5.7	34,882	30.7
2009–10	9,203	7.6	21,248	17.5	6,116	5.0	36,566	30.1

(a) Funding by private health insurance funds excludes the Australian Government private health insurance rebate.

(b) Individuals' expenditure has been adjusted downwards for non-specific tax expenditures (see page 29).

(c) Includes funding by injury compensation insurers and other private funding. All non-government sector capital expenditure is also included here, as the details of funding of non-government capital expenditure is not known. If funding were known, this capital expenditure would be spread across all funding columns.

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

Source: AIHW health expenditure database.

Real growth in funding by private health insurance funds averaged 6.0% per year between 1999–00 and 2009–10. The other two non-government funding sources – individuals and other non-government – had average real growth rates of 6.0% and 1.8% per year respectively over the same period (Table 3.8).

Table 3.8: Non-government sector funding of total health expenditure, by source of funds, constant prices^(a), and annual growth rates, 1999–00 to 2009–10

Year	Private health insurance funds ^(b)		Individuals ^(c)		Other non-government ^(d)		All non-government sources ^{(b)(c)}	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1999–00	5,157	..	11,830	..	5,134	..	22,120	..
2000–01	5,713	10.8	13,590	14.9	5,454	6.2	24,757	11.9
2001–02	6,786	18.8	13,862	2.0	5,697	4.4	26,345	6.4
2002–03	7,076	4.3	14,080	1.6	6,084	6.8	27,240	3.4
2003–04	7,359	4.0	15,191	7.9	6,416	5.5	28,967	6.3
2004–05	7,454	1.3	16,082	5.9	6,700	4.4	30,236	4.4
2005–06	7,543	1.2	16,624	3.4	6,702	—	30,869	2.1
2006–07	7,959	5.5	17,603	5.9	7,319	9.2	32,881	6.5
2007–08	8,432	5.9	18,158	3.2	7,475	2.1	34,065	3.6
2008–09	9,218	9.3	20,201	11.2	6,705	–10.3	36,124	6.0
2009–10	9,203	–0.2	21,248	5.2	6,116	–8.8	36,566	1.2
Average annual growth rate (%)								
1999–00 to 2004–05		7.6		6.3		5.5		6.5
2004–05 to 2009–10		4.3		5.7		–1.8		3.9
1999–00 to 2009–10		6.0		6.0		1.8		5.2

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

(b) Funding by private health insurance funds excludes the Australian Government private health insurance rebate.

(c) Individuals' funding has been adjusted for non-specific tax expenditures (see page 29).

(d) Includes funding by injury compensation insurers. All non-government sector capital expenditure is also included here, as the details of funding of non-government capital expenditure are not known. If funding was known, this capital expenditure would be spread across all funding columns.

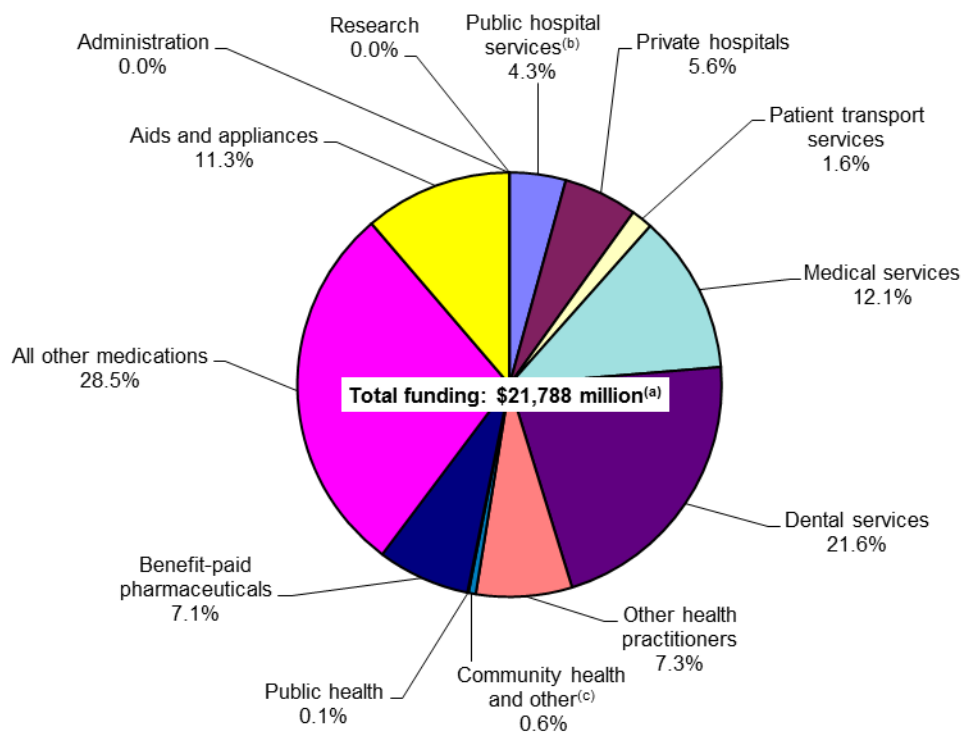
Note: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

Individuals

Real growth in funding by individuals between 1999–00 and 2009–10 was 6.0% per year, 0.7 of a percentage point above the real growth in total funding for health expenditure (5.3%) (tables 3.8 and 3.4).

In 2009–10, individuals spent an estimated \$21.8 billion in recurrent funding for health goods and services (Figure 3.3). Over one-third (35.5%) of this was for medications (7.1% being by way of copayments on PBS and RPBS benefit-paid items and 28.5% for other medications). A further 21.6% of funding by individuals was for dental services; 11.3% for health aids and appliances; and 12.1% for medical services. An additional 7.3% was spent on services that other health practitioners provided.



- (a) Individuals' expenditure has not been adjusted down for non-specific tax expenditures. This accounts for the \$540 million difference between the total in this figure and the individuals' total reported in Table 3.8.
- (b) Public hospital services exclude certain services undertaken in hospitals. Can include services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).
- (c) 'Other' refers to other recurrent health services n.e.c.

Source: Table A3.

Figure 3.3: Individuals' funding^(a) of recurrent health expenditure, by area of expenditure, current prices, 2009-10

Per person health funding by individuals (that is, averaged over the whole population) grew at an average of 3.9% per year from 2003-04 to 2009-10 (Table 3.9). Over this period, funding for benefit-paid pharmaceuticals grew at 3.8% per year compared to 7.0% for all other medications. Average per person out-of-pocket expenditure on medical services grew 5.6% per year.

Table 3.9: Average out-of-pocket funding of recurrent health expenditure per person, constant prices^(a), and annual growth rates, by area of expenditure, 1999–00 to 2009–10

Year	Hospitals ^{(b)(c)}		Patient transport ^(b)		Medical services		Dental services ^(b)		Other health practitioners		Community and public health ^{(b)(d)}		Benefit-paid pharmaceuticals		All other medications		Aids and appliances		Total recurrent expenditure	
	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)
1999–00	48	..	11	..	79	..	151	..	70	..	3	..	36	..	152	..	84	..	634	..
2000–01	52	7.8	12	9.1	80	2.0	177	17.3	69	-1.9	—	..	41	12.4	163	7.4	124	47.8	718	13.3
2001–02	45	-12.4	14	9.9	83	3.3	191	8.2	73	6.0	—	..	44	7.0	184	13.3	90	-27.7	724	0.8
2002–03	30	-34.9	14	4.6	93	11.8	198	3.4	79	8.5	—	..	49	11.6	166	-9.8	99	10.1	727	0.5
<i>Break in series^(b)</i>																				
2003–04	27	..	11	..	98	5.5	205	..	84	..	11	..	52	7.5	183	9.9	104	..	775	..
2004–05	32	20.9	11	1.5	91	-7.1	211	2.6	91	7.2	10	-5.0	57	9.6	200	9.4	108	4.7	812	4.7
2005–06	35	9.3	12	4.8	91	0.4	210	-0.3	93	3.2	13	21.2	61	6.0	201	0.8	111	2.7	828	2.0
2006–07	33	-6.8	12	6.1	100	9.6	210	—	94	0.1	13	6.6	62	1.1	224	11.1	116	4.0	864	4.3
2007–08	41	24.0	13	5.8	105	5.0	203	-3.5	84	-10.2	14	2.5	62	1.2	241	7.9	111	-3.9	874	1.3
2008–09	94	129.2	16	22.6	113	8.0	201	-0.7	72	-14.3	7	-46.1	67	7.7	271	12.2	115	3.1	957	9.4
2009–10	98	3.8	16	0.9	119	5.2	212	5.3	70	-2.3	8	7.4	69	3.4	280	3.5	111	-3.4	984	2.8
Average annual growth rate (%)																				
1999–00 to 2002–03	-13.6		-1.1		5.5		8.0		4.8		40.3		9.6		4.8		5.4		5.2	
2003–04 to 2009–10	24.6		7.8		5.6		0.1		-4.9		-5.2		3.8		7.0		0.4		3.9	
1999–00 to 2009–10	..		..		4.2		..		..		..		6.7		6.3		..		..

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

(b) Up to 2002–03 patient transport, dental, community health and public health services that were delivered in public hospitals were included as expenditure on public hospitals. From 2003–04 they are included under their own classifications and are not included in expenditure on public hospital services. Care must be taken when comparing 2002–03 to 2003–04 (see Section 6.3 in the Technical notes for further information).

(c) Includes public and private hospitals.

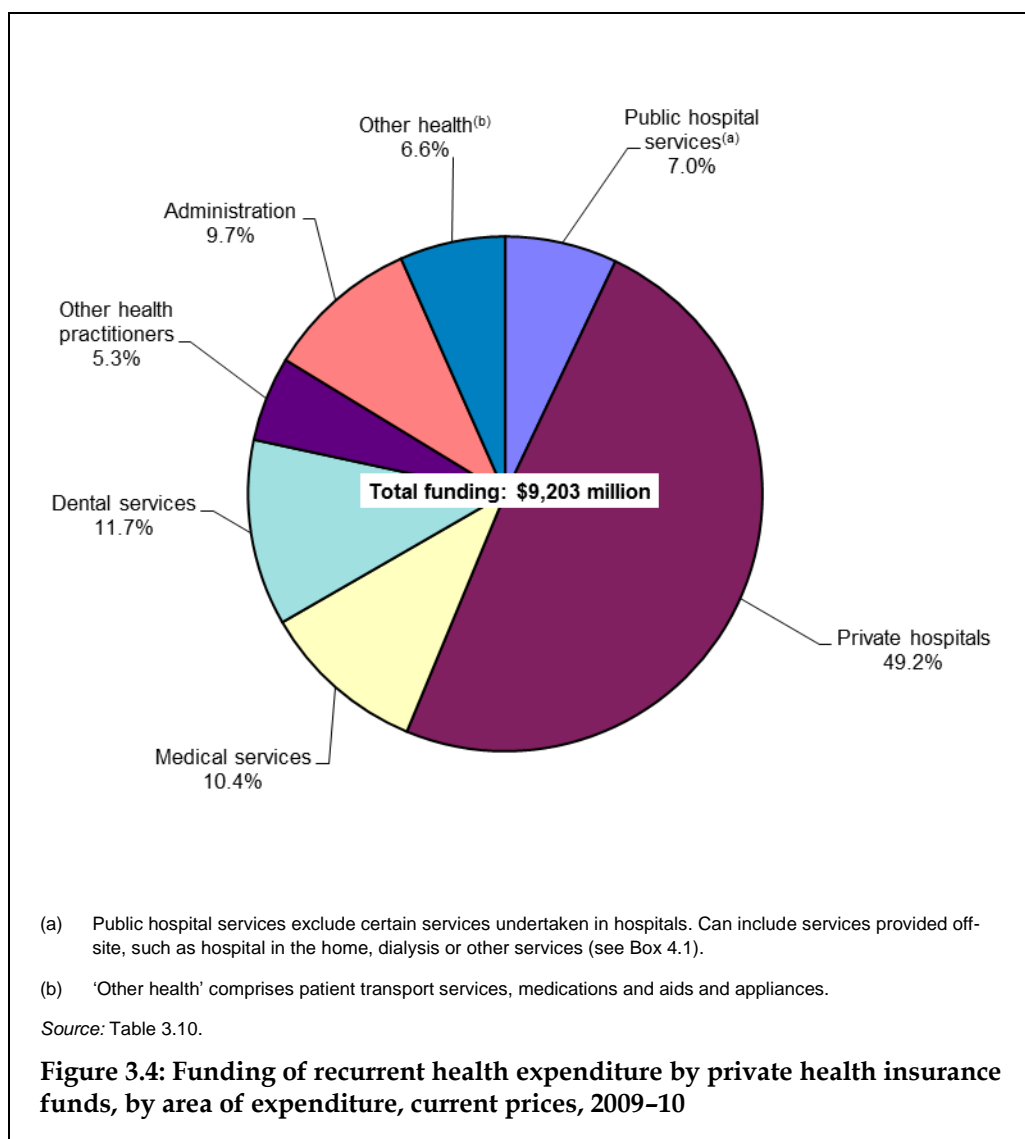
(d) For 1998–99 and 1999–00 this also includes administration expenditure.

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

Source: AIHW health expenditure database.

Private health insurance

During 2009–10, private hospitals received 49.2% (\$4.5 billion) of the \$9.2 billion in funding that private health insurance funds provided (Figure 3.4 and Table 3.10). Other major areas of expenditure that received funding were dental services (11.7% or \$1.1 billion), medical services (10.4% or \$1.0 billion) and administration (9.7% or \$0.9 billion). The funding for medical services includes some of the fees charged for in-hospital medical services that are provided to private admitted patients in hospitals. Patient transport services and medications received funding of \$162 million and \$51 million, respectively, from health insurance funds in 2009–10 (Table 3.10).



General benefits and administration

Gross health benefits paid through the health insurance funds in 2009–10 amounted to \$12.0 billion – up \$0.9 billion from \$11.2 billion in 2008–09 and up \$1.9 billion since 2007–08 (Table 3.10). A further \$1.3 billion was used to fund administration during 2009–10; this was close to the 2008–09 figure (DoHA 2010; PHIAC 2009a, 2009b).

The premium rebates that the Australian Government paid through the tax system or directly to private health insurance funds increased from \$3.9 billion in 2008–09 to \$4.3 billion in 2009–10 (Table 3.10). The reserves of the health insurance funds increased between 2008–09 and 2009–10, with operating profits (before abnormal and extraordinary items) of \$1.2 billion in 2009–10 (Table 3.11) (DoHA 2010; PHIAC 2007, 2008, 2009a, 2009b, 2010).

The introduction of the Private Health Insurance Incentives Scheme (PHIIS) subsidy in 1997 resulted in a movement of responsibility for funding expenditures incurred through the private health insurance funds from the funds themselves to the Australian Government (see Box 3.2). Initially there was a sharp drop in net funding by health insurance funds, despite an increase in gross payments through the funds. From 1999–00, there was 2 years of rapid increase in both gross payments through the funds and net health insurance funding, which followed the introduction of the Lifetime Health Cover (LHC) arrangements at the beginning of 2000–01 (Table 3.12).

Net funding by the health insurance funds (that is, not including Australian Government rebates) grew at an average annual growth of 2.6% over the period 2002–03 to 2004–05 (Table 3.12). Between 2004–05 and 2009–10, net funding by the health insurance funds grew at an average annual growth rate of 5.5% per year, taking it to \$9.2 billion in 2009–10. The gross amounts paid through health insurance funds grew at a slower rate of 2.5% per year from 2002–03 to 2004–05 and then by 5.5% per year to 2009–10 (Table 3.12 and Figure 3.5).

Box 3.2: Treatment of private health insurance premium rebates

Before 1997, all health benefits that the funds paid, plus their administration costs, were regarded as being funded by health insurers out of their premiums and other earnings. The introduction of the PHIIS and the non-means-tested 30–40% rebate means that the Australian Government provides some of the premium income of the insurers. Initially, the rebate was 30% and then from 1 April 2005, the Private Health Insurance Rebate increased to 35% for people aged 65 to 69 years and to 40% for people aged 70 years and older. It remained at 30% for those aged less than 65.

There are two types of mechanisms for rebates on health insurance premiums. The first rebate is where insurers offer members a reduced premium and then insurers claim reimbursement from the Australian Government. The second is where members pay the full premium and claim the rebate through the tax system at the end of the financial year.

Both these forms of rebates have been treated in these estimates as indirect subsidies by the Australian Government of the services that were partially funded through benefits paid by the health insurance funds.

In compiling its estimates, the AIHW allocates the rebates across all the expenses incurred by the funds each year – including both health and non-health goods and services (such as funeral benefits, domestic assistance and so on); management expenses; and any adjustment to provisions for outstanding and unrepresented claims. But only that part of the rebate that can be attributed to benefits for health goods and services (which includes the funds' management expenses) is included when estimating private health insurance funding for health expenditure. This portion of the rebate is deducted from the gross benefits paid by the health insurance funds to calculate net health funding by private health insurance funds for particular areas of expenditure. These rebate amounts are then added to the funding of the Australian Government for those areas of expenditure.

Table 3.10: Expenditure^(a) on health goods and services funded by health insurance funds, current prices, 2007–08 to 2009–10 (\$ million)

Area of expenditure	2007–08			2008–09			2009–10		
	Gross benefits paid	Premium rebates ^(b)	Net benefits paid	Gross benefits paid	Premium rebates ^(b)	Net benefits paid	Gross benefits paid	Premium rebates ^(b)	Net benefits paid
Hospitals	6,255	1,960	4,295	6,921	2,209	4,902	7,512	2,404	5,177
Public hospital services ^(c)	777	244	534	875	279	620	938	300	649
Private hospitals	5,478	1,716	3,762	6,046	1,930	4,282	6,575	2,104	4,528
Patient transport ^(d)	187	58	128	207	66	147	230	69	162
Medical services	1,183	371	813	1,298	414	919	1,396	447	960
Dental services	1,350	423	927	1,459	466	1,034	1,550	495	1,076
Other health practitioners	649	203	446	706	225	500	710	227	491
Community and public health	2	1	1	2	1	2	2	1	1
Medications	67	21	46	70	22	49	74	24	51
Aids and appliances	473	148	325	514	164	364	573	183	397
Total health benefits and levies	10,167	3,185	6,981	11,177	3,568	7,916	12,047	3,850	8,315
Health administration	1,282	402	881	1,311	419	929	1,300	412	888
Total expenditure on health goods and services	11,449	3,587	7,862	12,488	3,987	8,845	13,347	4,262	9,203

(a) This expenditure shows the payments made by health insurance funds over the year, and does not necessarily reflect the actual services provided during the year.

(b) The premium rebate is pro-rated across all expense categories (including change in provisions for outstanding claims). The rebate includes rebates paid through the tax system as well as rebates paid to funds, which directly reduce premiums.

(c) From 2003–04 includes only services classified as 'public hospital services' and excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).

(d) Includes an Ambulance Service Levy that is payable by all private insurance funds with members in New South Wales and the Australian Capital Territory to offset the cost of this service.

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

Sources: DoHA 2008, 2009, 2010; ATO 2010; PHIAC 2008, 2009a, 2009b, 2010.

Table 3.11: Health insurance funds' reported expenses and revenues, current prices, 2007–08 to 2009–10 (\$ million)

Operating expenses and revenue of funds	2007–08	2008–09	2009–10
Expenses			
Total cost of benefits ^(a)	10,248	11,203	12,067
State levies (patient transport services)	137	146	160
Management expenses	1,282	1,311	1,300
Total expenses	11,667	12,660	13,526
Revenues			
Contributions income	12,189	13,078	14,170
Other revenues	49	–9	444
Total revenue	12,238	13,069	14,614
Operating profit (loss) before abnormal and extraordinary items	562	405	1,175

(a) Includes the adjustment to provisions for outstanding claims accruing in the year and non-health benefits.

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

Sources: PHIAC 2008, 2009a, 2009b, 2010.

Table 3.12: Expenditure on health goods and services and administration funded through private health insurance funds, constant prices^(a), and annual growth rates, 1999–00 to 2009–10

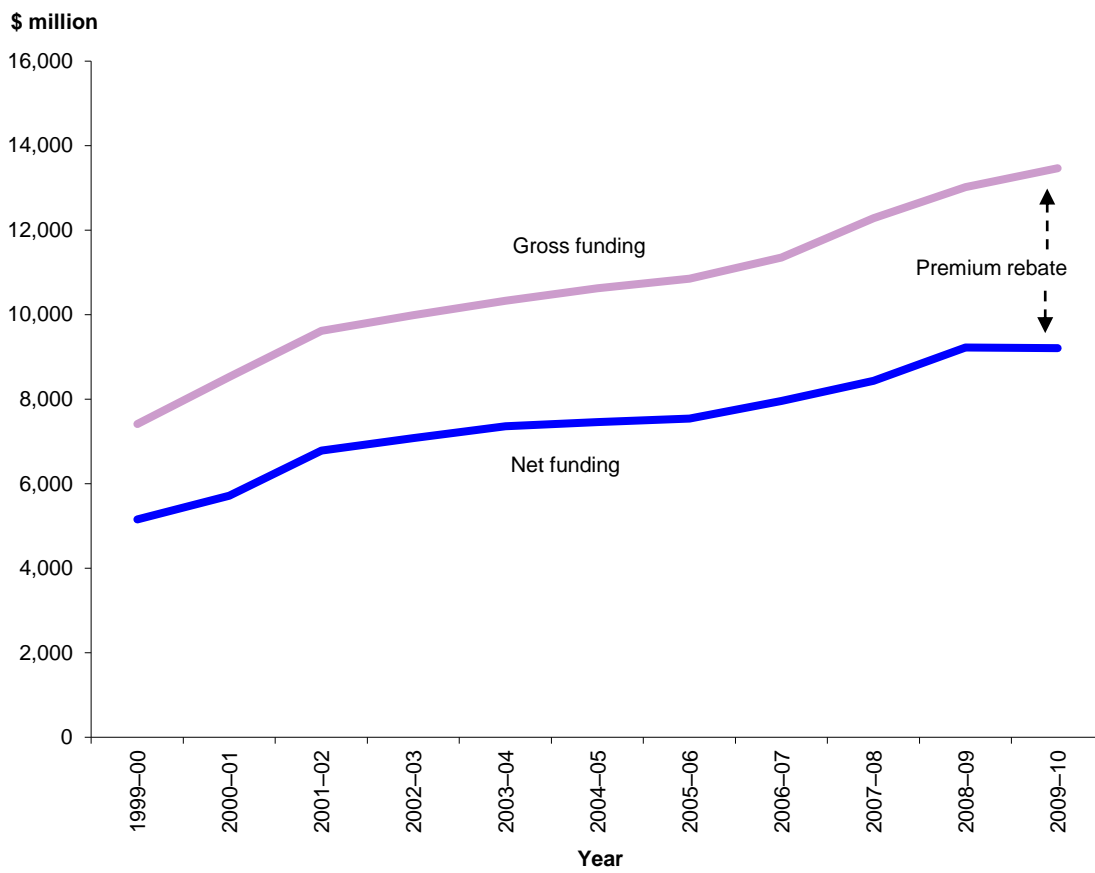
Year	Gross amounts paid through health insurance funds		Premium rebates				Net amounts funded from health insurance funds' own resources ^(b)	
	Amount (\$m)	Growth (%)	Through reduced premiums	Through reduced premiums	Through taxation system	Through taxation system	Amount (\$m)	Growth (%)
1999–00	7,412	..	1,982	..	273	..	5,157	..
2000–01	8,526	15.0	2,571	29.7	242	–11.3	5,713	10.8
2001–02	9,618	12.8	2,603	1.2	229	–5.5	6,786	18.8
2002–03	9,984	3.8	2,708	4.0	201	–12.2	7,076	4.3
2003–04	10,328	3.4	2,785	2.9	183	–9.1	7,359	4.0
2004–05	10,624	2.9	2,996	7.6	174	–4.9	7,454	1.3
2005–06	10,849	2.1	3,136	4.7	170	–2.5	7,543	1.2
2006–07	11,348	4.6	3,216	2.5	173	2.1	7,959	5.5
2007–08	12,279	8.2	3,666	14.0	182	4.8	8,432	5.9
2008–09	13,015	6.0	3,612	–1.5	185	1.8	9,218	9.3
2009–10	13,465	3.5	4,081	13.0	181	–2.3	9,203	–0.2
Average annual growth rate (%)								
2002–03 to 2004–05		2.5		6.1		–7.0		2.6
2004–05 to 2009–10		5.5		6.8		1.5		5.5

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

(b) The gross payments through health insurance funds less the sum of the reimbursement through reduced premiums and the rebates claimed through the taxation system.

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

Source: AIHW health expenditure database.



(a) Constant price health expenditure for 1999-00 to 2009-10 is expressed in terms of 2009-10 prices. Refer to Appendix D for further details.

Source: Table 3.12.

Figure 3.5: Funding of recurrent health expenditure through private health insurance, constant prices^(a), 1999-00 to 2009-10

In 2009-10, it was estimated that net health funding by private health insurance providers averaged \$933 per person covered (Table 3.13). In South Australia the average funding per person covered (\$1,015) was well above the national average, while for people in the Northern Territory and Western Australia it was well below the average at \$495 and \$898, respectively. All states and territories recorded reductions in the amount funded per person with health insurance cover from 1999-00 to 2000-01. From 2000-01 to 2008-09 the trend in funding was generally upwards in all states and territories, followed by a slight drop in 2009-10 for all except New South Wales and Australian Capital Territory.

Table 3.13: Average health expenditure funded by private health insurance, per person covered^(a), constant prices^(b), by state and territory, 1999–00 to 2009–10 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1999–00	752	775	807	820	929	760	696	467	786
2000–01	639	606	684	686	768	712	619	397	654
2001–02	754	720	828	811	918	836	704	488	777
2002–03	773	774	889	836	963	871	713	441	814
2003–04	810	813	932	863	976	921	751	472	850
2004–05	823	820	938	867	978	891	750	449	857
2005–06	808	846	935	846	977	912	738	457	856
2006–07	844	872	949	853	1,000	921	770	468	881
2007–08	863	890	952	863	1,010	934	777	508	895
2008–09	929	952	1,001	906	1,065	1,011	807	529	953
2009–10	951	932	970	898	1,015	973	941	495	933
Average annual growth rate (%)									
1999–00 to 2004–05	1.8	1.1	3.0	1.1	1.0	3.2	1.5	–0.8	1.8
2004–05 to 2009–10	2.9	2.6	0.7	0.7	0.7	1.8	4.6	2.0	1.7
1999–00 to 2009–10	2.4	1.9	1.9	0.9	0.9	2.5	3.1	0.6	1.7

(a) Based on the number of persons with health insurance cover residing in each state and territory.

(b) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

Source: AIHW health expenditure database.

Most privately insured people who use hospital and/or ancillary treatment services for which they are covered are required to meet some level of copayment. These copayments are regarded in the expenditure estimates as a form of out-of-pocket cost sharing.

Hospital services

In 2009–10, the average fee charged for hospital services for insured patients increased with the age of the patient. For example, the average fee charged for hospital services for patients aged <14 years was \$172 per person covered in that age group, and for patients aged ≥85 years the average fee was \$4,135 per person covered (Table 3.14). At the same time, the average copayment for patients aged <14 years was \$51 per person covered and this increased to \$1,003 for patients aged ≥85 years (Table 3.14).

For the older age groups (≥65 years), copayments for males were, on the average, higher than for females. Insured female patients aged <14 met, on average, a copayment of \$47 while those aged 65–84 years had an average copayment of \$1,019. Males in the same age groups had copayments of \$57 and \$1,266 per person, respectively.

Females in the age category 20–44 spent, on average, more than twice the rate of males (\$296 and \$140 respectively). This ratio represents the greatest difference between the sexes in hospital services copayments. The high ratio difference for this age category reflects the higher outlays on hospital services that women face in their child-bearing years.

Ancillaries

The average per person out-of-pocket expenditure for ancillary health services paid in respect of females with ancillary cover was higher than that paid for their male counterparts

at all ages less than 85. The absolute difference was greatest in the age category 45–64 years, where the average amount paid by females was \$516 and for males was \$388 per male covered.

Table 3.14: Fees charged, benefits paid and out-of-pocket expenditure, per person^(a) with private health insurance hospital cover and/or ancillary cover, by age group and sex, current prices, 2009–10 (\$)

	Age group					
	0–14	15–19	20–44	45–64	65–84	85+
Hospital benefits paid, fees charged and out-of-pocket expenditure						
Males						
Out-of-pocket	57	101	140	427	1,266	1,280
Benefits paid	139	152	193	589	2,068	3,477
<i>Fees charged</i>	196	254	334	1,016	3,334	4,757
Females						
Out-of-pocket	47	96	296	415	1,019	985
Benefits paid	120	188	591	640	1,833	3,202
<i>Fees charged</i>	167	284	887	1,055	2,852	4,187
All persons						
Out-of-pocket	51	95	210	395	1,089	1,003
Benefits paid	122	158	375	571	1,847	3,131
<i>Fees charged</i>	172	253	585	966	2,936	4,135
Ancillary benefits paid, fees charged and out-of-pocket expenditure						
Males						
Out-of-pocket	122	183	215	388	473	475
Benefits paid	150	204	224	354	398	354
<i>Fees charged</i>	272	388	439	743	871	830
Females						
Out-of-pocket	135	225	306	516	509	445
Benefits paid	158	241	308	451	431	326
<i>Fees charged</i>	293	466	614	968	939	772
All persons						
Out-of-pocket	120	196	253	425	432	384
Benefits paid	145	213	251	372	361	268
<i>Fees charged</i>	266	409	503	797	794	653

(a) Based on the number of persons with health insurance cover.

Source: PHIAC 2010.

Injury compensation insurers

In 2009–10, injury compensation insurers funded \$2,270 million of expenditure on health goods and services – \$1,392 million by workers compensation insurers and \$877 million by motor vehicle third-party insurers (Table 3.15).

Over the period 1999–00 to 2009–10, real funding by workers compensation insurers rose on average by 2.1% per year while the annual real growth over this decade for motor vehicle

third-party insurers was 2.8%. However, on a year-on-year basis growth was quite volatile for both types of injury compensation insurers.

Expenditure on health funded by workers compensation and motor vehicle third-party insurers is most of the 'other non-government' source of funds category in the main health expenditure tables.

Table 3.15: Expenditure by injury compensation insurers, constant prices^(a), and annual growth rates, 1999–00 to 2009–10

Year	Workers compensation insurers		Motor vehicle accident third-party insurers		Total injury compensation insurers	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1999–00	1,134	..	669	..	1,803	..
2000–01	1,129	–0.4	672	0.5	1,801	–0.1
2001–02	1,143	1.3	787	17.1	1,930	7.2
2002–03	1,242	8.6	801	1.8	2,043	5.9
2003–04	1,321	6.4	734	–8.4	2,055	0.6
2004–05	1,292	–2.2	804	9.6	2,097	2.0
2005–06	1,298	0.5	816	1.4	2,114	0.8
2006–07	1,306	0.6	852	4.4	2,158	2.1
2007–08	1,388	6.3	919	7.9	2,308	6.9
2008–09	1,409	1.5	885	–3.7	2,294	–0.6
2009–10	1,392	–1.2	877	–0.9	2,270	–1.1
Average annual growth rate (%)						
1999–00 to 2004–05		2.6		3.8		3.1
2004–05 to 2009–10		1.5		1.7		1.6
1999–00 to 2009–10		2.1		2.8		2.3

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

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

Source: AIHW health expenditure database.

4 Health expenditure and funding, by area of health expenditure

Health expenditure consists of recurrent expenditure and capital expenditure. Recurrent expenditure includes capital consumption and can be split by area of health expenditure, while capital expenditure cannot. There is some overlap across categories of recurrent health expenditure. An example of this is where medical services are provided to private patients in a hospital. These expenditures are captured in the Medicare statistics which are part of 'medical services' not 'hospitals'.

4.1 Recurrent expenditure

Of the \$116.3 billion recurrent health expenditure in 2009–10, around half was for public hospital services and medical services (31.2% and 18.3% respectively). Expenditure on medications accounted for a further 14.0% (Table 4.1 and Figure 4.1).

In 2009–10, most areas of expenditure experienced real growth (tables 4.2 and A8). The areas of increased expenditure included:

- research – 10.8%
- private hospitals – 7.8%
- dental services – 7.5%
- medications – 6.8%
- medical services – 4.7%
- public hospital services – 4.4%

Expenditure on public health, however, decreased in real terms by 13.7%, mainly due to the reduction in funding for the human papillomavirus vaccination program. This program was implemented in 2007–08 and, as with most organised immunisation programs, the majority of funding was spent in that year with progressively lower amounts in the following years. Expenditure on health administration also decreased in real terms by 8.5% (Table A8).

Between 2003–04 and 2009–10, expenditure on public hospitals accounted for the largest amount of real growth in recurrent health expenditure (\$10.1 billion or 31.8%) (derived from Table 4.2). Expenditure on medications accounted for \$5.6 billion or 17.7% of the growth over that period, and medical services for \$5.5 billion or 17.2%. Together, these three areas of expenditure accounted for two-thirds (66.7%) of the growth in expenditure during the past 6 years.

Between 1999–00 and 2009–10, expenditure on research showed the highest real growth in total recurrent expenditure (averaging 12.0% per year) (Table A8). Growth in expenditure on medications averaged 8.4% per year and medical services had an average annual real growth of 3.9% (Table A8).

Table 4.1: Total funding of recurrent health expenditure, current prices, by area of expenditure, and proportion of total recurrent expenditure, 1999–00 to 2009–10

Year	Public hospitals ^(a)		Private hospitals		Medical services		Dental services ^(a)		Other health practitioners ^(b)		Medications		Other health ^{(a)(c)}		Total recurrent
	Amount (\$m)	Prop'n (%)	Amount (\$m)	Prop'n (%)	Amount (\$m)	Prop'n (%)	Amount (\$m)	Prop'n (%)	Amount (\$m)	Prop'n (%)	Amount (\$m)	Prop'n (%)	Amount (\$m)	Prop'n (%)	Amount (\$m)
1999–00	15,635	31.5	4,204	8.5	9,710	19.6	2,895	5.8	1,585	3.2	6,874	13.9	8,662	17.5	49,564
2000–01	16,582	30.2	4,532	8.2	10,218	18.6	3,461	6.3	1,909	3.5	8,161	14.8	10,115	18.4	54,978
2001–02	17,900	30.1	5,030	8.5	11,203	18.8	4,023	6.8	2,189	3.7	9,013	15.1	10,164	17.1	59,522
2002–03 ^(c)	19,723	30.4	5,505	8.5	12,004	18.5	4,316	6.7	2,460	3.8	9,401	14.5	11,413	17.6	64,822
<i>Break in series^(a)</i>															
2003–04 ^(c)	21,243	30.4	6,328	9.1	12,905	18.5	4,663	6.7	2,652	3.8	10,324	14.8	11,786	16.9	69,901
2004–05	23,271	30.3	6,684	8.7	14,648	19.1	5,090	6.6	2,801	3.6	11,206	14.6	13,081	17.0	76,781
2005–06	25,429	31.0	7,155	8.7	15,495	18.9	5,375	6.6	3,038	3.7	11,545	14.1	13,897	17.0	81,933
2006–07	28,016	31.3	7,740	8.7	16,766	18.7	5,749	6.4	3,273	3.7	12,611	14.1	15,294	17.1	89,449
2007–08	30,817	31.4	8,982	9.2	18,338	18.7	6,106	6.2	3,373	3.4	13,720	14.0	16,680	17.0	98,017
2008–09	33,474	31.1	8,982	8.3	19,820	18.4	6,790	6.3	3,426	3.2	15,206	14.1	20,045	18.6	107,745
2009–10	36,238	31.2	10,050	8.6	21,242	18.3	7,690	6.6	3,742	3.2	16,303	14.0	21,040	18.1	116,306

(a) The break in time series between 2002–03 and 2003–04 affects public hospitals, dental services and patient transport services, community and public health components of other health (see Box 4.1). (See Section 6.3 in Technical notes for further information.)

(b) Includes paramedics, physiotherapists, psychologists and so forth.

(c) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

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

Source: AIHW health expenditure database.

Table 4.2: Total funding of recurrent health expenditure, constant prices^(a), by area of expenditure, and annual growth rates, 1999–00 to 2009–10

Year	Public hospitals ^{(b)(c)}		Private hospitals		Medical services		Dental services ^(b)		Other health practitioners ^(d)		Medications		Other health ^{(b)(e)}		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1999–00	21,520	..	5,826	..	14,536	..	4,646	..	2,454	..	7,297	..	12,222	..	68,502	..
2000–01	22,197	3.1	6,106	4.8	14,660	0.9	5,257	13.1	2,769	12.8	8,534	16.9	13,827	13.1	73,349	7.1
2001–02	23,331	5.1	6,592	8.0	15,189	3.6	5,819	10.7	2,899	4.7	9,420	10.4	13,572	–1.8	76,822	4.7
2002–03	25,028	7.3	7,023	6.5	15,452	1.7	5,974	2.6	3,135	8.1	9,736	3.4	14,785	8.9	81,132	5.6
<i>Break in series^(b)</i>																
2003–04	26,103	..	7,346	4.6	15,773	2.1	6,191	..	3,302	..	10,669	9.6	15,063	..	84,447	..
2004–05	27,858	6.7	7,597	3.4	16,597	5.2	6,351	2.6	3,389	2.6	11,487	7.7	16,130	7.1	89,407	5.9
2005–06	29,084	4.4	7,685	1.2	16,625	0.2	6,444	1.5	3,506	3.5	11,709	1.9	16,526	2.5	91,580	2.4
2006–07	30,820	6.0	7,904	2.8	17,427	4.8	6,531	1.3	3,704	5.6	12,623	7.8	17,587	6.4	96,598	5.5
2007–08	32,933	6.9	8,299	5.0	18,846	8.1	6,668	2.1	3,821	3.2	13,667	8.3	19,204	9.2	103,439	7.1
2008–09	34,727	5.4	9,323	12.3	20,297	7.7	7,156	7.3	3,726	–2.5	15,263	11.7	20,897	8.8	111,389	7.7
2009–10	36,238	4.4	10,050	7.8	21,242	4.7	7,690	7.5	3,742	0.4	16,303	6.8	21,040	0.7	116,306	4.4
Average annual growth rate (%)																
1999–00 to 2002–03	5.2		6.4		2.1		8.7		8.5		10.1		6.5		5.8	
2003–04 to 2009–10	5.6		5.4		4.2		3.7		2.1		7.3		5.7		5.5	
1999–00 to 2009–10	..		5.6		3.9		..		..		8.4		..		..

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

(b) Prior to 2003–04, includes all health goods and services provided in public hospitals. From 2003–04 includes only services classified as 'public hospital services' and excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off site, such as hospital in the home, dialysis or other services (see Box 4.1).

(c) Methodology change in 2003–04, which mainly affects public hospitals, dental services and patient transport services, community and public health components of other health (see Box 4.1).

(d) Includes paramedics, physiotherapists, psychologists, and so forth.

(e) Comprises patient transport services, community health, public health, aids and appliances, other recurrent health services n.e.c., administration and research.

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

Source: AIHW health expenditure database.

Box 4.1: Public hospital and public hospital services expenditure

From 2003–04 the AIHW has collected state and territory government expenditure data directly from the state and territory health authorities using a uniform data collection template. Prior to 2003–04, the states and territories had provided data using a myriad of formats. Therefore, the estimates of state and territory government expenditures from 2003–04 are more consistent across jurisdictions in their format and content. As a consequence, the data reported for all years from 2003–04 onwards are not strictly comparable with those reported for earlier years.

In particular, from 2003–04, expenditure for the following services, where they are provided by, or on behalf of, public hospitals and it is possible to identify them, are reported separately under their respective categories:

- community health services
- public health services
- dental services (non-admitted)
- patient transport services
- health research.

The balance of public hospital expenditure remaining, after the above components have been removed and reallocated to their own expenditure categories, is now referred to as **'public hospital services'** expenditure.

Before 2003–04, the AIHW public hospitals establishments (PHE) collection data were used to derive estimates of expenditure on public hospitals for each state and territory. Those data comprised individual hospitals' operating expenses, including expenses related to the provision of community and public health services, dental and patient transport services and health research that are provided in or by the public hospitals. This expenditure was referred to as **'public hospital'** expenditure. The time series data in tables 4.3 to 4.7 and figures 4.3 and 4.4 are based on **'public hospital'** expenditure data to enable valid comparisons across the decade.

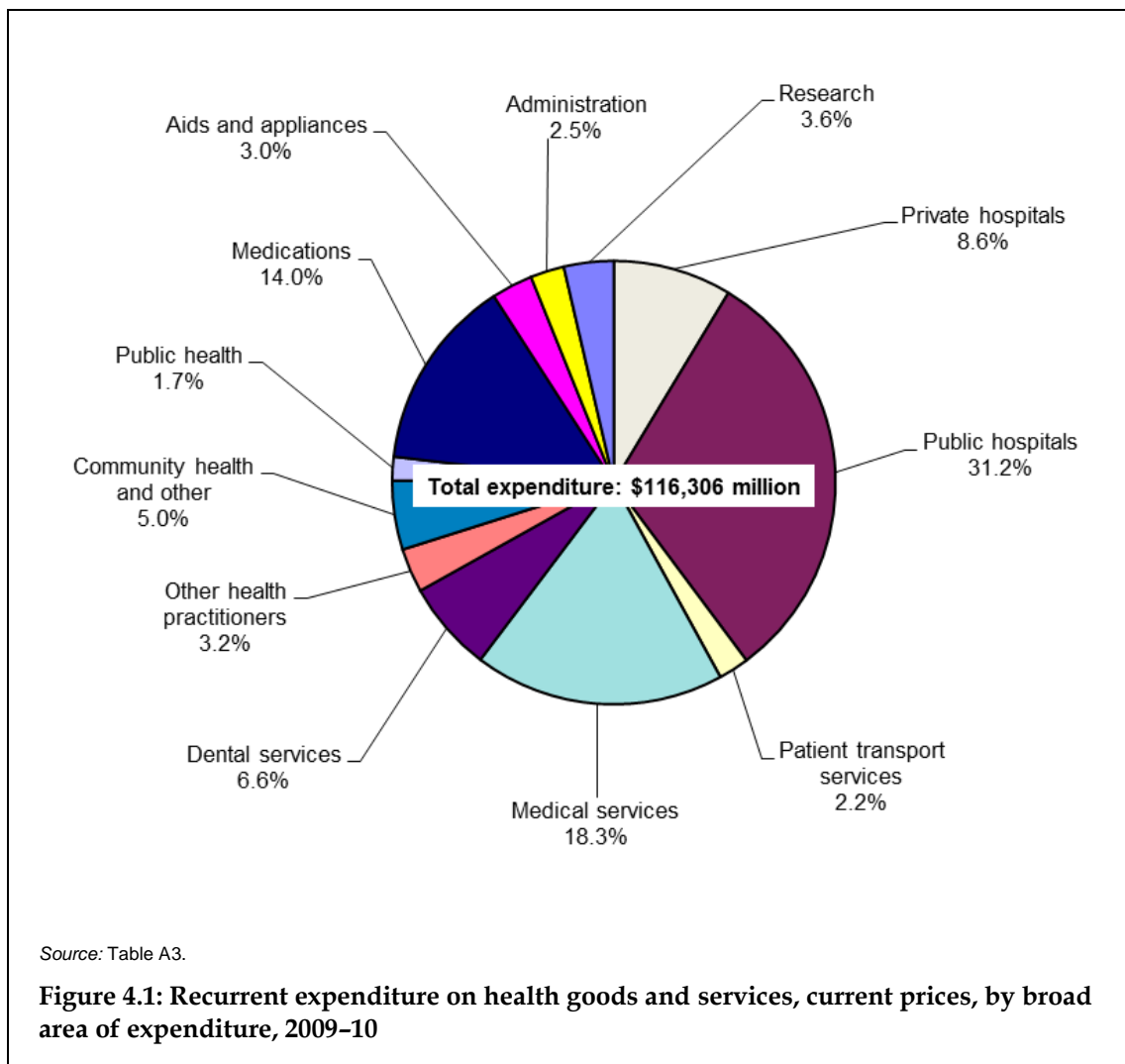
As part of the current expenditure reporting process, some states and territories were able to allocate head office and central costs to functional areas, such as public hospital services, community health services, public health etc., instead of, as had been the case in the past, simply reporting all such expenditures as 'administration'. As a result, although the public hospital services category now excludes expenditure on certain services that can be reported in other categories, the public hospital services expenditure may, in some instances, actually be higher than would otherwise have been reported as 'public hospital' expenditure.

Impact of these changes on comparability of health expenditure data

Comparisons over time of expenditure on public hospitals, public hospital services, community and public health services, dental services and patient transport services can be made for the following time periods:

- up to and including 2002–03
- from 2003–04 onwards.

Health expenditure for these areas cannot be compared across 2002–03 and 2003–04, nor can they be used to compare expenditure relating to a specific year, such as 2006–07, to expenditure, or growth in expenditure, for the decade 1999–00 to 2009–10.



While the annual real growth in total recurrent health expenditure over time provides a broad picture of what is happening to the whole health system, it does not show what is actually driving that growth. In order to identify the drivers of overall growth, it is important to look at the contribution that growth in different areas of expenditure makes to growth in expenditure overall. The analysis that follows covers the last 3 years of the period, from 2006-07 to 2009-10.

In the years 2007-08, 2008-09 and 2009-10, recurrent health expenditure grew by 7.1%, 7.7% and 4.4%, respectively (see Table A8).

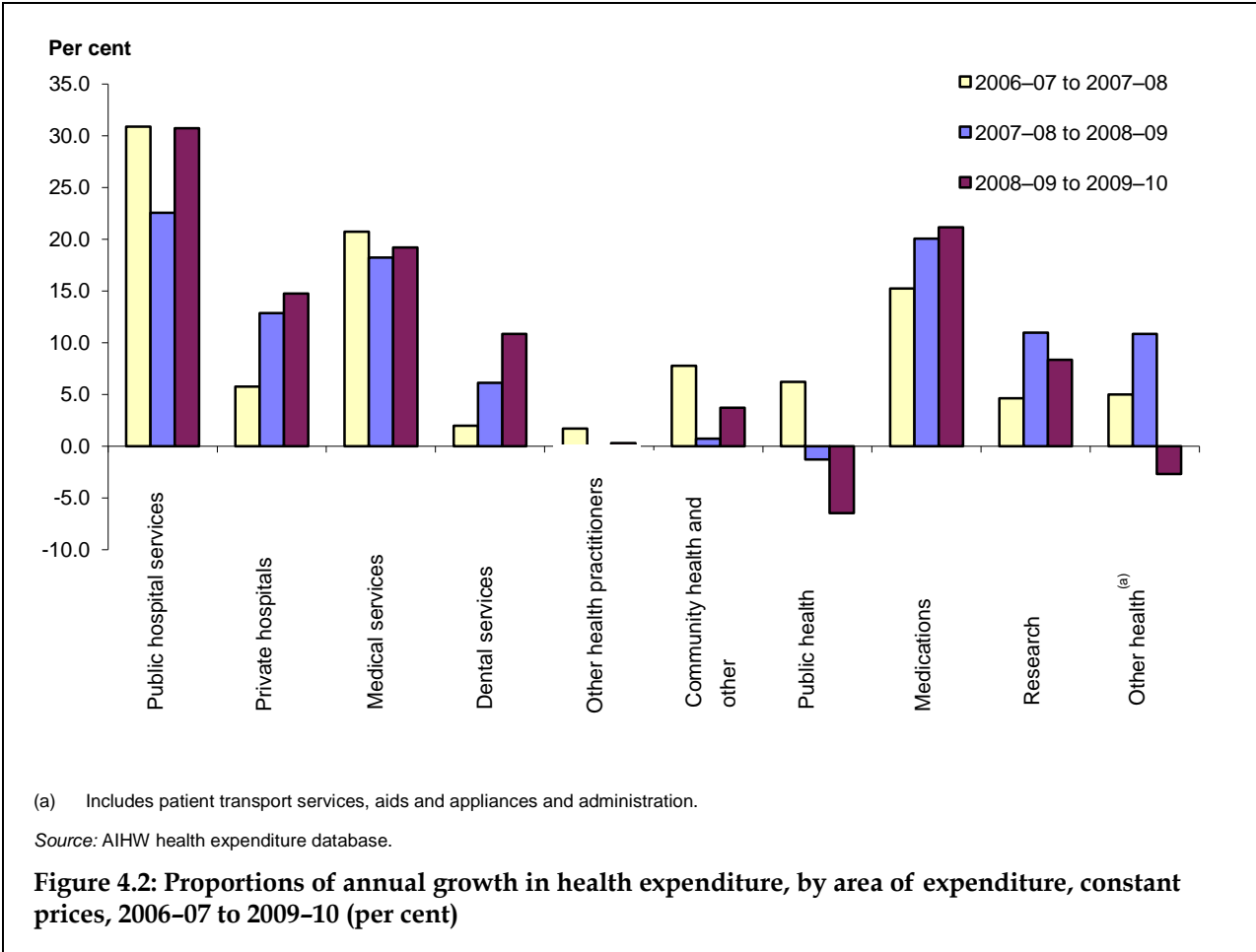
Expenditure on hospitals, which comprised 39.8% of total recurrent spending on health in 2009-10 (Figure 4.1), was the largest contributor to growth in recurrent expenditure in each of those years. In 2007-08, public hospital services accounted for just under one-third (30.9%) of the total growth in recurrent expenditure. During the next 2 years, 2008-09 and 2009-10, it contributed 22.6% and 30.7%, respectively (Figure 4.2).

Expenditure on medical services contributed 20.7% of total growth between 2006-07 and 2007-08, and 18.2 and 19.2% in the following 2 years (Figure 4.2). Medication expenditure also contributed strongly to growth in these years (15.3%, 20.1% and 21.2% respectively).

Private hospitals' contribution to growth showed a steady increase over the 3 years, from 5.8% to 12.9% and 14.8% in 2009-10.

Expenditure on public health experienced negative growth (-13.7%) between 2008-09 and 2009-10 (see Table A8) and this is reflected in its negative (-6.5%) contribution to overall growth in that year. This negative growth rate followed the negative growth in expenditure on public health of the previous year (-4.2%) and both are due to the peak in public health expenditure in 2007-08 when public health expenditure grew by 21.8% (Table A8). This peak can be attributed to increased spending on organised immunisation programs – mainly the costs associated with the 2007-08 implementation of the human papillomavirus vaccination program. The majority of the additional funds were spent in the first year with a steady decline after high initial take-up. Further information on public health expenditure is provided later in this chapter.

Health research showed higher than average increases in spending over the 3 years, with growth rates of 12.1%, 29.6% and 10.8%, respectively (Table A8). However, because it contributes a small proportion of overall recurrent expenditure, its influence on growth in total recurrent expenditure is also quite small.



Hospitals

More is spent by hospitals, as the largest providers of health services, than other health provider types. In this part of the report the analysis relates to expenditure on hospitals as providers of a range of services, rather than expenditure on hospital services, which is the focus of the rest of the report. Expenditure on hospitals is analysed in two categories:

- public hospitals
- private hospitals.

In real terms, expenditure on public and private hospitals grew at an average of 4.9% and 5.6% per year, respectively, between 1999–00 and 2009–10 (Table 4.3).

The funding arrangements for hospitals were integral to the 5-year bilateral AHCAs between the Commonwealth and each of the state/territory governments for the funding of government health services (see Box 4.2). The second of these 5 year agreements ceased on 30 June 2009 and from 1 July 2009 the National Healthcare Agreement provides the funding arrangements between the Commonwealth Government and state and territory governments (see Box 3.1).

The Australian Government's private health insurance initiatives also influence funding for hospitals. This is because private health insurance provides most of the funding for private hospitals and for private patients in public hospitals.

Between 1997 and 2000 three major incentives relating to private health insurance were introduced:

- July 1997, the means-tested PHIIS subsidy
- January 1999, a non-means-tested 30% rebate on private health insurance premiums, which replaced the PHIIS subsidy. From 1 April 2005, the Private Health Insurance Rebate increased to 35% for people aged 65 to 69 years and to 40% for people aged 70 years and older. It remained at 30% for those aged less than 65.
- July 2000, the LHC initiatives to encourage younger people to take out and maintain private insurance cover. Under LHC, people who do not have private health insurance cover by 1 July following their 31st birthday and who decided to take out such cover, could be required to pay a LHC loading. This was set at 2% of the standard premium for the type of cover they select, for each year that they delay taking out private health insurance.

Box 4.2: Australian Government and state and territory governments' health funding agreements periods

First Australian Health Care Agreements: 1 July 1998 to 30 June 2003

Second Australian Health Care Agreements: 1 July 2003 to 30 June 2009

National Healthcare Agreement: 1 July 2009 onwards

(<http://www.coag.gov.au/intergov_agreements/federal_financial_relations/index.cfm>)

From 1999–00 to 2004–05, real growth in public hospital expenditure averaged 5.4% per year. Private hospital expenditure grew, in real terms, at 5.5% per year during the same period (Table 4.3).

The private hospital share of hospital expenditure increased early in the period, from 21.3% in 1999–00 to 22.1% in 2003–04. It then gradually declined to 20.1% in 2007–08, before increasing to 22.4% in 2009–10 (calculated from Table 4.3).

Table 4.3: Recurrent expenditure on public hospitals and private hospitals, constant prices^(a) and annual growth rates, 1999–00 to 2009–10

Year	Public hospitals ^(b)		Private hospitals		All hospitals	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1999–00	21,520	..	5,826	..	27,346	..
2000–01	22,197	3.1	6,106	4.8	28,303	3.5
2001–02	23,331	5.1	6,592	8.0	29,923	5.7
2002–03	25,028	7.3	7,023	6.5	32,051	7.1
2003–04	25,963	3.7	7,346	4.6	33,310	3.9
2004–05	27,989	7.8	7,597	3.4	35,586	6.8
2005–06	29,056	3.8	7,685	1.2	36,742	3.2
2006–07	30,632	5.4	7,904	2.8	38,536	4.9
2007–08	32,891	7.4	8,299	5.0	41,191	6.9
2008–09	33,506	1.9	9,323	12.3	42,830	4.0
2009–10	34,837	4.0	10,050	7.8	44,887	4.8
Average annual growth rate (%)						
1999–00 to 2004–05		5.4		5.5		5.4
2004–05 to 2009–10		4.5		5.8		4.8
1999–00 to 2009–10		4.9		5.6		5.1

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

(b) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital (see Box 4.1).

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

Source: AIHW health expenditure database.

In 1999–00, the governments' share of hospitals' funding was 80.3% and by 2009–10 it was 78.3% – a 2.0 percentage points decrease (Table 4.4). All of this decrease was in funding by the Australian Government which, despite some variation in individual years, decreased its share from 42.3% to 38.2% over the decade. The state/territory governments' share also varied during this time, from a low of 37.1% to a high of 43.2%, but in 2009–10 its share was 40.1%. The proportion of funding met by non-government sources showed similar variation but an overall increase – from 19.7% in 1999–00 to 21.7% in 2009–10.

Table 4.4: Funding of public hospitals^(a) and private hospitals, current prices, by source of funds, 1999–00 to 2009–10 (per cent)

Year	Government			Non-government			
	Australian Government ^(b)	State/territory and local	Total	Private health insurance funds ^(b)	Other non-government	Total	Total
1999–00	42.3	38.1	80.3	10.1	9.5	19.7	100.0
2000–01	43.4	37.1	80.5	10.5	9.0	19.5	100.0
2001–02	42.6	37.1	79.7	12.0	8.3	20.3	100.0
2002–03	42.1	39.4	81.5	11.8	6.7	18.5	100.0
2003–04	41.1	39.8	80.9	12.0	7.0	19.1	100.0
2004–05	40.3	40.8	81.1	11.6	7.3	18.9	100.0
2005–06	38.9	42.3	81.1	11.3	7.5	18.8	100.0
2006–07	37.9	43.2	81.1	11.4	7.5	18.9	100.0
2007–08	38.6	42.9	81.5	11.2	7.3	18.5	100.0
2008–09	37.9	41.0	78.9	11.8	9.3	21.1	100.0
2009–10	38.2	40.1	78.3	11.5	10.2	21.7	100.0

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals (see Box 4.1).

(b) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate (see Box 3.1).

Source: AIHW health expenditure database.

Public hospitals

Analysis of expenditure on public hospitals has been featured in all the AIHW's health expenditure publications since 1985. The analyses related to expenditure on hospitals as providers of a range of services, which included hospital services. The data that were used to compile estimates of expenditure on public hospitals initially came from the cost-sharing data that Medibank in 1975 and Medicare after 1977 required states and territories to provide. That series was continued under the AIHW's Hospital Utilisation and Cost Studies from the mid-1980s to the early 1990s and, since 1993–94, through its annual Australian Hospital Statistics collections.

The data have always included expenditure on dental services, community health services, patient transport services, public health and health research that was undertaken in or by public hospitals. This was in addition to expenditure associated with general hospital care and treatment, but was not separately identified in the data submissions.

Public hospital expenditure data did not include any expenditure that state and territory governments incurred in purchasing services from private hospitals for public patients. The related expenditure was included as expenditure on private hospitals, but was often not identified as being funded by governments.

The AIHW has refined its data collection and expenditure reporting to more clearly identify expenditures according to the types of services they support, rather than the institutions in which they are provided. This means that most of the analyses in this publication look at expenditure on 'hospital services', rather than expenditure on 'hospitals'. Also, expenditures on dental, community health and patient transport services that hospitals provide, and on public health and health research, are now reported as expenditures on those particular services.

In order to maintain consistency with previous publications in this series, this part of the analysis looks at expenditure on 'public hospitals', as distinct from expenditure on 'public hospital services', which is reported elsewhere in this publication.

Governments provided 90.3% of total funding for public hospitals. The Australian Government's contribution – estimated at 39.7% in 2009–10 – was largely in the form of the National healthcare SPP associated with the National Healthcare Agreement, and some NP payments for specific health purposes. The states and territories, which have the major responsibility for operating and regulating the public hospitals, provided 50.6% of their funding in 2009–10 (Table 4.5).

The Australian Government's share of public hospital funding was lower (39.7%) in 2009–10 than it had been at the start of the period (1999–00), when it was 44.6%. This reduction in the share of funding occurred between 2000–01 and 2006–07 and was due to growth in the state and territory governments' funding exceeding that of the Australian Government in each of those years. By 2006–07, the Australian Government's share had fallen to its lowest point during the decade (38.6%) (Table 4.5).

In the last year of the period (2009–10), growth in funding by the Australian Government was 8.3% (Table 4.5). The high growth in 2007–08 of 12.3% largely reflected a one-off provision by the Commonwealth of \$0.5 billion, increased funding to support the national blood services, and the following initiatives: the Elective Surgery Waiting List Reduction Plan, and funding of public hospital services at the Mersey Community Hospital.

The Australian Government's funding growth in 2009–10 (8.3%) was greater than that of the state and territory governments which had a growth of 6.5%.

Growth in funding for public hospitals by state and territory governments is almost a mirror image of the Australian Government's funding (Figure 4.3). The share of state and territory governments' funding in 2009–10 (50.6%) was 2.3 percentage points higher than at the start of the period (48.3% in 1999–00). However within this period the state and territory governments' funding share rose to a peak of 53.4% in 2006–07.

The non-government contribution increased from a low of 6.9% in 2002–03 to a high of 9.7% in 2009–10 (Table 4.5). It consisted of funding by private health insurance, payments by individuals, purchase of services by workers compensation insurers and motor vehicle third-party insurance and other (non-identified) funders.

Table 4.5: Funding of public hospitals^(a), current prices, by broad source of funds and annual growth rates, 1999–00 to 2009–10

Year	Government						Non-government			Total		
	Australian Government			State/territory			Amount (\$m)	Growth (%)	Share (%)	Amount (\$m)	Growth (%)	Share (%)
	Amount (\$m)	Growth (%)	Share (%)	Amount (\$m)	Growth (%)	Share (%)						
1999–00	6,981	..	44.6	7,555	..	48.3	1,099	..	7.0	15,635	..	100.0
2000–01	7,499	7.4	45.2	7,834	3.7	47.2	1,249	13.6	7.5	16,582	6.1	100.0
2001–02	7,988	6.5	44.6	8,503	8.5	47.5	1,408	12.8	7.9	17,900	7.9	100.0
2002–03	8,700	8.9	44.1	9,654	13.5	48.9	1,370	-2.7	6.9	19,723	10.2	100.0
2003–04 ^(b)	9,056	4.1	42.9	10,555	9.3	50.0	1,497	9.3	7.1	21,110	7.0	100.0
2004–05 ^(b)	9,724	7.4	41.6	11,894	12.7	50.9	1,737	16.1	7.4	23,358	10.6	100.0
2005–06 ^(b)	10,086	3.7	39.8	13,301	11.8	52.5	1,962	12.9	7.7	25,352	8.5	100.0
2006–07 ^(b)	10,738	6.5	38.6	14,853	11.7	53.4	2,200	12.1	7.9	27,794	9.6	100.0
2007–08 ^(b)	12,063	12.3	39.3	16,226	9.2	52.8	2,439	10.9	7.9	30,728	10.6	100.0
2008–09 ^(b)	12,775	5.9	39.6	16,552	2.0	51.2	2,972	21.8	9.2	32,299	5.1	100.0
2009–10 ^(b)	13,838	8.3	39.7	17,633	6.5	50.6	3,366	13.3	9.7	34,837	7.9	100.0
Average annual growth rate (%)												
1999–00 to 2004–05	6.9		9.5		9.6		8.4					
2004–05 to 2009–10	7.3		8.2		14.1		8.3					
1999–00 to 2009–10	7.1		8.8		11.8		8.3					

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals (see Box 4.1).

(b) Public hospital expenditure estimates for 2003–04 to 2008–09 are derived from Public Hospital Establishments (PHE) data published in Australian hospital statistics (see Box 4.1). These differ from the estimates included in Appendix A.

Source: AIHW health expenditure database.

There were three major sources of Australian Government funding for public hospitals in operation between 1999–00 and 2009–10:

- DVA funded hospitals either by purchasing services for veterans and their dependants from hospitals or through contractual arrangements with states and territories
- the states and territories received SPP funding under the AHCAs or, from 2009–10 from the National healthcare SPP associated with the National Healthcare Agreement, and some NP payments for specific health purposes
- other forms of funding that the Australian Government provided up to 2008–09, including extra payments in addition to the AHCAs for services provided in public hospitals (Table 4.6).

There was also a small share of the rebates on private health insurance premiums that was allocated to funding of public hospitals.

DVA funding fell, as a proportion of all funding, from 3.3% in 1999–00 to 2.2% in 2009–10.

After an initial period, from 1999–00 to 2000–01, when there was an increase in Australian Government grants to states and territories, these grants, as a proportion of total funding, decreased until 2006–07 (33.3%). The Australian Government grants to states and territories then increased to 34.5% of total funding in 2009–10 (Table 4.6).

Table 4.6: Government shares of recurrent expenditure on public hospitals^(a), by level of government, current prices, 1999–00 to 2009–10 (per cent)

Year	Australian Government					Total	State/ territory governments	Total govern- ment
	DVA	Australian Government grants to states ^{(b)(c)}	Rebates of health insurance premiums	Other Australian Government ^(d)				
1999–00	3.3	39.9	0.6	1.0	44.6	48.3	93.0	
2000–01	3.2	40.5	0.6	0.9	45.2	47.2	92.5	
2001–02	3.3	39.6	0.6	1.0	44.6	47.5	92.1	
2002–03	3.5	38.8	0.6	1.1	44.1	48.9	93.1	
2003–04	3.5	37.2	0.7	1.6	42.9	50.0	92.9	
2004–05	3.5	35.6	0.7	1.8	41.6	50.9	92.5	
2005–06	2.7	34.6	0.7	1.8	39.8	52.5	92.2	
2006–07	2.8	33.3	0.7	1.8	38.6	53.4	92.1	
2007–08	2.4	33.7	0.8	2.4	39.3	52.8	92.1	
2008–09	2.4	34.0	0.8	2.3	39.6	51.2	90.8	
2009–10	2.2	34.5	0.9	2.1	39.7	50.6	90.3	

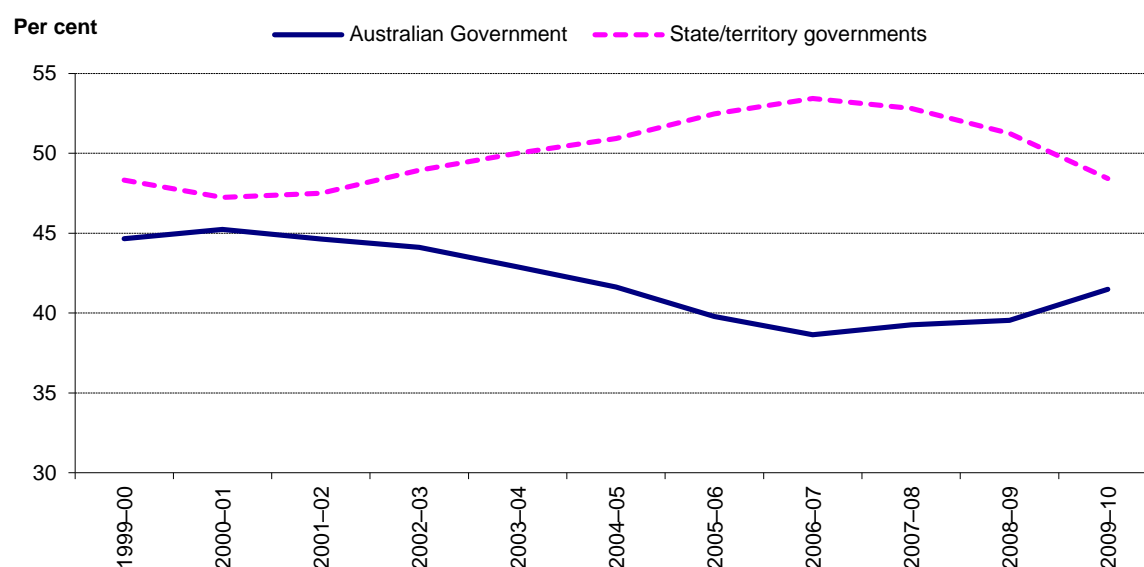
(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals (see Box 4.1).

(b) Up to 2008–09, includes AHCA SPPs, highly specialised drugs and positron emission tomography (PET) scanner grants.

(c) From 2009–10, includes the healthcare SPP, public hospital-related NP payments, highly specialised drugs, and PET scanner grants.

(d) Includes DoHA direct expenditure on public hospitals, such as for blood sector payments, and hepatitis C funding.

Source: AIHW health expenditure database.



(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals (see Box 4.1).

Source: Table 4.6.

Figure 4.3: Government funding of public hospitals^(a), current prices, 1999–00 to 2009–10 (per cent)

In 2009–10, total recurrent funding of public hospitals had a real growth of 4.0% (Table 4.7). Total recurrent funding consists of government and non-government funding. Government funding had a real growth of 3.4%. The Australian Government's contribution increased by 4.4% to \$13.8 billion, while the state and territory governments' contribution increased by 2.7%, providing \$17.6 billion in funding in 2009–10. The non-government funding of public hospitals increased from \$3.1 billion in 2008–09 to \$3.4 billion in 2009–10 – a real growth of 9.3%.

From 1999–00 to 2009–10, total recurrent funding of public hospitals increased in real terms by \$13.3 billion to comprise \$34.8 billion (Table 4.7). The largest increase was by state and territory governments (\$7.3 billion or 54.9% of total increase) comprising 5.5% average annual real growth. The Australian Government funded an increase of \$4.2 billion (31.2%) at 3.6% yearly growth on average and the non-government sector provided a real increase of \$1.8 billion which comprised an average annual growth of 8.3%.

Table 4.7: Funding of public hospitals^(a), constant prices^(b), by broad source of funds, and annual growth rates, 1999–00 to 2009–10

Year	Government						Non-government ^(c)		Total recurrent funding	
	Australian Government ^(c)		State/territory		Total		Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)				
1999–00	9,678	..	10,324	..	20,003	..	1,518	..	21,520	..
2000–01	10,111	4.5	10,411	0.8	20,522	2.6	1,674	10.3	22,197	3.1
2001–02	10,474	3.6	11,020	5.8	21,494	4.7	1,836	9.7	23,331	5.1
2002–03	11,097	5.9	12,189	10.6	23,286	8.3	1,742	–5.1	25,028	7.3
2003–04	10,539	–5.0	12,971	6.4	23,510	1.0	1,743	—	25,253	0.9
2004–05	10,913	3.5	14,242	9.8	25,154	7.0	2,079	19.3	27,234	7.8
2005–06	10,855	–0.5	15,238	7.0	26,093	3.7	2,243	7.9	28,336	4.0
2006–07	11,120	2.4	16,374	7.5	27,494	5.4	2,417	7.7	29,910	5.6
2007–08	12,063	8.5	17,375	6.1	29,438	7.1	2,606	7.8	32,043	7.1
2008–09	13,252	9.9	17,174	–1.2	30,426	3.4	3,080	18.2	33,506	4.6
2009–10	13,838	4.4	17,633	2.7	31,471	3.4	3,366	9.3	34,837	4.0
Average annual growth rate (%)										
1999–00 to 2004–05	2.4		6.6		4.7		6.5		4.8	
2004–05 to 2009–10	4.9		4.4		4.6		10.1		5.0	
1999–00 to 2009–10	3.6		5.5		4.6		8.3		4.9	

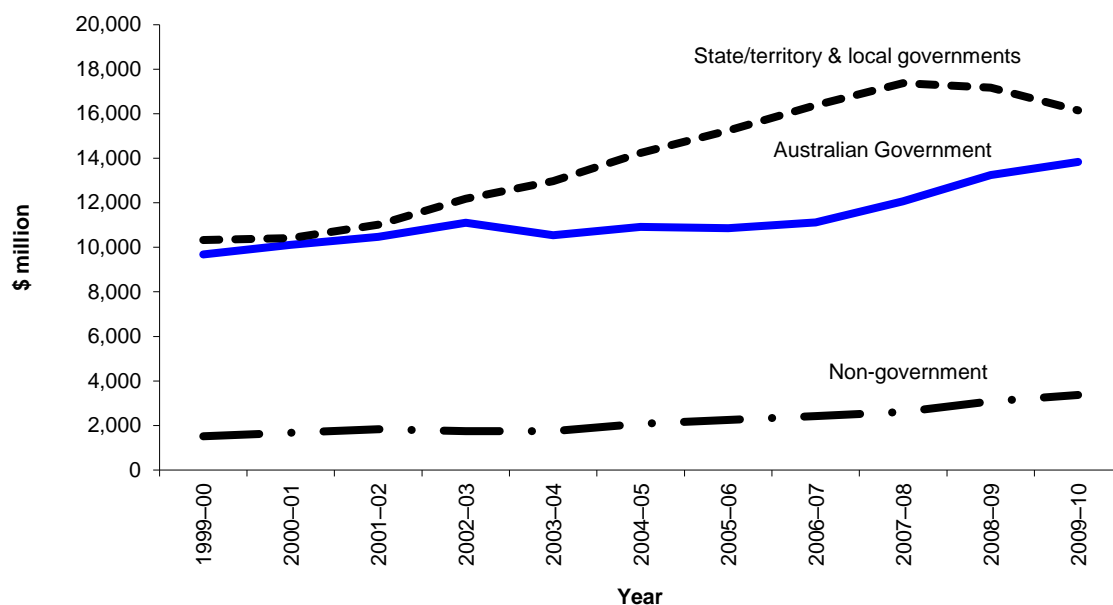
(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital (see Box 4.1).

(b) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

(c) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate (see Box 3.1).

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

Source: AIHW health expenditure database.



(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital (see Box 4.1).
 (b) Constant price health expenditure for 1999-00 to 2009-10 is expressed in terms of 2009-10 prices. Refer to Appendix D for further details.
 Sources: Table 4.7 and AIHW health expenditure database.

Figure 4.4: Recurrent funding of public hospitals^(a), constant prices^(b), by source of funds, 1999-00 to 2009-10

Public hospital services

Expenditure on public hospital services differs from expenditure on public hospitals (see *Public hospitals* section above). Expenditure on public hospital services comprises expenditure on services provided to patients who are treated in public psychiatric and non-psychiatric hospitals, but excludes expenditure on dental services, community and public health services, patient transport services and health research that the hospital provided.

The Australian Government's funding for blood and blood products cannot be split between public and private hospitals. Therefore all such funding has been allocated to public hospital services. To this extent the estimates may understate expenditure on private hospitals and overstate expenditure on public hospital services.

The funding patterns of the different levels of government in respect of public hospital services closely follows those of hospitals discussed previously in this report. For example, in 2009-10, the Australian Government provided 38.3% (\$13.9 billion) of the funding for public hospital services, compared with 39.7% of the funding of public hospitals (tables 4.8 and 4.5). In the case of public hospital services, this was a decrease of \$199 million on the previous year, and the share of funding decreased by 3.8 percentage points. The Australian Government's share of funding for public hospital services has varied since 2005-06. In that year the Australian Government provided 39.7% of total funding for hospital services (Table 4.8).

In comparison, state and territory governments contributed 53.9% (\$19.5 billion) of the funding in 2009–10, which was 3.9 percentage points higher than its share in 2008–09 (50.0%) (Table 4.8).

Non-government sources provided 7.8% of the funding for public hospital services in 2009–10 (\$2.8 billion) – an increase of 0.9 percentage points since 2005–06 (6.9%) and 0.2 percentage points lower than in 2008–09 (8.0%).

Table 4.8: Funding of public hospital services^{(a)(b)}, Australia, current prices, by source of funds, 2005–06 to 2009–10

Year	Australian Government			Total	State/ territory govern- ments	Non- govern- ment	Total
	DVA	Rebates of health insurance premiums	Other Australian Govern- ment ^(c)				
Amount (\$ million)							
2005–06	685	187	9,217	10,089	13,577	1,763	25,429
2006–07	770	207	9,764	10,741	15,279	1,996	28,016
2007–08	738	244	11,081	12,063	16,537	2,218	30,817
2008–09	773	255	13,049	14,077	16,722	2,676	33,474
2009–10	760	300	12,818	13,878	19,522	2,838	36,238
Proportion (%)							
2005–06	2.7	0.7	36.2	39.7	53.4	6.9	100.0
2006–07	2.7	0.7	34.9	38.3	54.5	7.1	100.0
2007–08	2.4	0.8	36.0	39.1	53.7	7.2	100.0
2008–09	2.3	0.8	39.0	42.1	50.0	8.0	100.0
2009–10	2.1	0.8	35.4	38.3	53.9	7.8	100.0

(a) Can include services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).

(b) Public hospital services expenditure does not include expenditure on public patients who are contracted with private hospitals as this is part of private hospital expenditure. In 2009–10, this expenditure was \$345 million (Table 4.10).

(c) Includes DoHA direct expenditure on public hospitals, such as for blood sector payments, and hepatitis C funding.

Source: AIHW health expenditure database.

Funding of public hospital services in all jurisdictions increased from 2007–08 to 2009–10, as did funding of these services by state and territory governments, except in the Northern Territory (Table 4.9).

Funding by the Australian Government was more variable during this period with strong increases for most jurisdictions in 2008–09, followed by a decrease in all jurisdictions in 2009–10, excluding Western Australia, Tasmania and the Northern Territory.

With the exception of Tasmania (45.5%), in 2009–10 at least half of total funding of public hospital services came from state and territory governments – ranging from 51.6% in New South Wales to 70.0% in the Australian Capital Territory.

The Australian Government's share of funding in 2009–10 ranged from 27.9% in the Australian Capital Territory to 51.4% in Tasmania (Table 4.9).

The share of funding attributable to non-government sources in 2009–10 ranged from 2.1% in the Australian Capital Territory to 9.7% in Victoria (Table 4.9).

Table 4.9: Funding of public hospital services^(a), current prices, and shares of total funding for public hospital services, by source of funds, by state and territory, 2007–08 to 2009–10

State	Year	Australian Government								State and territory government		Non-government		Total		
		DVA		Commonwealth grants to states ^{(b)(c)}		Insurance rebates		Other ^(d)		Total						
		\$ million	%	\$ million	%	\$	%	\$ million	%	\$ million	%	\$ million	%			
NSW	2007–08	321	3.1	3,478	33.3	129	1.2	212	2.0	4,141	39.7	5,406	51.8	891	8.5	10,438
	2008–09	325	2.9	3,638	32.5	135	1.2	648	5.8	4,747	42.4	5,415	48.4	1,032	9.2	11,194
	2009–10	335	2.8	3,996	33.2	158	1.3	207	1.7	4,695	39.0	6,213	51.6	1,134	9.4	12,042
Vic	2007–08	185	2.6	2,507	34.9	54	0.8	172	2.4	2,918	40.6	3,633	50.6	633	8.8	7,184
	2008–09	186	2.4	2,856	36.7	58	0.8	319	4.1	3,419	44.0	3,539	45.5	815	10.5	7,773
	2009–10	185	2.1	2,679	30.9	67	0.8	348	4.0	3,279	37.8	4,546	52.5	841	9.7	8,666
Qld	2007–08	60	1.0	1,975	33.8	14	0.2	136	2.3	2,185	37.4	3,383	57.9	273	4.7	5,841
	2008–09	89	1.4	2,139	33.0	14	0.2	393	6.1	2,635	40.7	3,486	53.8	353	5.5	6,475
	2009–10	77	1.1	2,344	32.9	19	0.3	163	2.3	2,603	36.5	4,086	57.3	444	6.2	7,134
WA	2007–08	54	1.8	1,018	34.4	19	0.6	62	2.1	1,153	39.0	1,643	55.5	163	5.5	2,960
	2008–09	49	1.4	1,097	32.7	20	0.6	186	5.6	1,352	40.3	1,777	53.0	226	6.7	3,355
	2009–10	57	1.7	1,221	35.5	24	0.7	65	1.9	1,368	39.7	1,865	54.1	213	6.2	3,446
SA	2007–08	73	2.9	853	33.6	17	0.7	50	2.0	993	39.1	1,410	55.5	136	5.4	2,539
	2008–09	78	2.9	898	32.9	17	0.6	153	5.6	1,147	42.1	1,419	52.1	160	5.9	2,726
	2009–10	71	2.4	993	34.2	20	0.7	45	1.6	1,129	38.9	1,621	55.8	154	5.3	2,904
Tas	2007–08	18	2.5	253	35.5	6	0.8	61	8.5	337	47.3	330	46.3	46	6.4	712
	2008–09	18	2.4	247	32.0	6	0.7	119	15.4	389	50.6	320	41.6	60	7.8	770
	2009–10	17	2.1	284	35.9	7	0.9	99	12.5	407	51.4	360	45.5	24	3.1	791
ACT	2007–08	25	3.8	127	19.3	4	0.6	27	4.1	182	27.7	412	62.7	63	9.6	657
	2008–09	26	3.7	148	21.1	4	0.6	41	5.9	219	31.2	467	66.6	15	2.2	700
	2009–10	16	2.1	167	22.0	5	0.6	24	3.1	211	27.9	531	70.0	16	2.1	758
NT	2007–08	2	0.3	147	30.2	—	0.1	4	0.9	153	31.5	319	65.7	14	2.8	486
	2008–09	3	0.6	148 ^(e)	30.7	—	0.1	19	3.9	170	35.3	298	61.9	14	2.8	482
	2009–10	2	0.4	172	34.5	—	0.1	10	2.0	185	37.0	301	60.3	13	2.7	499

(a) Does not include expenditure on services provided to public patients by contracted private hospitals (\$382 million in 2009–10). This is included in private hospital expenditure (see Table 4.10).

(b) Up to 2008–09, includes AHCA SPPs, highly specialised drugs and positron emission tomography (PET) scanner grants.

(c) From 2009–10, includes the National healthcare SPP, public hospital-related NP payments, highly specialised drugs, and positron emission tomography (PET) scanner grants.

(d) Includes DoHA direct expenditure on public hospitals, such as for blood sector payments, and hepatitis C funding.

(e) Includes NP payments for Royal Darwin Hospital of \$13.0 million in 2007–08, \$13.7 million in 2008–09 and \$14.0 million in 2009–10.

Source: AIHW health expenditure database.

Private hospitals

Total expenditure on private hospitals in 2009–10 was estimated at \$10.1 billion. Just under two-thirds (66%) of the funding for this was through private health insurance funds. This comprised 45.1% funded from the insurers' own funds, and 20.9% in the form of indirect subsidies through the 30–40% Australian Government rebate on premiums. In 2009–10, those premium rebates totalled \$4.3 billion, of which \$2.1 billion was estimated to have been used to fund private hospitals (Table A3).

The purchase of private hospital services for public patients is a state government source of funding for private hospitals – particularly in Western Australia and Tasmania. In 2009–10, state government purchases of private hospital services in Western Australia accounted for 19.6% of total revenue of private hospitals in that state. In Tasmania, Victoria and the Northern Territory it represented 5.7%, 2.8% and 1.6% of total private hospital revenue respectively. The state with the largest population – New South Wales – did not provide details of any purchases of private hospital services for public patients. In the other states and territories, it generally accounted for 1% or less of private hospitals' revenues (Table 4.10).

The Northern Territory had a very high proportion of its funding for private hospitals sourced from individuals (39.4% in 2009–10). The Northern Territory also had the lowest proportions funded by health insurance (32.6%) and the Australian Government (19.1%) (Table 4.10). This is largely because of the low private health insurance coverage in the Northern Territory – estimated at 34.5% in 2009–10, compared with a national coverage of 43.9% (calculated from tables E1 and E3).

Table 4.10: Funding of private hospitals, current prices, and shares of total, by state and territory, by source of funds, 2007–08 to 2009–10

		Government sources						Non-government sources							
		Australian Government				Total		State/territory governments ^(a)		Health insurance funds		Individuals		Other non-government ^(b)	
		Direct outlays		Premium rebates						\$ million	%	\$ million	%	\$ million	%
		\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%
NSW	2007–08	282	13.1	490	22.7	772	35.8	..	..	1,073	49.8	73	3.4	237	11.0
	2008–09	298	12.1	504	20.5	802	32.6	..	..	1,225	49.8	258	10.5	177	7.2
	2009–10	314	11.6	594	21.8	908	33.4	..	..	1,313	48.2	278	10.2	222	8.2
Vic	2007–08	248	13.2	455	24.2	702	37.4	—	—	997	53.1	59	3.2	119	6.4
	2008–09	258	11.6	464	20.8	722	32.4	71	3.2	1,126	50.5	203	9.1	109	4.9
	2009–10	273	10.5	551	21.2	824	31.7	74	2.8	1,166	44.8	373	14.4	163	6.3
Qld	2007–08	339	19.6	379	21.9	718	41.4	22	1.3	831	47.9	77	4.4	85	4.9
	2008–09	347	16.7	395	19.0	742	35.6	25	1.2	959	46.1	265	12.7	90	4.3
	2009–10	374	16.2	482	20.8	857	37.0	24	1.0	1,020	44.1	261	11.3	153	6.6
WA	2007–08	115	10.6	186	17.1	301	27.7	227	20.9	407	37.6	66	6.1	83	7.6
	2008–09	123	10.5	191	16.3	315	26.7	244	20.7	464	39.5	150	12.8	4	0.3
	2009–10	119	8.8	239	17.6	358	26.4	265	19.6	505	37.2	192	14.1	36	2.7
SA	2007–08	57	10.3	137	24.8	194	35.1	4	0.8	301	54.5	33	6.0	20	3.7
	2008–09	61	10.0	136	22.5	196	32.5	5	0.7	330	54.6	59	9.7	15	2.5
	2009–10	63	9.5	159	24.3	222	33.8	5	0.7	336	51.4	69	10.5	24	3.6
Tas	2007–08	25	12.0	43	20.8	68	32.8	14	7.0	94	45.6	12	6.1	17	8.4
	2008–09	24	10.4	45	19.3	70	29.8	13	5.6	110	47.0	3	1.3	38	16.3
	2009–10	25	11.4	53	23.6	78	35.0	13	5.7	111	50.0	7	3.0	14	6.3
ACT	2007–08	14	17.4	20	24.4	34	41.8	—	—	44	53.5	–7	–8.2	11	12.9
	2008–09	14	10.2	21	15.7	35	25.9	1	0.4	49	36.9	26	19.6	23	17.2
	2009–10	14	11.4	18	14.8	33	26.2	—	0.1	59	47.4	26	21.0	7	5.3
NT	2007–08	2	3.3	7	14.4	9	17.8	1	1.0	16	31.7	22	44.5	3	5.0
	2008–09	2	3.2	8	12.6	10	15.8	1	2.0	18	31.0	20	34.0	11	18.0
	2009–10	2	3.7	9	15.4	11	19.1	1	1.6	18	32.6	22	39.4	4	7.3

(a) Comprises expenditure on public patients who are treated in private hospitals. New South Wales did not provide details of any purchases of private hospital services for public patients.

(b) Includes expenditure on health goods and services by workers compensation and compulsory third-party motor vehicle insurers and other sources of income (e.g. interest earned) of service providers.

Source: AIHW health expenditure database.

Patient transport services

'Patient transport services' mostly refers to the transporting of patients to and from health-care facilities to receive outpatient or admitted patient treatment. Expenditure includes that on a variety of public and private patient transport services, including St John of God ambulance and Careflight aerial ambulance services. It also includes expenditure on public ambulance services by public hospitals.

Total expenditure on patient transport services in 2009–10 was \$2.6 billion. The Australian Government's share of that was 10.7%. State and territory and local governments provided almost two-thirds (64.9%) of the funding and non-government sources 24.4% (calculated from Table A3).

Real growth in patient transport services expenditure averaged 7.7% per year between 2003–04 and 2009–10 (Table A8).

Medical services

Between 1999–00 and 2009–10, expenditure on medical services increased, in real terms, at an average of 3.9% per year (Table 4.12).

Almost all expenditure on medical services in Australia relates to services that private medical practitioners provided on a 'fee-for-service' basis. These are generally funded by a combination of Medicare benefits and patient copayments under the Medicare Benefits Scheme. Of the \$21.2 billion spent on medical services in 2009–10, the Australian Government funded just over three-quarters (78.2% or \$16.6 billion) (Figure 4.5). This was made up almost exclusively of Medicare benefits payments, with some funding from the DVA for medical services to eligible veterans and their dependants. There is also a small amount that is made up of Commonwealth Government payments to general practitioners (GPs) under alternative funding arrangements to Medicare. Of the remaining expenditure, individuals funded 12.4% through Medicare copayments, while 4.9% was from other non-government funding and 4.5% was from health insurance funds (Figure 4.5).

Medical services out-of-pocket expenditure increased, in current prices, by 10.3% (\$246 million) in 2009–10 (tables A2 and A3).

Box 4.3: Medical services fees and prices

The benefits paid under Medicare for patient-billed services are related to a set of fees established by the Australian Government that are included in the MBS. Medical practitioners are able to charge a fee for a listed item that is at variance to the schedule fee for that service in the MBS.

Some medical practitioners charge fees that are higher than the schedule fee for the services they provide. Where this occurs, patients may be required to meet a copayment equal to the difference between the fee actually charged and the MBS benefit payable for that service. In the case of out-of-hospital medical services, patients are not permitted to insure against such copayments.

In the case of medical services that are bulk-billed, the total fee that a provider can charge must be equal to the MBS benefit payable in respect of the services concerned (that is, there cannot be any copayment by the patient or any third party).

Thus, individual medical service providers set the total fees charged for medical services in Australia and the Australian Government sets the benefits that are paid under Medicare for those services.

There are a large number of medical and other items in the MBS. They have a variety of fees charged and benefits paid. The Australian Government collects statistics on services claimed under Medicare, including the number of services provided and the fees charged and benefits paid for those services.

In order to provide a broad picture of the volume change and price movements in relation to medical services provided under Medicare, the AIHW has constructed a 'basket of medical services' and calculated a weighted average price for the medical services that make up that basket of services. The basket of services contains:

- non-referred (GP) attendances (practice nurses are excluded)
- specialist attendances
- pathology tests (excluding pathology Patient Episode Initiation)
- diagnostic imaging
- other Medicare services (excluding obstetrics).

These components are re-weighted annually to reflect any changes in their relative contributions to total expenditure on medical services, as reflected in the aggregated total fees charged. The fee charged for each type of medical service is used as the weighting mechanism so as to give an indicative measure of average changes in fees charged from year to year. It is not a simple calculation of total fee charged divided by total services provided.

While the weighted average fee charged for medical services provided under Medicare increased by 5.7% per year between 1999–00 and 2009–10, the weighted average benefit paid increased at a lower annual rate of 4.9% (Table 4.11). The result is that average copayments increased at a faster rate (8.6% per year).

In the latter half of the period (from 2004–05), the difference between the annual rates of increase for the average fee charged (4.1% per year) and benefit paid (4.0%) was much less than in the previous period. This resulted in an average rate of increase for copayments of 4.2% per year, compared with 13.3% per year, up to 2004–05. (Note that the copayments analysed here could be paid by individuals or by health insurance funds.)

Table 4.11: Annual fluctuations in the weighted average payments per service^(a) for medical services provided under Medicare, by component of total fee charged, 1999–00 to 2009–10

Year	Annual change					
	Average weighted medical benefit paid per service ^(b)		Average weighted copayment ^{(b)(c)} paid per service		Average weighted fee charged per service ^(b)	
	Average benefit (\$)	Price change (%)	Average payment (\$)	Price change (%)	Average fee (\$)	Price change (%)
1999–00	50.58	..	12.00	..	62.59	..
2000–01	52.16	3.1	14.07	17.2	66.23	5.8
2001–02	54.11	3.7	16.53	17.5	70.64	6.7
2002–03	56.16	3.8	19.31	16.8	75.48	6.8
2003–04	59.44	5.8	21.63	12.0	81.06	7.4
2004–05	66.73	12.3	22.37	3.4	89.10	9.9
2005–06	69.45	4.1	23.46	4.9	92.91	4.3
2006–07	71.76	3.3	25.51	8.7	97.27	4.7
2007–08	74.75	4.2	26.59	4.2	101.33	4.2
2008–09	78.21	4.6	27.25	2.5	105.46	4.1
2009–10	81.27	3.9	27.45	0.7	108.72	3.1
Average annual change in price						
1999–00 to 2004–05		5.7		13.3		7.3
2004–05 to 2009–10		4.0		4.2		4.1
1999–00 to 2009–10		4.9		8.6		5.7

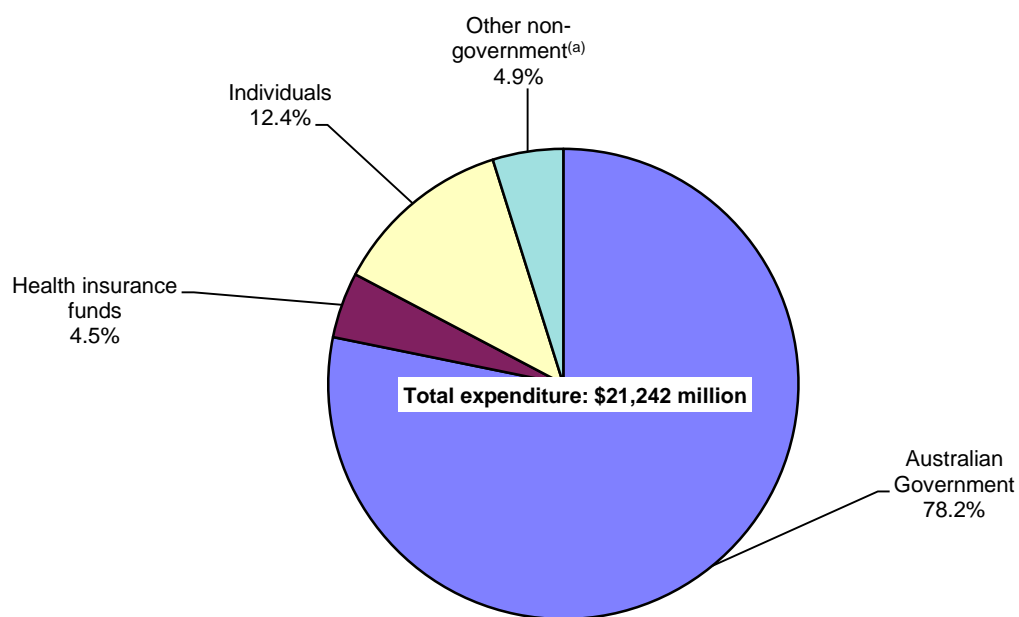
(a) Weighted by the relative fee charged of the individual components of the basket of medical services used in the construction of the Medicare services fees index (see page 62).

(b) The average weighted fees and the average weighted benefit paid per service are not the same as the actual average fee or average benefit per service, but are a statistical construct which aims to measure the fee and benefit changes in a consistent way. Thus it is the price changes which are the relevant statistics in this table, not the average benefit or fee.

(c) Refers to the difference between the fee charged and benefit paid. Some of this copayment will be paid by individuals and some by health insurance funds.

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

Source: AIHW health expenditure database.



(a) Includes funding by injury compensation insurers.

Source: Table A3.

Figure 4.5: Recurrent expenditure on medical services, current prices, by source of funds, 2009-10

Between 1999-00 and 2009-10, the Australian Government's real funding of medical services grew at an average of 3.9% per year, while funding by individuals grew at 5.8% per year and that by health insurance funds at 11.4% per year (Table 4.12).

The introduction of the LHC incentives and subsequent changes increased insurance coverage (that is, the proportion of the total population with private health insurance cover) from 34.1% in 1999-00 to a peak of 44.8% in 2000-01. Coverage has since remained between 42.2% and 44.2% (calculated from tables E1 and E3).

This resulted in a high growth in the health insurance funds' funding of health services at 26.5% and 38.0% between 1999-00 and 2001-02. The rate of growth then slowed each year to 2004-05, when funding grew by 0.5%. In 2009-10 health insurance funding grew by 2.0% (Table 4.12).

The large increase in the Australian Government funding proportion in 2004-05 and the decline in the individual funding proportion reflects a number of factors, including the Strengthening Medicare program which, from 1 January 2005, increased the benefit paid for GP services from 85% to 100% of the Schedule Fee.

Table 4.12: Recurrent funding of medical services, constant prices^(a), by source of funds, and annual growth rates, 1999–00 to 2009–10

Year	Australian Government ^(b)		Health insurance funds ^(b)		Individuals		Injury compensation insurers		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1999–00	11,940	..	326	..	1,499	..	770	..	14,536	..
2000–01	11,941	—	413	26.5	1,548	3.2	759	–1.5	14,660	0.9
2001–02	12,153	1.8	570	38.0	1,620	4.7	846	11.5	15,189	3.6
2002–03	12,086	–0.6	642	12.7	1,832	13.1	892	5.4	15,452	1.7
2003–04	12,175	0.7	691	7.6	1,956	6.7	951	6.5	15,773	2.1
2004–05	13,118	7.7	694	0.5	1,840	–5.9	944	–0.7	16,597	5.2
2005–06	13,108	–0.1	720	3.6	1,875	1.9	924	–2.1	16,625	0.2
2006–07	13,615	3.9	769	6.9	2,087	11.3	956	3.5	17,427	4.8
2007–08	14,741	8.3	841	9.4	2,230	6.8	1,034	8.1	18,846	8.1
2008–09	15,845	7.5	942	12.0	2,453	10.0	1,056	2.2	20,297	7.7
2009–10	16,610	4.8	960	2.0	2,641	7.6	1,031	–2.4	21,242	4.7
Average annual growth rate (%)										
1999–00 to 2004–05	1.9		16.3		4.2		4.1		2.7	
2004–05 to 2009–10	4.8		6.7		7.5		1.8		5.1	
1999–00 to 2009–10	3.4		11.4		5.8		3.0		3.9	

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

(b) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate (see Box 3.1).

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

Source: AIHW health expenditure database.

Bulk-billing influences the relative shares of funding by the Australian Government and individuals, because services that are bulk-billed do not attract any copayment.

In 1999–00, 72.3% of all medical services were bulk-billed. Bulk-billing rates fell in subsequent years to 2003–04 when rates reached 67.5%. The rate then increased by 6.8 percentage points to 74.3% in 2009–10 – the highest rate of bulk-billing over the decade (Table 4.13).

Despite the movement in bulk-billing rates, payments by individuals in 2009–10 has returned to the 2003–04 peak of 12.4% of medical services expenditure, while the Australian Government share has decreased from the peak of 82.1% in 1999–00 to 78.2% in 2009–10 (Table 4.13).

Table 4.13: Shares of recurrent funding for medical services, current prices, and proportion of medical services bulk-billed, 1999–00 to 2009–10 (per cent)

Year	Australian Government	Non-government			Total	Bulk-billing rate ^(b)
		Health insurance funds	Individuals	Other ^(a)		
1999–00	82.1	2.2	10.3	5.3	17.9	72.3
2000–01	81.4	2.8	10.6	5.2	18.6	71.4
2001–02	80.0	3.7	10.7	5.6	20.0	70.4
2002–03	78.2	4.1	11.9	5.8	21.8	67.8
2003–04	77.1	4.4	12.4	6.1	22.9	67.5
2004–05	79.0	4.2	11.1	5.8	21.0	70.2
2005–06	78.8	4.3	11.3	5.6	21.2	71.7
2006–07	78.1	4.4	12.0	5.6	21.9	72.9
2007–08	78.2	4.4	11.8	5.6	21.8	73.4
2008–09	78.1	4.6	12.1	5.2	21.9	73.9
2009–10	78.2	4.5	12.4	4.9	21.8	74.3

(a) Includes funding by injury compensation insurers.

(b) Bulk-billing rate for all services covered under Medicare, which is almost entirely medical services, but also includes optometrical and other selected allied health and dental services.

Sources: AIHW health expenditure database and DoHA unpublished data.

Other health practitioners

Other health practitioner services are those services that private health practitioners, other than doctors and dentists, provide. These include psychologists, chiropractors, optometrists, physiotherapists, speech therapists, audiologists, dietitians, podiatrists, homeopaths, naturopaths, practitioners of Chinese medicine and other forms of traditional medicine. Of the \$3.7 billion spent on other health practitioners in 2009–10, individual users of services funded 42.6% (calculated from Table A3). Of the remaining expenditure (\$2.1 billion), \$718 million (19.2% of the total) was funded through private health insurance, including the Australian Government private health insurance premium rebates.

Expenditure on other health practitioners increased by 0.4% in 2009–10 and grew at an average of 2.1% per year between 2003–04 and 2009–10 (Table A8). The average growth was 3.4 percentage points lower than the growth in total recurrent health expenditure (5.5%) over that period.

Medications

Medications comprise benefit-paid pharmaceuticals (that is, for which benefits were paid under either the PBS or the RPBS) and other medications provided through community pharmacies (that is, not in a hospital) for which no benefits were paid. Other medications include private prescriptions for non-PBS-listed medications; prescriptions for PBS-listed medications with a total cost that is under the copayment level; and over-the-counter medicines such as pharmacy-only medicines, painkillers, cough and cold medicines, vitamins and minerals, and a range of medical non-durables, including bandages, bandaids and condoms. These non-prescription items include only over-the-counter medicines

purchased from pharmacies and supermarkets. They do not include medicines purchased from convenience stores.

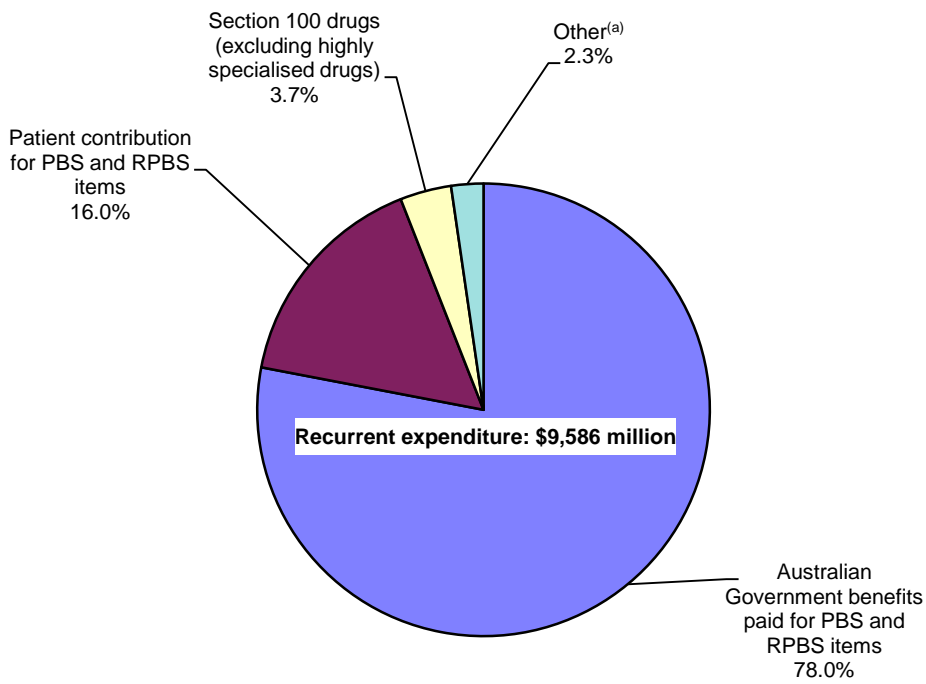
In real terms, recurrent expenditure on medications increased by 8.4% per year from 1999–00 to 2009–10, to reach \$16.3 billion in 2009–10 (Table 4.2). The rate of growth in recurrent expenditure on medications between 1999–00 and 2009–10 (8.4%) reflected similar average growth over the decade for both benefit-paid pharmaceuticals and all other medications (Table A8).

Some of the annual variations in growth were due to the effects of the copayment in determining which items attract benefits. Benefit-paid pharmaceuticals include only those items listed under the Pharmaceutical Benefits Schedule for which PBS benefits were actually paid. Items that are listed on the PBS but have a price below the statutory copayment for a particular category of patient are recorded in the 'other medications' category. Therefore, when there is an increase in copayment levels, some items that would previously have been included as benefit-paid pharmaceuticals become classified as 'other medications', because they no longer attract pharmaceutical benefits.

Benefit-paid pharmaceuticals

In real terms, recurrent expenditure on benefit-paid pharmaceuticals grew at an average of 8.4% per year from 1999–00 to 2009–10, compared to growth in total recurrent health expenditure of 5.4% (tables 2.8 and 4.14). The period of most rapid growth was from 1999–00 to 2004–05, when growth averaged 10.9% per year—shared between the Australian Government (10.9% per year) and individuals (11.0% per year) (Table 4.14).

In 2009–10, the total amount spent on pharmaceuticals for which benefits were paid was \$9.6 billion (Table 4.14 and Figure 4.6). This was a growth in real terms of 7.5% from the previous year. Benefits that the Australian Government paid for PBS and RPBS items accounted for 78.0% of this expenditure and 16.0% was due to patient contributions for PBS and RPBS items. The balance (6.0%) was due to Section 100 drugs (3.7%—excluding highly specialised drugs which are included in hospital expenditure) and other DoHA-administered expense items (2.3%) (Figure 4.6).



(a) 'Other' refers to other DoHA-administered expense items.

Source: AIHW health expenditure database.

Figure 4.6: Recurrent expenditure on benefit-paid pharmaceuticals, current prices, 2009-10

Table 4.14: Recurrent expenditure on benefit-paid pharmaceuticals, constant prices^(a), by source of funds, and annual growth rates, 1999–00 to 2009–10

Year	Australian Government		Individuals		Total recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1999–00	3,581	..	692	..	4,272	..
2000–01	4,380	22.3	787	13.8	5,167	20.9
2001–02	4,740	8.2	853	8.4	5,593	8.2
2002–03	5,235	10.4	963	13.0	6,198	10.8
2003–04	5,731	9.5	1,048	8.8	6,780	9.4
2004–05	5,995	4.6	1,163	11.0	7,159	5.6
2005–06	6,100	1.7	1,251	7.5	7,350	2.7
2006–07	6,269	2.8	1,285	2.8	7,554	2.8
2007–08	6,801	8.5	1,323	2.9	8,124	7.5
2008–09	7,467	9.8	1,452	9.7	8,919	9.8
2009–10	8,050	7.8	1,537	5.8	9,586	7.5
Average annual growth rate (%)						
1999–00 to 2004–05		10.9		11.0		10.9
2004–05 to 2009–10		6.1		5.7		6.0
1999–00 to 2009–10		8.4		8.3		8.4

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

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

Source: AIHW health expenditure database.

All other medications

Between 1999–00 and 2009–10 expenditure on other medications grew at an average of 8.3% per year (Table 4.15). Expenditure by the Australian Government in this category includes that proportion of the private health insurance rebate allocated to other medications.

Most of the funding for other medication items came from individuals. Funding from individuals grew at an average of 7.8% per year over the whole period. There were 3 years of very rapid growth, 2001–02, when funding by individuals grew by 14.8%, 2008–09 (14.2%) and 2006–07 (12.8%) (Table 4.15).

Table 4.15: Recurrent expenditure on other medications^(a), constant prices^(b), by source of funds, and annual growth rates, 1999–00 to 2009–10

Year	Australian Government		State/territory and local governments		Health insurance funds		Individuals and other non-government ^(c)		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1999–00	36	..	—	..	34	..	2,954	..	3,024	..
2000–01	113	208.3	—	..	39	14.8	3,215	8.8	3,367	11.3
2001–02	86	-23.9	2	..	49	25.1	3,690	14.8	3,827	13.7
2002–03	96	11.7	—	..	57	15.8	3,385	-8.3	3,537	-7.6
2003–04	120	25.7	—	..	54	-5.0	3,715	9.8	3,890	10.0
2004–05 ^(d)	168	40.1	—	..	55	1.8	4,104	10.5	4,328	11.3
2005–06	111	-34.1	—	..	50	-8.9	4,198	2.3	4,359	0.7
2006–07	289	160.8	—	..	46	-7.6	4,733	12.8	5,069	16.3
2007–08	305	5.4	—	..	46	-1.7	5,192	9.7	5,543	9.3
2008–09	363	18.9	—	..	50	8.9	5,931	14.2	6,343	14.4
2009–10	388	6.9	—	..	51	2.9	6,278	5.9	6,717	5.9
Average annual growth rate (%)										
1999–00 to 2004–05	35.8		..		10.0		6.8		7.4	
2004–05 to 2009–10	18.1		..		-1.5		8.9		9.2	
1999–00 to 2009–10	26.7		..		4.1		7.8		8.3	

(a) A large component of other medications is over-the-counter medications (see Figure 4.7). Care needs to be taken when comparing data for 2006–07, 2007–08 and 2008–09 with earlier years as some changes were made to the sample size, projection methods and category definitions (see Section 6.4 for further details).

(b) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

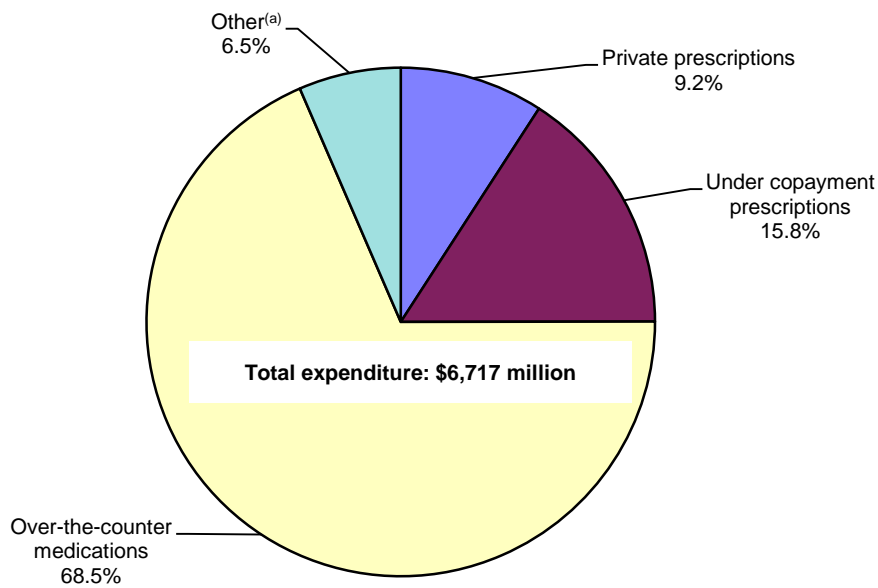
(c) Includes funding by injury compensation insurers.

(d) The large increase in Australian Government expenditure was due to pharmacy restructuring grants in this year.

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

Source: AIHW health expenditure database.

In 2009–10, expenditure on all other medication items was estimated at \$6.7 billion (Table 4.15). Over-the-counter medicines accounted for the largest share of this expenditure at 68.5% (\$4.6 billion). Under copayment prescriptions (that is, PBS-listed items where the individual covers the full price) accounted for 15.8%, private prescriptions for 9.2%, and the remainder (6.5%) comprised funding from injury compensation insurers and other DoHA-administered expense items (Figure 4.7).



(a) Includes injury compensation insurers' payments and some DoHA-administered expense items.

Sources: Gloria 2010; Pharmacy Guild of Australia unpublished data; Retail pharmacy data and AIHW health expenditure database.

Figure 4.7: Other medications expenditure, by category, current prices, 2009-10

Expenditure on prescribed medications

In 2009-10, estimated expenditure on prescribed medications was \$14.4 billion (Table 4.16). This is made up of prescribed medications in community settings and medications in hospitals. It does not include expenditures that governments incur in the purchase, dispensing and administration of vaccines under state, territory and national public health programs.

The majority of the expenditure on prescribed pharmaceuticals was for benefit-paid items (66.6% or \$9.6 billion), which the Australian Government (84.0%) and individuals (16.0%) jointly funded. Expenditure on in-hospital drugs comprised \$2.4 billion for those prescribed in public hospitals and \$0.3 billion in private hospitals. The private hospital drugs only include information about Australian Government payments for highly specialised drugs (Table 4.16).

Table 4.16: Expenditure on prescribed medications, dispensed in the community and by hospitals^(a), current prices, 2009–10 (\$ million)

Provider and funder	All other medications			Total
	Benefit-paid pharmaceuticals	Non-hospital ^(b)	Hospital ^{(c)(d)}	
Community pharmacies				
Funded by				
Australian Government DVA	486	..	..	486
Australian Government DoHA	7,563 ^(e)	388	..	7,951
Health insurance funds	..	51	..	51
Individuals	1,537	1,603	..	3,140
Injury compensation insurers and other	..	72	..	72
<i>Total pharmacies</i>	<i>9,586</i>	<i>2,114</i>	<i>..</i>	<i>11,700</i>
Public hospitals^(f)	..	..	2,438	2,438
Private hospitals^(g)	..	..	258	258
Total	9,586	2,114	2,697	14,397

(a) Excludes complementary and alternative medicines and over-the-counter medicines for which a prescription is not required.

(b) Includes private prescriptions and under copayment prescriptions.

(c) Does not include the costs of paying hospital staff to dispense these pharmaceuticals. Dispensary costs are, however, included in the first two columns of this table.

(d) Includes \$900 million in payments for Section 100 highly specialised drugs.

(e) Includes \$365 million in Section 100 payments for human growth hormones, in-vitro fertilisation and other subsidised pharmaceuticals.

(f) Includes \$642 million in Australian Government payments to states and territories for highly specialised drugs.

(g) Comprises Australian Government payments for highly specialised drugs only.

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

Source: AIHW health expenditure database.

The cost to government of PBS items in 2009–10 was estimated at \$8.4 billion (Table 4.17). This was \$0.5 billion higher than in 2008–09 (\$7.9 billion).

From 2004–05 to 2006–07 the patient contribution for benefit-paid items, as a proportion of the total cost of benefit-paid items, increased from 16.4% to 17.4%. There was also a corresponding fall in the Australian Government's share of funding over that period, from 83.6% to 82.6%. During the last 3 years of the period (2007–08 to 2009–10) the Australian Government's share increased to 83.5% and the patient contribution decreased to 16.5%.

There have also been some changes over time in the proportion of total patient contribution paid by general and concessional patients and funding under the safety net arrangements. In 2004–05, concessional patients contributed \$0.4 billion or 42.7% of total patient contributions (Table 4.17). Since then, however, this proportion has been rising and in 2009–10, concessional patients contributed \$0.7 billion, or 47.5% of total patient contributions. During the same period, the cost to the Australian Government for general and concessional patients under the safety net arrangement increased from \$1.4 billion in 2004–05 to \$1.5 billion in 2009–10. This was a decrease in the proportion of the cost to the Australian Government from 25.8% in 2004–05 to 20.8% in 2009–10 (calculated from Table 4.17).

Table 4.17: Pharmaceutical Benefits Scheme^(a), Australian Government and patients' contributions, current prices, 2004–05 to 2009–10 (\$ million)

Benefit category	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10
Patient contributions						
General patients	597	634	619	630	691	727
Concessional patients	444	489	533	560	617	657
<i>Total patient contributions^(b)</i>	<i>1,041</i>	<i>1,123</i>	<i>1,151</i>	<i>1,189</i>	<i>1,309</i>	<i>1,384^(b)</i>
Share of total (per cent)	16.4	17.3	17.4	16.7	16.6	16.5
Government benefits						
General patients–no safety net	851	850	890	1,039	1,220	1,339
General patients–safety net	223	216	174	173	217	200
<i>Total general patients</i>	<i>1,073</i>	<i>1,066</i>	<i>1,064</i>	<i>1,213</i>	<i>1,438</i>	<i>1,539</i>
Concessional patients–no safety net	3,077	3,145	3,334	3,561	3,910	4,220
Concessional patients–safety net	1,145	1,173	1,067	1,138	1,216	1,260
<i>Total concessional patients</i>	<i>4,223</i>	<i>4,318</i>	<i>4,401</i>	<i>4,699</i>	<i>5,126</i>	<i>5,480</i>
<i>Total cost to government</i>	<i>5,296</i>	<i>5,384</i>	<i>5,466</i>	<i>5,912</i>	<i>6,563</i>	<i>7,019^(c)</i>
Cost to government as share of total (per cent)	83.6	82.7	82.6	83.3	83.4	83.5
Total cost of PBS benefit-paid items^(d)	6,337	6,508	6,617	7,102	7,872	8,403

(a) Does not include Repatriation Pharmaceutical Benefits Scheme or 'doctor's bag' pharmaceuticals.

(b) Is not comparable to 'Benefit-paid pharmaceuticals' total for 'Individuals' in Table 4.16 as inclusions differ.

(c) Is not comparable to 'Benefit-paid pharmaceuticals' total for 'Australian Government (DoHA)' in Table 4.16 as inclusions differ.

(d) Excludes Section 100 payments for human growth hormones, in-vitro fertilisation, Aboriginal health service providers and other non-PBS subsidised pharmaceuticals.

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

Source: DoHA unpublished data.

Aids and appliances

Expenditure on health aids and appliances grew by 4.5% per year in real terms over the period 2003–04 to 2009–10. This was marginally lower than the growth in total recurrent health expenditure (5.5%) over that period (Table A8).

In 2009–10, expenditure on aids and appliances was \$3.5 billion, of which individuals' out-of-pocket expenditure funded 70.2% (calculated from Table A3).

Community health and other

In 2009–10, expenditure on 'community health and other' was estimated at \$5.9 billion, up by \$0.4 billion from 2008–09. Of this \$5.9 billion, state, territory and local governments funded \$4.7 billion (81.0%) (calculated from tables A2 and A3). 'Other' in the community health and other category comprises other recurrent health expenditure that could not be classified to other areas of expenditure (see Glossary for further details).

Public health

Public health covers those activities that aim to prevent illness and injury and protect or promote the health of the whole population, or of specified population subgroups. While reliable estimates are not available for earlier years, since 1999–00 estimates of expenditure

on defined public health activities have been compiled on a consistent basis by all governments using a single data collection protocol developed through the National Public Health Expenditure Project (AIHW 2002, 2004, 2006, 2007b, 2008a, AIHW 2008b, 2009b, 2011). Prior to June 2009, these data were provided under the auspices of the PHOFAs. The PHOFAs ceased on 30 June 2009 and since then Commonwealth funding for public health programs is now included within the National healthcare SPP and through NP payments.

In 2011, the Public Health Expenditure Project was halted pending a review of the scope and content of the collection. As a result, public health expenditure data for 2009–10 are reported as total public health expenditure rather than for specific types of public health activities, nationally and for each state and territory (appendixes A and B tables respectively).

For 1999–00 onwards, the expenditures on public health services outlined in this report include DoHA departmental regulator expenses for the Therapeutic Goods Administration (TGA), the Office of Gene Technology Regulator (OGTR) and the National Industrial Chemicals Notification and Assessment Scheme (NICNAS). These have not been included in the reports of government-funded expenditure under the National Public Health Expenditure Project.

In each of the 3 years to 2009–10, public health expenditure was estimated in real terms as:

- 2007–08 – \$2.3 billion or 2.3% of recurrent health expenditure
- 2008–09 – \$2.2 billion or 2.1% of recurrent health expenditure
- 2009–10 – \$2.0 billion or 1.7% of recurrent health expenditure (calculated from tables A4, A5 and A6)

The Australian Government's share of funding was 60.2%, 51.8% and 46.7%, respectively (calculated from tables A4, A5 and A6). State and territory governments' own-source funding of public health was 33.5%, 42.5% and 46.6% respectively (calculated from tables A4, A5 and A6).

Public health activity expenditure

In real terms between 1999–00 and 2008–09, estimated government expenditure on public health activities grew at an average rate of 6.7% per year (Table 4.18).

Between 1999–00 to 2008–09, all activities showed real increases in expenditure, with the highest average annual growth rates being recorded for expenditure on organised immunisation (13.2%) and selected health promotion (7.3%) (Table 4.18). Much of the growth in expenditure on organised immunisation resulted from costs associated with the implementation of the human papillomavirus vaccination program (AIHW 2009b). Programs for food standards and hygiene (1.0%) and environmental health (2.5%) showed the lowest growth over this period.

The activities recording the highest real growth between 2007–08 and 2008–09 were selected health promotion (11.6%) and breast cancer and cervical screening programs (8.6%) (Table 4.18). Real expenditure on organised immunisation and food standards and hygiene declined in 2008–09 (by 15.2% and 8.2% respectively).

Table 4.18: Total government expenditure^(a) on public health activities, constant prices^(b), by activity, 1999–00 to 2008–09 (\$ million)

Public health activity categories	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	Growth rate (%) 2007–08 to 2008–09	Average annual growth rate (%) 1999–00 to 2008–09
Communicable disease control	210.1	220.8	243.7	255.5	251.4	278.3	284.3	280.4	275.0	284.9	3.6%	3.4%
Selected health promotion	232.1	253.5	287.9	272.3	265.6	277.6	288.1	312.7	392.7	438.3	11.6%	7.3%
Organised immunisation	209.1	228.2	232.4	325.9	330.5	405.9	368.3	481.1	754.2	639.4	–15.2%	13.2%
Environmental health	80.0	88.0	95.0	94.5	98.5	100.1	97.8	97.2	102.3	99.9	–2.4%	2.5%
Food standards and hygiene	34.7	47.3	43.1	43.2	43.6	39.3	39.4	38.1	41.4	38.0	–8.2%	1.0%
Breast and cervical cancer screening programs ^(c)	247.2	248.5	246.5	233.2	243.5	266.5	261.4	288.9	309.7	336.3	8.6%	3.5%
Prevention of hazardous and harmful drug use	163.5	192.4	181.5	195.9	207.0	233.0	202.3	230.3	272.4	273.5	0.4%	5.9%
Public health research	92.2	89.2	101.5	112.9	116.3	127.6	142.2	162.9	168.4	168.3	—	6.9%
Public Health Outcome Funding Agreements admin ^(d)	0.4	0.4	0.3	0.3	0.3	0.3	0.3	..	..	..	..	..
Total	1,269.3	1,368.2	1,431.8	1,533.8	1,556.8	1,728.6	1,684.1	1,891.6	2,316.0	2,278.6	–1.6%	6.7%

(a) Includes regulatory expenditures by TGA, OGTR and NICNAS.

(b) Constant price public health expenditure for 1999–00 to 2008–09 is expressed in terms of 2008–09 prices and cannot be compared with other tables in this report.

(c) Includes bowel cancer screening in 2006–07, 2007–08 and 2008–09.

(d) In previous reports, direct expenditure incurred by the Australian Government in administering the PHOFAs was reported separately as it could not be specifically allocated to any of the core public health activity categories. For 2006–07, 2007–08 and 2008–09 this expenditure has been treated as corporate overhead expenditure and apportioned across all categories.

Source: AIHW public health expenditure database.

Dental services

Individuals funded 61.1% of the \$7.7 billion spent on dental services in 2009–10 compared to 24.5% or \$1.9 billion funded by governments (Table A3). For the period 2003–04 to 2009–10, real growth in dental services expenditure averaged 3.7% per year – 1.8 percentage points below the average annual real growth in total recurrent health expenditure of 5.5% (Table A8).

Research

Estimated expenditure on health research in 2009–10 was \$4.2 billion or 3.6% of total recurrent health expenditure (tables 4.19 and 4.20). In real terms, estimated expenditure grew at an average of 12.0% per year between 1999–00 and 2009–10 (Table 4.19). More than three-quarters (76.6%) of the expenditure on health research in 2009–10 was funded by the Australian Government, 17.5% by state and territory and local governments and a further 6.0% was funded by non-government sources (calculated from Table 4.19). Note that health research funded by 'for-profit' corporations is not included here, as that health research expenditure is considered to be an intermediate good, the cost of which has already been included in the cost of the associated final output.

Table 4.19: Recurrent funding for health research, constant prices^(a), and annual growth rates, by source of funds, 1999–00 to 2009–10

Year	Government						Total recurrent funding	
	Australian Government		State/territory and local		Non-government		Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)		
1999–00	1,020	..	228	..	114	..	1,361	..
2000–01	1,257	23.3	264	15.8	136	19.5	1,657	21.7
2001–02	1,344	6.9	257	–2.5	149	9.8	1,751	5.7
2002–03	1,455	8.2	227	–12.0	162	8.4	1,843	5.3
2003–04	1,544	6.1	262	15.5	169	4.8	1,975	7.2
2004–05	1,668	8.0	285	9.1	178	5.0	2,131	7.9
2005–06	1,892	13.5	320	12.1	195	9.5	2,407	12.9
2006–07	2,054	8.5	364	13.8	211	8.2	2,629	9.2
2007–08	2,300	12.0	417	14.5	229	8.5	2,945	12.1
2008–09	2,863	24.5	644	54.6	311	36.1	3,818	29.6
2009–10	3,238	13.1	740	14.8	252	–19.1	4,229	10.8
Average annual growth rate (%)								
1999–00 to 2004–05		10.3		4.6		9.4		9.4
2004–05 to 2009–10		14.2		21.0		7.2		14.7
1999–00 to 2009–10		12.2		12.5		8.3		12.0

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

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

Source: AIHW health expenditure database.

The proportion of health expenditure on health research and development since 1999–00 has varied across the states and territories from less than 1% in the Northern Territory to more than 9% in the Australian Capital Territory (Table 4.20). Caution should be taken with the

interpretation of these ratios as the research is based on the location of where the research has taken place, rather than the population which the research serves.

Table 4.20: Proportion of recurrent health expenditure spent on health research^(a) and development, 1999–00 to 2009–10

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2000–01	1.63	2.95	1.42	1.88	2.52	1.81	7.94	1.87	2.14
2001–02	1.68	3.03	1.46	1.84	2.39	1.22	8.04	1.56	2.16
2002–03	1.74	2.94	1.45	1.75	2.23	1.95	8.08	1.23	2.16
2003–04	1.79	3.05	1.51	1.97	2.26	1.89	8.53	1.23	2.24
2004–05	1.83	3.05	1.57	2.06	2.32	1.96	8.75	0.94	2.28
2005–06	2.13	3.46	1.70	2.20	2.53	2.11	8.36	0.74	2.52
2006–07	2.33	3.70	1.72	2.16	2.64	1.74	7.66	0.76	2.63
2007–08	2.57	3.93	1.82	2.25	2.70	1.82	7.70	0.83	2.79
2008–09	3.40	4.39	2.36	2.73	3.22	2.24	9.43	1.67	3.41
2009–10	3.56	4.71	2.45	2.90	3.44	2.58	9.37	3.89	3.64

(a) Excludes commercially oriented research carried out or funded by private business, the costs of which are assumed to be included in the prices charged for health goods and services (e.g. pharmaceuticals that have been developed and/or supported by research activities).

Source: AIHW Health expenditure database.

Capital consumption by governments

Capital consumption is otherwise known as depreciation and represents the amount of fixed capital used up each year. The AIHW sources the data for government capital consumption from ABS government finance statistics (GFS). In this report, government capital consumption has been included as an expense in each individual category of recurrent health expenditure, in contrast to previous reports where government capital consumption was tabulated separately to other areas of health expenditure. This means that:

- government and private capital consumption are treated consistently
- there is consistency in the way that Australia reports health expenditure internationally, reporting depreciation as part of recurrent expenditure.

Table 4.22 shows the total for government capital consumption in the one table, but all other tables in this report include that capital consumption expenditure in the appropriate detailed health expenditure category, such as public hospital services.

Capital consumption by governments was estimated at \$1.9 billion in 2009–10 (Table 4.21). This was an increase, in real terms, of 24.7% from 2008–09.

Because capital consumption is, essentially, the using up of fixed capital in the process of providing health goods and services and capital expenditure is the measure of additions to the capital stock, it is useful to examine the ratio of capital expenditure to capital consumption (Table 4.22).

For most years since 1999–2000, capital expenditure exceeded the rate of consumption of capital in all states and territories, except the Northern Territory. This resulted in a capital expenditure to capital consumption ratio that was greater than 1 for those other jurisdictions, which implies that their capital stock was growing, not eroding. In the case of the Northern Territory, which consistently had a ratio of less than 1 until 2009–10, the data suggest that the

capital stock was being used up at a faster rate than it was being replaced. In 2009–10, the Northern Territory had a ratio of 2.34:1 and Western Australia recorded its highest ratio (4.37:1) which suggests there were substantial new investments in health assets in the Northern Territory and substantial ongoing investment in health assets in Western Australia.

Table 4.21: Capital consumption by governments, current and constant prices^(a), and annual growth rates, 1999–00 to 2009–10

Year	Current prices (\$ million)	Constant prices (\$ million)	Real growth (per cent)
1999–00	896	1,032	..
2000–01	935	1,083	5.0
2001–02	940	1,080	–0.3
2002–03	973	1,106	2.4
2003–04	1,037	1,148	3.7
2004–05	1,107	1,192	3.9
2005–06	1,238	1,293	8.4
2006–07	1,337	1,360	5.2
2007–08	1,375	1,353	–0.5
2008–09	1,528	1,527	12.9
2009–10	1,905	1,905	24.7

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

Source: AIHW health expenditure database.

Table 4.22: Government^(a) capital expenditure as a proportion of government^(b) capital consumption expenditure by health-care facilities, 1999–00 to 2009–10

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
1999–00	0.94	1.65	2.22	1.32	1.46	0.49	0.99	0.39	1.47
2000–01	1.25	1.57	2.13	1.53	1.31	0.53	1.58	0.37	1.53
2001–02	1.49	1.85	1.85	1.43	1.52	0.94	1.90	0.32	1.59
2002–03	1.45	3.01	1.03	1.42	1.80	0.51	1.17	0.60	1.65
2003–04	1.14	1.00	1.06	1.79	1.73	1.26	1.50	0.73	1.17
2004–05	1.25	1.63	1.27	2.23	2.08	1.71	1.82	0.88	1.49
2005–06	1.48	2.09	1.35	1.90	1.61	1.65	2.14	0.72	1.62
2006–07	1.20	2.65	1.56	1.75	0.50	1.69	1.29	0.88	1.60
2007–08	1.42	0.99	1.97	2.80	1.18	1.54	1.89	0.62	1.51
2008–09	1.46	1.45	2.49	3.74	1.92	1.21	2.76	0.97	1.90
2009–10	1.40	0.27	2.90	4.37	2.26	1.17	2.67	2.34	1.57

(a) Excludes local government.

(b) Expenditure on publicly owned health-care facilities.

Source: AIHW Health expenditure database.

4.2 Capital expenditure

Capital expenditure on health facilities and investments in 2009–10 was \$5.0 billion, 4.2% of total health expenditure (tables 2.1 and 4.23).

The Australian Government's capital funding was mostly by way of grants and subsidies to other levels of government or to non-government organisations.

State, territory and local governments use capital for the provision of government health services (for example, hospitals and community health facilities).

Capital expenditure by the non-government sector accounts for around 40% to 70% of all capital expenditure, while government capital expenditure over the same period from 1999–00 to 2009–10, has fluctuated from around 30% to 60% (Table 4.23).

Table 4.23: Capital expenditure, current prices, by source of funds, 1999–00 to 2009–10 (\$ million)

Year	Government		Non-government	Total
	Australian Government	State/territory and local		
1999–00	36	1,383	1,587	3,006
2000–01	130	1,243	1,917	3,291
2001–02	78	1,437	2,062	3,577
2002–03	70	1,559	2,347	3,976
2003–04	87	1,037	2,485	3,609
2004–05	119	1,559	2,602	4,280
2005–06	97	1,944	2,711	4,752
2006–07	108	2,128	3,253	5,489
2007–08	108	2,010	3,429	5,546
2008–09	96	2,695	2,909	5,700
2009–10	134	2,814	2,101	5,049

Note: Refer to Appendix D for further details.

Source: AIHW health expenditure database.

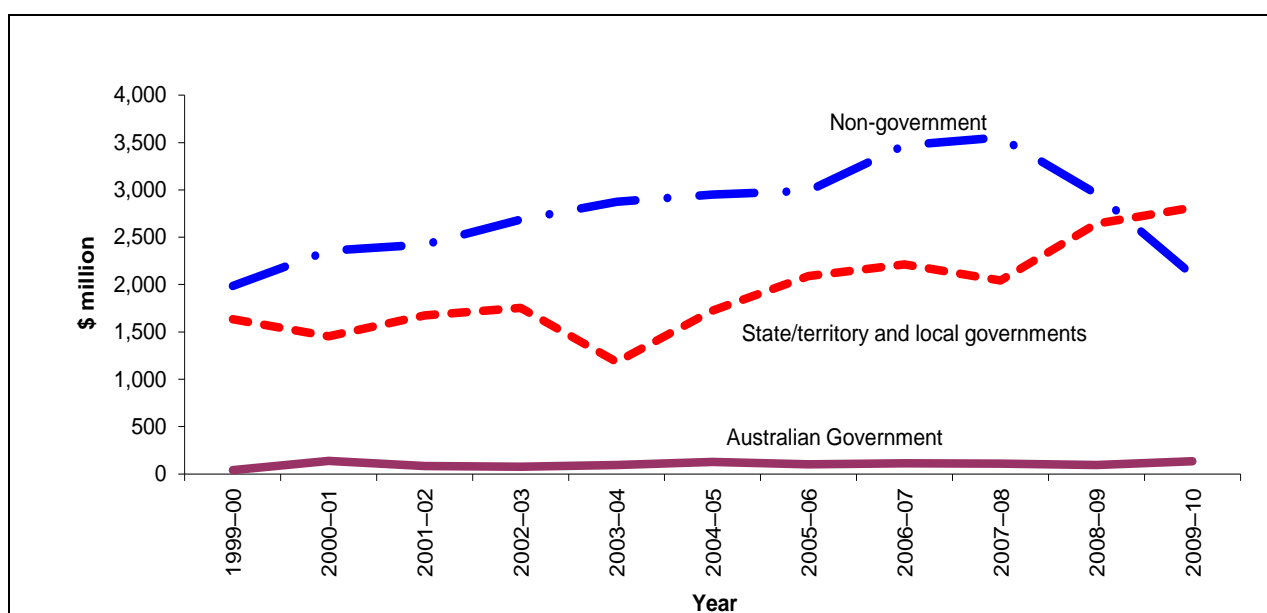
The lives of such facilities and equipment can be very long (up to 50 years is not uncommon for buildings). Because investments in health facilities and equipment involve large outlays, capital expenditure can fluctuate from year to year (Table 4.24 and Figure 4.8).

Table 4.24: Capital expenditure, constant prices^(a), by source of funds, 1999–00 to 2009–10 (\$ million)

Year	Government							
	Australian Government		State, territory and local governments		Non-government		Total	
	Amount (\$ million)	Growth (%)	Amount (\$ million)	Growth (%)	Amount (\$ million)	Growth (%)	Amount (\$ million)	Growth (%)
1999–00	38	..	1,636	..	1,984	..	3,658	..
2000–01	138	261.2%	1,454	-11.1%	2,359	18.9%	3,951	8.0%
2001–02	83	-39.7%	1,673	15.0%	2,421	2.6%	4,177	5.7%
2002–03	76	-9.0%	1,753	4.8%	2,686	10.9%	4,515	8.1%
2003–04	95	25.1%	1,181	-32.6%	2,874	7.0%	4,150	-8.1%
2004–05	126	33.2%	1,725	46.1%	2,949	2.6%	4,801	15.7%
2005–06	102	-19.3%	2,088	21.0%	2,991	1.4%	5,181	7.9%
2006–07	111	9.0%	2,213	6.0%	3,470	16.0%	5,793	11.8%
2007–08	110	-1.0%	2,044	-7.6%	3,555	2.5%	5,709	-1.5%
2008–09	95	-13.2%	2,643	29.3%	2,958	-16.8%	5,697	-0.2%
2009–10	134	40.5%	2,814	6.5%	2,101	-29.0%	5,049	-11.4%

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

Source: AIHW health expenditure database.



(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

Source: Table 4.24.

Figure 4.8: Capital expenditure, constant prices^(a), by broad source of funds, 1999–00 to 2009–10

4.3 Non-specific tax expenditures

In this report the only non-specific tax expenditure that is reported is the 'medical expenses tax rebate'. The Department of the Treasury uses the term 'non-specific tax expenditure' to denote a particular form of tax expenditure on health, which is available to taxpayers in respect of health expenditures they incur in a year.

The medical expenses tax rebate applies to the amount by which a taxpayer's total net health-related expenditures exceed a statutory threshold in any year. For 2009–10, the tax rebate was 20 cents for each \$1 by which a taxpayer's net health expenses exceeded \$1,500. Net health expenses are the expenses that the taxpayer has paid in respect of her/himself and dependants, less any refunds they have received, or could receive, from Medicare, a private health fund or any other third-party payer.

The medical expenses tax rebate applies in regard to a wide range of health expenditures, not just expenses associated with medical services, as its name might suggest.

These are referred to as non-specific tax expenditures because they cannot be allocated to any specific areas of health expenditure.

Non-specific tax expenditures were estimated at \$540 million in 2009–10. This was an increase in real terms of 7.7% from 2008–09. The average annual real growth over the decade from 1999–00 was 8.6% (Table 4.25).

Table 4.25 Non-specific tax expenditure, current and constant^(a) prices, and annual growth rates, 1999–00 to 2009–10

Year	Current prices (\$ million)	Constant prices (\$ million)	Real growth (%)
1999–00	162	236	..
2000–01	173	245	3.8
2001–02	203	279	13.7
2002–03	225	298	7.0
2003–04	250	316	6.0
2004–05	291	356	12.6
2005–06	332	387	8.6
2006–07	376	421	8.8
2007–08	382	411	–2.2
2008–09	483	501	21.9
2009–10	540	540	7.7
Average annual growth rate (%)			
1999–00 to 2009–10			8.6

(a) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices. Refer to Appendix D for further details.

Source: AIHW health expenditure database.

5 International comparisons

The AIHW is responsible for collecting, collating and reporting expenditure on health in Australia each year. It is also the national coordinating body for the provision of most data on health and social expenditures to the OECD and the WHO. The AIHW's responsibilities in this regard include reporting expenditure on health.

In this publication, apart from this chapter, the health expenditure estimates are derived using boundaries and definitions that have provided the basis for estimation of health expenditure in Australia since the 1970s. These boundaries and definitions are not necessarily consistent with those that other countries use. This chapter compares Australia's expenditure on health with that of OECD member economies and a number of countries in the Asia-Pacific region. For the purpose of this comparison, Australian health expenditure estimates in this chapter have been derived using the framework for estimating and reporting national health expenditure that the OECD developed as part of its System of Health Accounts (SHA) (see Section 5.3 for further details). Therefore, the estimates of Australia's total health expenditure and recurrent health expenditure discussed here differ somewhat from similarly titled estimates in the other chapters of this report. For example, in Table 2.2 health expenditure as a proportion of GDP is shown as 9.4% in 2009–10, but using the SHA estimating framework, expenditure on health is estimated at 9.1% of GDP in 2009 (Table 5.1). See Section 2.2 for further details.

One method for comparing different countries' health expenditures is by reference to the proportion of GDP that is related to health expenditure – the 'health to GDP' ratio. This gives a measure of the proportion of a nation's productive effort that is spent on funding its health goods and services. Fluctuations in the health to GDP ratio can be due to movements in GDP as well as in health expenditure. Therefore caution should be exercised when drawing inferences about changes in health expenditure from changes in the health to GDP ratio itself.

Estimates of average health expenditure per person also allow comparisons to be made between countries and within a country over time without the potentially confounding effect that annual movements in GDP and different population sizes can have.

In this chapter, both the health to GDP ratios and the average expenditure per person are used to compare Australia with other countries.

The comparison of average health expenditure per person is undertaken using a common currency unit. This is achieved using purchasing power parities (PPPs), sourced from the OECD, for the whole of GDP for each country to convert its expenditures from the different national currency units into Australian dollars. The PPPs for the whole of GDP are used for this conversion because of the poor reliability of health-specific PPPs, particularly in the 1990s.

For comparing different countries with the OECD as a whole, weighted averages have been calculated. For example, the weighted average of the per person health expenditure is 'total health expenditure' divided by the 'total OECD population'.

The months covered by the OECD data for a particular year differ from one country to another (see Box 5.1). The OECD averages (both weighted averages and medians) are (where possible) averages of member countries for which data are available for all the years presented.

Box 5.1: Periods equating to OECD year 2009

Country	Financial year
Australia	1 July 2008 to 30 June 2009
Canada	1 April 2008 to 31 March 2009
France	1 January 2008 to 31 December 2008
Germany	1 January 2008 to 31 December 2008
Japan	1 April 2008 to 31 March 2009
New Zealand	1 July 2008 to 30 June 2009
Sweden	1 January 2008 to 31 December 2008
United Kingdom	1 April 2008 to 31 March 2009
United States	1 October 2007 to 30 September 2008

5.1 Health expenditure in OECD countries

Health expenditure to GDP ratio

The OECD median health to GDP ratio for 1999, 2004 and 2009 was 7.8%, 8.6% and 9.6% respectively. The median expenditure per person for the whole of the OECD was estimated at \$2,415, \$3,722 and \$5,259 in those same years (Table 5.1).

Australia's health to GDP ratio (7.8%) was the same as the OECD median in 1999, slightly lower in 2004 (8.5% compared with OECD median 8.6%) and lower than the OECD median (9.1% compared with 9.6%) in 2009 (Table 5.1 and Figure 5.1). Average per person expenditure on health in Australia (\$2,705 in 1999, \$3,905 in 2004 and \$5,287 in 2009) was higher than the OECD median expenditure in all 3 years (Table 5.1).

The United States was by far the highest spender on health care, spending 17.4% of GDP in 2009, with an average expenditure per person that was more than double the amount for Australia (\$11,940 per person compared with \$5,287 for Australia) (Table 5.1).

In 2009, Australia spent a similar proportion of GDP on health as Slovak Republic, Finland, Italy, Spain and Ireland (Table 5.1).

Government funding of health expenditure

Australia's three tiers of government funded 68.1% of total health expenditure in 2009, which was 6.9 percentage points below the OECD median of 75.0%. Of the countries that provided data for 2009, Denmark had the highest proportion of government health funding (85.0%), while Mexico (48.3%) and the United States (47.7%) had the lowest. Over the decade, the government contribution to the funding of health care in Australia rose by 1.7 percentage points, while the average government share for the OECD overall increased by 2.4 percentage points (Table 5.2).

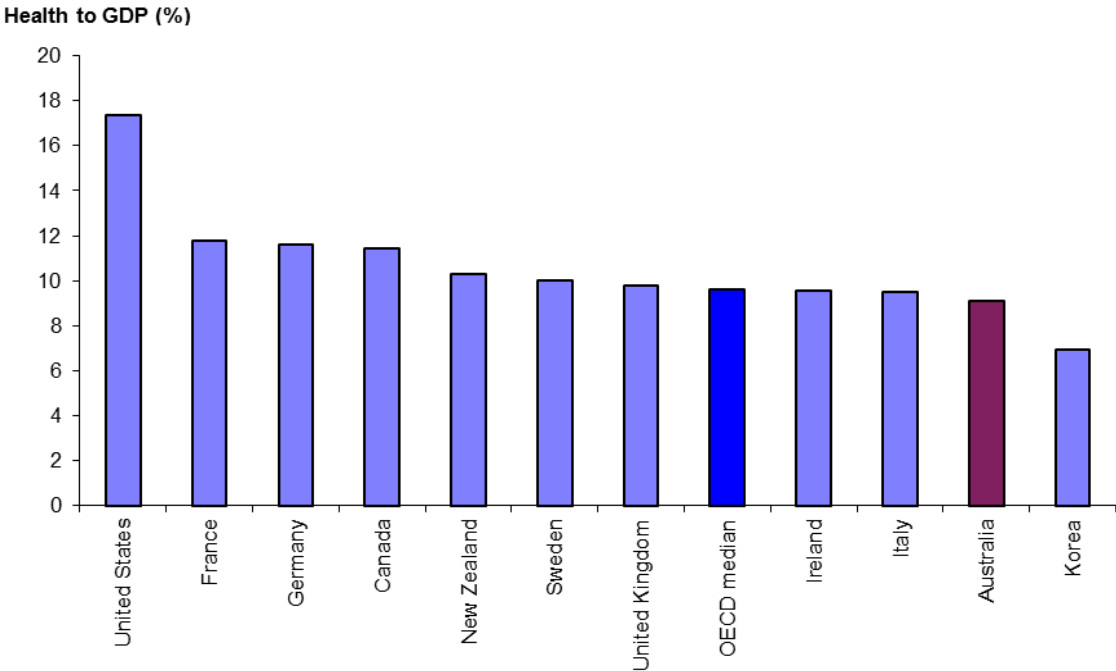
Government health expenditure in 2009 as a proportion of GDP was 5.8% in Australia, 1.1 percentage points below the OECD median, 2.4 percentage points below the United Kingdom, 2.3 percentage points below Canada and 2.5 percentage points below that spent by the United States (Table 5.2).

To some extent the fact that Australia has been one of the first countries to adopt a newly developed international standard, the System of National Accounts 2009, has driven these differences. The new system has increased the scope of production activities included in the measurement of GDP. The changes have increased the size of Australia’s GDP, which has had the effect of reducing Australia’s health to GDP ratio, particularly in comparison with other countries that have not yet adopted the new standard. In Australia, GDP data have been revised back to 1999–00.

More information about the new system can be found at <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5310.0.55.002?OpenDocument>.

Out-of-pocket expenditure

In 1999, Australia’s average out-of-pocket expenditure per person (\$497) was \$21 below the weighted OECD average (\$518). In 2009, Australia’s average out-of-pocket expenditure per person (\$900) was \$50 below the weighted OECD average (\$950) (Table 5.3). Australia’s out-of-pocket expenditure as a percentage of total health expenditure fell between the two periods from 19.9% to 18.2%. Australia’s out-of-pocket expenditure as a percentage of total household final consumption expenditure (HFCE) rose between the two periods from 2.4% to 2.8%. For the OECD as a whole, out-of-pocket expenditure calculated as a percentage of total HFCE increased from 2.7% to 2.9%, while it declined as a percentage of total health expenditure from 16.2% to 14.4% (Table 5.3 and Figure 5.2).



(a) See definition of 'OECD financial year' in Box 5.1.

Source: Table 5.1.

Figure 5.1: Health expenditure as a proportion of GDP, selected OECD countries, 2009^(a)

Table 5.1: Health expenditure as a proportion of GDP and per person, OECD countries, 1999 to 2009^(a)

Country ^(b)	1999		2004		2009	
	Health to GDP (%)	Per person (A\$)	Health to GDP (%)	Per person (A\$)	Health to GDP ^(c) (%)	Per person (A\$)
United States	13.6	5,886	15.7	8,871	17.4	11,940
Netherlands	8.1	2,831	10.0	4,632	12.0	7,371
France	10.1	3,125	11.0	4,370	11.8	5,967
Germany	10.3	3,355	10.6	4,437	11.6	6,327
Denmark	9.0	3,135	9.7	4,377	11.5	6,523
Canada	8.9	3,140	9.8	4,487	11.4	6,544
Switzerland	10.2	3,995	11.3	5,511	11.4	7,716
Austria	10.1	3,553	10.4	4,746	11.0	6,434
Belgium	8.1	2,662	10.2	4,429	10.9	5,920
New Zealand	7.5	1,979	8.3	2,861	10.3	4,474
Sweden	8.2	2,768	9.1	4,136	10.0	5,582
United Kingdom	6.9	2,172	8.0	3,556	9.8	5,231
Iceland	9.6	3,583	9.9	4,667	9.7	5,307
Norway	9.3	3,614	9.7	5,709	9.6	8,028
Ireland	6.1	2,052	7.6	3,888	9.5	5,671
Spain	7.3	1,886	8.2	2,983	9.5	4,601
Italy	7.8	2,450	8.7	3,322	9.5	4,705
Finland	7.4	2,263	8.2	3,433	9.2	4,839
Slovak Republic	5.8	778	7.2	1,480	9.1	3,127
Australia	7.8	2,705	8.5	3,905	9.1	5,287
Czech Republic	6.6	1,220	7.2	1,942	8.2	3,161
Luxembourg	5.8	3,099	8.2	5,765	7.8	7,212
Hungary	7.2	1,053	8.0	1,827	7.4	2,266
Poland	5.7	745	6.2	1,130	7.4	2,091
Korea	4.3	865	5.3	1,590	6.9	2,819
Mexico	5.1	611	6.0	964	6.4	1,378
Greece	8.6	1,908	8.7	2,928	n.a.	n.a.
Japan	7.5	2,379	8.1	3,286	n.a.	n.a.
Portugal	8.0	1,727	10.1	2,794	n.a.	n.a.
Turkey	4.8	484	5.4	728	n.a.	n.a.
Weighted average^{(d)(e)}	9.9	2,977	11.1	4,416	12.2	6,184
Median^(d)	7.8	2,415	8.6	3,722	9.6	5,259

(a) See definition of 'OECD financial year' in Box 5.1.

(b) Countries in this table are sorted in descending order according to the 2009 health to GDP ratio.

(c) Expenditure based on the OECD System of Health Accounts (SHA) framework.

(d) Averages for 2009 incorporate 2007 data for Greece and 2008 data for Japan, Portugal and Turkey.

(e) Average weighted by GDP or population.

Note: Expenditures converted to Australian dollar values using GDP purchasing power parities.

Sources: AIHW health expenditure database; OECD 2011a.

Table 5.2: Government health expenditure as a proportion of total health expenditure and GDP, OECD countries, 1999 to 2009^(a) (per cent)

Country ^(b)	1999		2004		2009	
	Share of total health expenditure	Share of GDP	Share of total health expenditure	Share of GDP	Share of total health expenditure ^(b)	Share of GDP
Denmark	84.0	7.5	84.3	8.2	85.0	9.8
United Kingdom	80.6	5.6	81.3	6.5	84.1	8.2
Norway	82.6	7.7	83.6	8.1	84.1	8.1
Luxembourg	89.8	5.2	84.8	7.0	84.0	6.5
Czech Republic	90.5	5.9	89.2	6.4	84.0	6.9
Iceland	82.2	7.9	81.2	8.0	82.0	7.9
Sweden	85.7	7.0	81.4	7.4	81.5	8.2
New Zealand	77.5	5.8	76.9	6.4	80.5	8.3
France	79.4	8.1	78.8	8.7	77.9	9.2
Italy	70.7	5.5	76.0	6.6	77.9	7.4
Austria	76.7	7.8	75.7	7.9	77.7	8.6
Germany	80.1	8.2	76.7	8.1	76.9	8.9
Belgium	74.6	6.0	76.0	7.7	75.1	8.2
Ireland	75.3	4.6	77.4	5.9	75.0	7.2
Finland	71.5	5.3	75.0	6.2	74.7	6.8
Spain	72.0	5.3	70.4	5.8	73.6	7.0
Poland	71.1	4.1	68.6	4.3	72.2	5.3
Canada	70.0	6.2	70.2	6.9	70.6	8.1
Hungary	72.4	5.2	72.4	5.8	69.7	5.2
Australia	66.4	4.8	66.1	5.1	68.1	5.8
Slovak Republic	89.6	5.2	73.8	5.3	65.7	6.0
Switzerland	55.1	5.6	58.4	6.6	59.7	6.8
Korea	50.2	2.1	52.6	2.8	58.2	4.0
Mexico	47.8	2.4	45.2	2.7	48.3	3.1
United States	43.0	5.8	44.0	6.9	47.7	8.3
Greece	53.4	4.6	59.1	5.1	n.a.	n.a.
Japan	80.7	6.1	80.8	6.5	n.a.	n.a.
Netherlands	62.7	5.1	n.a.	n.a.	n.a.	n.a.
Portugal	67.6	5.4	67.1	6.8	n.a.	n.a.
Turkey	61.1	2.9	71.2	3.8	n.a.	n.a.
Weighted average^{(c)(d)} (29 countries)	58.8	5.8	58.7	6.5	61.2	7.5
Median^(c)	74.6	5.5	75.7	6.5	75.0	6.9

(a) See definition of 'OECD financial year' in Box 5.1.

(b) Countries in this table are sorted in descending order according to the 2009 share of government to total health expenditure.

(c) The 29 countries included in the averages exclude the Netherlands. Averages for 2009 incorporate 2007 data for Greece and 2008 data for Japan, Portugal and Turkey.

(d) Average weighted by total health expenditure or GDP.

Sources: AIHW health expenditure database; OECD 2011a.

Table 5.3: Out-of-pocket health expenditure per person, and as shares of total health expenditure and household final consumption expenditure^(a), OECD countries, 1999 and 2009^(b)

Country ^(c)	1999			2009		
	Per person out-of-pocket expenditure (A\$)	Share of total health expenditure (%)	Share of total HFCE (%)	Per person out-of-pocket expenditure (A\$)	Share of total health expenditure (%)	Share of total HFCE (%)
Switzerland	1,333	33.4	5.9	2,353	30.5	6.1
United States	889	15.1	3.1	1,464	12.3	3.1
Norway	601	16.6	3.4	1,212	15.1	3.5
Belgium	n.a.	n.a.	n.a.	1,181	20.0	4.4
Canada	510	16.2	2.6	953	14.6	2.9
Sweden	n.a.	n.a.	n.a.	930	16.7	3.5
Italy	640	26.1	3.3	925	19.7	3.2
Spain	439	23.3	2.8	924	20.1	3.4
Finland	506	22.4	3.4	921	19.0	3.3
Korea	350	40.5	3.3	914	32.4	4.3
Australia	497	19.9	2.4	900	18.2	2.8
Iceland	640	17.8	3.0	882	16.6	3.3
Luxembourg	228	7.4	1.0	839	11.6	2.8
Germany	365	10.9	2.0	828	13.1	2.6
Slovak Republic	81	10.4	1.1	799	25.6	3.8
Ireland	308	15.0	1.9	697	12.3	2.5
Mexico	305	50.0	3.9	658	47.8	4.6
New Zealand	315	15.9	2.0	599	13.4	2.4
United Kingdom	298	13.7	1.6	547	10.5	1.5
Hungary	262	24.9	3.5	538	23.7	3.4
Poland	215	28.9	2.6	465	22.2	2.8
Czech Republic	116	9.5	1.2	456	14.4	2.4
France	224	7.2	1.4	436	7.3	1.6
Austria	538	15.2	2.8	n.a.	n.a.	n.a.
Denmark	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	366	15.4	2.1	n.a.	n.a.	n.a.
Netherlands	254	9.0	1.4	n.a.	n.a.	n.a.
Portugal	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Turkey	141	29.1	2.0	n.a.	n.a.	n.a.
Weighted average (23 countries)^{(d)(e)}	518	16.2	2.7	950	14.4	2.9
Median (23 countries)^(d)	365	16.2	2.6	828	15.8	3.1

(a) Total HFCE covers all goods and services, including health.

(b) See definition of 'OECD financial year' in Box 5.1.

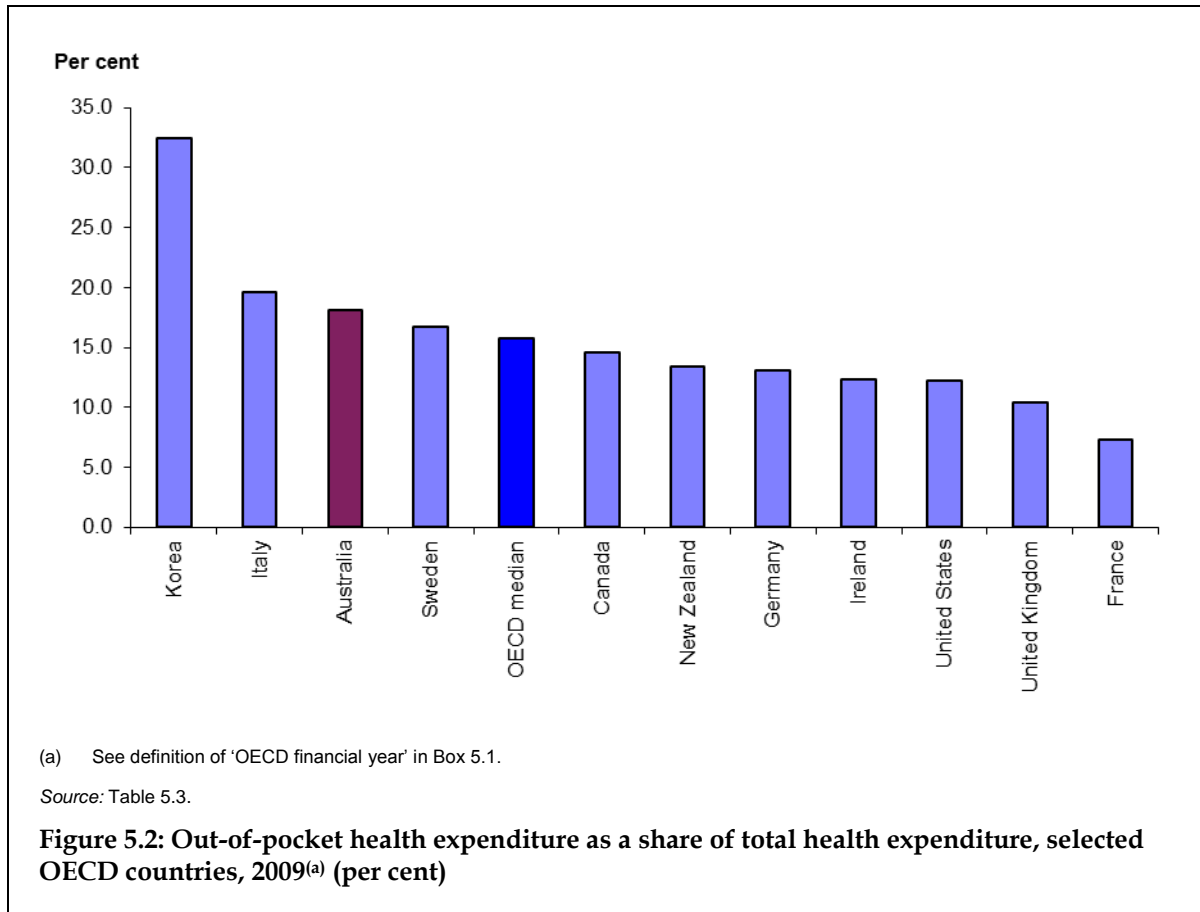
(c) Countries in this table are sorted in descending order according to the 2009 per person out-of-pocket expenditure.

(d) The 23 countries included in the averages exclude Belgium, Denmark, Greece, Netherlands, Portugal, Sweden and Turkey. Averages for 2009 incorporate 2007 data for Austria and 2008 data for Japan.

(e) Averages weighted by population for per person out-of-pocket expenditure.

Note: Expenditures converted to Australian dollar values using GDP purchasing power parities.

Sources: AIHW health expenditure database; OECD 2011a.



Components of growth

Factors contributing to the growth in the health to GDP ratio are inflation (both general inflation and excess health inflation) and changes in the level of goods and services used. A change in the level of goods and services used can occur from population growth and/or from more intensive per person use of goods and services.

The general rate of inflation is an indication of average price changes that apply throughout the economy, and the rate of excess health inflation indicates additional price rises specific to the health sector.

To enable comparison with Table 5.4 in *Health expenditure Australia 2007–08* (AIHW 2009a), this part of the analysis compares Australia with seven European member countries, the United States and Canada.

For the decade to 2009, Australia recorded negative excess health inflation of 0.4%. That means that health prices changed over the period at a slower rate than prices elsewhere in the economy. Over the same period, Canada and Iceland also recorded negative excess health inflation, while Denmark, Finland, France, Italy, Sweden, and Switzerland had positive excess health inflation. The European countries, Switzerland and Finland, recorded the highest rates of excess health inflation at 2.0% and 1.0% over the decade (Table 5.4).

Australia had an average annual real growth in per person expenditure of 1.5% between 1999 and 2009 (Table 5.4). This represents the growth in the average volume of health services per resident, and was the highest growth rate of the 10 countries.

Table 5.4: Components of growth in health expenditure, selected OECD countries, 1999 to 2009^(a), (per cent)

Country	Nominal change	Average annual inflation			Average annual real growth		Total
		General	Excess health	Health	Population component	Utilisation component	
Australia	8.7	3.7	-0.4	3.2	1.5	3.8	5.3
Canada	7.1	2.4	-0.1	2.3	0.9	3.7	4.7
Denmark	5.8	2.3	0.6	3.0	0.4	2.4	2.8
Finland	5.7	1.4	1.0	2.4	0.3	2.9	3.2
France	4.9	1.9	0.9	2.8	0.7	1.4	2.0
Iceland	9.0	5.8	-4.6	0.9	1.4	6.5	8.0
Italy	5.1	2.5	0.5	3.0	0.4	1.6	2.0
Sweden	5.8	1.8	0.4	2.2	0.5	3.1	3.6
Switzerland	4.0	1.1	2.0	3.2	0.8	—	0.8
United States	6.8	2.4	0.0	2.4	0.9	3.4	4.3

(a) See definition of 'OECD financial year' in Box 5.1.

(b) Expenditure based on the OECD SHA framework.

Sources: AIHW health expenditure database; OECD 2011a.

5.2 Health expenditure in the Asia-Pacific region

The economies within the Asia-Pacific region are quite diverse. They include highly developed economies like Australia and Japan (tables 5.1 to 5.3) as well as an emerging world economic power in China and developing economies like Malaysia, Thailand, Vietnam, Indonesia and Bangladesh (Table 5.5).

In 2009, Australia had the second highest health to GDP ratio among these countries, at 8.7%. Of the other countries in Table 5.5, Myanmar (2.0%), Indonesia (2.3%), Bangladesh and Singapore (both 3.3%) had relatively low health to GDP ratios.

Australia (\$5,072 per person) had the highest average expenditure on health and Myanmar (\$35 per person) had the lowest. Australia had the second highest out-of-pocket costs (\$921) after Singapore (\$1,669) while the Solomon Islands had the lowest (\$11) (Table 5.5).

There may be many reasons underlying the substantial differences between the levels of resourcing for health in these countries. In many cases, low GDP sometimes means that few resources are devoted to health because of different national development priorities.

It is also the case that many developing economies rely heavily on donor organisations. These are often international organisations that both fund and provide health services in developing countries. It is unclear from the available statistics if all the expenditure incurred and/or funded by donors is included in the national health accounts of developing countries.

Table 5.5: Health expenditure comparison for selected Asia-Pacific countries, 2008^(a)

Country ^(b)	Health to GDP (%)	Per person ^(c) (A\$)	Government to total (%)	Per person out-of-pocket (A\$)	Out-of-pocket to total (%)
Australia	8.7	5,071.6	68.1	920.8	12.3
Japan	8.5	4,316.4	80.8	681.0	15.8
Singapore	3.3	2,689.8	34.2	1,668.7	62.0
Malaysia	4.2	886.4	42.9	37.0	41.8
Thailand	4.1	485.2	74.3	85.0	17.5
China	4.3	392.2	47.3	170.5	43.5
Samoa	5.9	390.2	84.7	37.4	9.6
Bhutan	5.5	388.8	82.5	67.8	17.5
Vietnam	7.2	297.4	38.5	165.1	55.5
Tonga	4.3	279.3	75.4	58.2	20.8
Sri Lanka	4.1	276.3	43.7	134.8	48.8
Fiji	3.6	247.9	75.3	38.4	15.5
Vanuatu	3.4	216.1	87.5	15.8	7.3
Solomon Islands	5.2	209.5	90.7	10.6	5.1
Cambodia	6.3	197.4	19.9	139.8	70.8
Mongolia	3.8	194.2	81.4	28.4	14.6
Philippines	3.6	188.6	35.1	102.2	54.2
Timor-Leste	13.8	186.8	73.5	12.7	6.8
India	4.0	171.9	27.6	108.2	62.9
Indonesia	2.3	133.9	54.4	43.0	32.1
Lao	4.0	121.0	17.6	75.8	62.6
Papua New Guinea	3.4	109.5	76.2	14.5	13.3
Nepal	6.0	97.8	37.7	44.1	45.1
Bangladesh	3.3	65.7	31.4	43.5	66.2
Myanmar	2.0	34.5	8.8	30.1	87.1

(a) For most countries, 2008 is the latest year for which final data are available.

(b) Countries in this table are sorted in descending order according to the per person health expenditure.

(c) Expenditure based on the OECD SHA framework.

Sources: AIHW health expenditure database; WHO database.

5.3 Australian health expenditure using the OECD System of Health Accounts framework

The format that the AIHW has used for domestic reporting of expenditure on health since 1985 is based on one that was adopted by the WHO during the 1970s. The Australian version, referred to as the Australian National Health Accounts (NHA), has changed little since the AIHW's first national health expenditure report in 1985, despite considerable change in the way health care is delivered and financed. The WHO has recently adopted a reporting framework based on a system of health accounts that the OECD has developed.

In 2000, the OECD published guidelines for a new method of international reporting for health expenditure. That publication, *A system of health accounts (SHA)* (OECD 2000), was developed to encourage international consistency in the way health expenditure is reported throughout the OECD member countries. Data in this chapter are reported according to the OECD's SHA.

The SHA includes an International Classification for Health Accounts (ICHA), which classifies expenditure on health in terms of:

- health care by function (ICHA-HC)
- health care service provider industries (ICHA-HP)
- sources of funding for health care (ICHA-HF).

The functional classification refers to the goals or purposes of health care. At the broadest level these are disease prevention, health promotion, treatment, rehabilitation and long-term care.

The provider classification is a list of health care provider types. This has been refined and modified from the International Standard Industrial Classification (UN 2002).

The funder classification follows the *System of National Accounts 2008* (OECD 2000) guidelines for the allocation of funds by sector.

The major difference between estimates derived using the Australian NHA and the SHA is the value of total expenditure. The NHA includes all the 'health' functional classifications defined in the SHA. It also includes the following 'health-related' functional classifications in its estimates of total health expenditure:

- capital expenditure of health care provider institutions
- research and development in health
- food, hygiene and drinking water control
- environmental health.

One health-related function, 'Education and training of health personnel', is excluded from both the NHA and SHA estimates of total health expenditure.

The SHA, on the other hand, includes all the 'health' functions, but only one health-related function, namely 'Capital formation of health care provider institutions' in its total health expenditure estimates.

Since 2007, the OECD has been revising its SHA manual to enhance its suitability as a global standard accounting framework for statistics on health expenditure and financing. It will also enhance the analytical power of the SHA and the usefulness of the statistical guidelines.

Previously, the AIHW undertook a major restructure of its health expenditure database to allow simultaneous reporting according to the NHA reporting matrix and the existing SHA classifications. This restructure applied to all years from 1998–99. Through the work of the HEAC, an Australian System of Health Accounts is being developed that can be mapped to the OECD's SHA, but which uses terminology that is relevant to the Australian domestic situation. When this is achieved, the Australian SHA will be better able to provide more detailed and comprehensive data for both national purposes and international comparability.

The following three tables provide a snapshot of the data for 2008–09 and 2009–10, following the OECD SHA format. In 2009–10 (OECD year 2009), the estimate of total health

expenditure using the SHA was \$117.1 billion (Table 5.6), which is \$4.3 billion lower than the NHA estimate (\$121.4 billion) (Table 2.1).

The definitions for the categories used in the OECD SHA can be found at: <http://www.oecd.org/dataoecd/49/51/21160591.pdf>.

Table 5.6: Total health expenditure, by financing agents, current prices, 2008–09 and 2009–10

SHA code	Description	2008–09		2009–10	
		Amount (\$m)	Prop'n (%)	Amount (\$m)	Prop'n (%)
<i>HF.1</i>	<i>General government</i>	74,695	68.1	80,246	68.5
HF.1.1	General government excluding social security funds	74,695	68.1	80,246	68.5
HF.1.1.1	Central government	46,836	42.7	49,092	41.9
HF.1.1.2, 1.1.3	Provincial/local government	27,859	25.4	31,154	26.6
HF.1.2	Social security funds	..	..	..	..
<i>HF.2</i>	<i>Private sector</i>	35,063	31.9	36,853	31.5
HF.2.1	Private social insurance	..	..	..	..
HF.2.2	Private insurance enterprises (other than social insurance)	8,845	8.1	9,203	7.9
HF.2.3	Private household out-of-pocket expenditure	19,927	18.2	21,718	18.5
HF.2.4	Non-profit institutions serving households (other than social insurance)	315	0.3	420	0.4
HF.2.5	Corporations (other than health insurance)	5,976	5.4	5,512	4.7
<i>HF.3</i>	<i>Rest of the world</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Total health expenditure		109,758	100.0	117,099	100.0

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

Source: AIHW health expenditure database.

Table 5.7: Total health expenditure, by mode of production, current prices, 2008–09 and 2009–10

SHA code	Description	2008–09		2009–10	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
Inpatient care^(a)					
HC.1.1, 2.1	Curative & rehabilitative care	38,503	35.1	41,124	35.1
HC.3.1	Long-term nursing care	593	0.5	732	0.6
Services of day care					
HC.1.2, 2.2	Day cases of curative & rehabilitative care	629	0.6	746	0.6
HC.3.2	Day cases of long-term nursing care	..	..	..	..
Outpatient care					
HC.1.3, 2.3	Outpatient curative & rehabilitative care	32,696	29.8	36,195	30.9
HC.1.3.1	Basic medical and diagnostic services	6,637	6.0	7,304	6.2
HC.1.3.2	Outpatient dental care	6,781	6.2	7,678	6.6
HC.1.3.3	All other specialised health care	10,890	9.9	12,294	10.5
HC.1.3.9	All other outpatient curative care	6,772	6.2	7,255	6.2
HC.2.3	Outpatient rehabilitative care	1,616	1.5	1,663	1.4
Home care					
HC.1.4, 2.4	Home care (curative & rehabilitative)	n.a.	n.a.	n.a.	n.a.
HC.3.3	Home care (long-term nursing care)	34	—	31	—
Ancillary services to health care					
HC.4.1	Clinical laboratory	1,787	1.6	1,872	1.6
HC.4.2	Diagnostic imaging	2,110	1.9	2,303	2.0
HC.4.3	Patient transport and emergency rescue	2,391	2.2	2,589	2.2
HC.4.9	All other miscellaneous ancillary services	43	—	26	—
Medical goods dispensed to outpatients					
HC.5.1	Pharmaceuticals and other medical non-durables	15,989	14.6	17,223	14.7
HC.5.2	Therapeutic appliances and other medical durables	3,268	3.0	3,501	3.0
<i>Total expenditure on personal health care</i>		<i>98,043</i>	<i>89.3</i>	<i>106,342</i>	<i>90.8</i>
HC.6	Prevention and public health services	2,200	2.0	2,063	1.8
HC.7	Health administration and health insurance	3,815	3.5	3,644	3.1
<i>Total expenditure on collective health care</i>		<i>6,015</i>	<i>5.5</i>	<i>5,707</i>	<i>4.9</i>
<i>Total current expenditure on health care</i>		<i>104,058</i>	<i>94.8</i>	<i>112,049</i>	<i>95.7</i>
Health-related functions					
HC.R.1	Capital formation of health care provider institutions	5,700	5.2	5,049	4.3
Total health expenditure		109,758	100.0	117,099	100.0

(a) Inpatient care includes all admitted patient services, whether they are overnight admissions or same-day admissions.

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

Source: AIHW health expenditure database.

Table 5.8: Total health expenditure, by provider, current prices, 2008–09 and 2009–10

SHA code	Description	2008–09		2009–10	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
HP.1	Hospitals	43,122	41.4	47,184	42.1
HP.2	Nursing and residential care facilities	211	0.2	248	0.2
HP.3	Providers of ambulatory health care	36,886	35.5	39,672	35.4
HP.3.1	Offices of physicians	15,204	14.6	16,151	14.4
HP.3.2	Offices of dentists	6,363	6.1	7,260	6.5
HP.3.3–3.9	All other providers of ambulatory health care	27,820	26.7	16,261	14.5
HP.4	Retail sales and other providers of medical goods	18,336	17.6	19,653	17.5
HP.5	Provision and administration of public health programs	1,638	1.6	1,461	1.3
HP.6	General health administration and insurance	3,840	3.7	3,816	3.4
HP.6.1	Government administration of health	2,525	2.4	2,514	2.2
HP.6.2	Social security funds	..	..	..	..
HP.6.3, 6.4, 6.9	Other social insurance	1,315	1.3	1,303	1.2
HP.7	Other industries (rest of the economy)	16	—	16	—
HP.9	Rest of the world	n.a.	n.a.	n.a.	n.a.
Total health expenditure		104,049	100.0	112,049	100.0

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

Source: AIHW health expenditure database.

6 Technical notes

6.1 General

Health expenditure is reported domestically using the NHA framework. This framework, which was used experimentally since the early 1960s and was formally adopted by the Institute in 1985 as its national reporting framework, is based on a national health expenditure matrix showing areas of expenditure, by sources of funding.

Since 1998, the AIHW, which has responsibility for developing and reporting on estimates of national health expenditure, has collated and stored its health expenditure data in a way that enables it to simultaneously report national health expenditure according to both the national framework and the OECD's SHA (OECD 2000). Since 2007, the OECD has been revising its SHA manual to:

- further improve the comparability of health expenditure data across countries
- provide better information to assess the performance of health systems
- provide better information on the role of the health sector within the national economy.

A pre-edited version of the SHA Manual version 2 was released on the OECD website in March 2011 (OECD 2011b). The AIHW will work towards reporting its health expenditure to the OECD in accordance with the new guidelines.

Health Expenditure Advisory Committee (HEAC)

In 2004, the AIHW established the HEAC, comprising data users and providers, to give advice and feedback on its health expenditure reporting in Australia. The committee, which meets twice a year, consists of representatives of Australian Government agencies – DoHA, ABS, DVA, Commonwealth Grants Commission, Medicare Australia and the Private Health Insurance Administration Council (PHIAC) – and each state and territory health department. It also includes a representative from the Ministry of Health New Zealand, and an academic health economist. The terms of reference for this committee are to provide advice to the AIHW on:

- data sources, analysis and presentation of its estimates of health expenditure in Australia
- integration of the AIHW's health expenditure collections with all other Australian sub-national and national collections, and with international frameworks and collections of health expenditure statistics
- longer term directions related to the reporting of expenditure on health, both within Australia and to international bodies, such as the OECD and WHO.

Government Health Expenditure National Minimum Data Set (GHE NMDS)

Under the auspices of the HEAC, the AIHW has developed a national minimum data set (NMDS) for government-funded health expenditure (GHE), which will enhance the current reporting of health expenditure data. An NMDS is a mandated national data collection for all states and territories.

Data covering the 2009–10 financial year are the second to be provided under the GHE NMDS, which offers three categories to capture expenditure and revenue:

- provider/organisation
- program/function
- source of public and private revenue.

These categories use classifications that correspond to those that the OECD used for the SHA. Information provided on the type of economic transaction is based on the ABS Economic type framework classification. For this 2009–10 report, the data have been reconciled with established reporting structures to ensure the robustness of the estimates provided under this new reporting framework. In future years this data will increasingly be used to present health expenditure estimates in new ways, such as identifying the various forms of public and private revenue that are used to fund the various health services examined in this report.

6.2 Definition of health expenditure

Health expenditure is defined as:

the sum of expenditure on health goods and services which are used up within a year and health-related investment.

(See Glossary for detailed descriptions of health expenditure components.)

Expenditure on health is traditionally analysed in terms of recurrent expenditure and capital expenditure. Recurrent expenditure can generally be thought of as goods and services consumed within a year. It includes expenditure on health goods, such as medications and health aids and appliances; health services, such as hospital, dental and medical services; public health activities and other activities that support health systems, such as research and administration. Capital consumption (depreciation) is also included as part of recurrent expenditure.

Health-related investment is referred to as gross fixed capital formation (as defined in the ABS GFS) or capital expenditure. In this publication the term ‘capital expenditure’ is used.

The AIHW’s definition of health expenditure closely follows the definitions and concepts provided by the OECD’s SHA (OECD 2000) framework. It excludes:

- expenditure that may have a ‘health’ outcome but that is incurred outside the health sector (such as expenditure on building safer transport systems, removing lead from petrol, and educating health practitioners)
- expenditure on personal activities not directly related to maintaining or improving personal health
- expenditure that does not have health as the main area of expected benefit.

Some of the expenditure by non-government health organisations, such as the National Heart Foundation and Diabetes Australia, is not included in these accounts. In particular, as data are not available, most of the non-research expenditure funded by donations to these organisations is not included.

Total health expenditure reported for Australia (both domestically and internationally) is slightly underestimated in that it excludes health expenditure on health services provided by the Australian Defence Force, some school health expenditure and some health expenditure incurred by corrective services institutions in the various states and territories.

It is arguable that there is some overestimation of health expenditure in the dental area. Expenditure on orthodontics is included in dental expenditure, but the principal purpose of some of this expenditure is cosmetic and health is a secondary purpose. Thus it probably should not be part of health expenditure. On the other hand, expenditure on toothbrushes and toothpaste is not currently included in health expenditure but it could be argued that the primary purpose of this expenditure is health, with the secondary purpose being personal care/hygiene.

Difficulties in separating expenditures incurred by local governments on particular health functions from those of state and territory governments mean that these funding sources are generally combined. In the ABS public finance data, the contribution of local governments to health expenditure appears to be relatively small. However, examination of this local government data indicates that their quality is also quite poor.

6.3 Data and methods used to produce estimates

General

The total expenditure and revenue data used to generate the tables are mainly administrative by-products. To the greatest extent possible, they are produced on an accrual basis; that is, expenditures and funding reported for each area relate to expenses and revenues incurred in the year in which they are reported. This is not always achievable. For example, the data from private health insurance funds are sometimes provided on the basis of the date on which the claims for benefit are processed. These are not necessarily the same as the date on which the services were provided.

There was a small part of public hospital expenditure that was funded by facility fees and charged to private medical practitioners. This is not traditionally identified in the hospital statistics as a separate form of revenue. This facility fees revenue would have been partly funded by claims on Medicare and the benefits paid and hence would be included in the medical services row of our health expenditure matrix. Therefore there is a partial double-count of the public hospital expenditure funded from private practitioner facility fees and medical services in our hospitals and medical services rows of our health expenditure matrix. The introduction of the GHE NMDS in 2008–09 allows additional scrutiny and improvement of the expenditure and revenue data, and mitigates the chances of double-counting.

The AIHW gathers information on which to base its estimates of health expenditure from a wide range of sources. The ABS, DoHA and state and territory health authorities provided most of the basic data used in this publication. Other major data sources are the DVA, the PHIAC, Comcare, and the major workers compensation and compulsory third-party motor vehicle insurers in each state and territory.

State and territory expenditure tables

Since 2008–09, data presented in this report have been collected through the recently developed GHE NMDS. The new data collection process required jurisdictional data providers to allocate expenditure against a different range of categories from those used for previous collections. These data have been mapped back to the expenditure categories from previous *Health expenditure Australia* publications to ensure consistency and comparability in these statistics over time. However, it is possible that the revised data collection process has

led to the identification of previously unreported health expenditure, or to disaggregations of existing items that allow them to be more precisely allocated to health expenditure categories. All measures have been taken to ensure that, particularly at the higher level, statistics are consistent with previous years. There is a possibility that, in some of the more disaggregated state expenditure tables, these changes to the data collection and analysis process have driven the variations, rather than actual changes in health expenditure.

The state and territory tables are intended to give some indication of differences in the overall levels of expenditure on health within the states and territories; they do not necessarily reflect levels of activity by state and territory governments. For example, service providers located in the different states and territories pursue a variety of funding arrangements involving inputs from both government and non-government sources. As a result, one state or territory may have a mix of services and facilities that is quite different from another. The estimates enable state and territory governments to monitor the impact of their policy initiatives on overall expenditures on health goods and services provided within its borders.

It should be noted that estimates of funding by state/territory governments in respect of a particular state/territory table are derived by deducting any Australian Government grants and other revenue received by the state and territory health authorities from gross health expenditure estimates. This funding relates to funding of services provided in the state or territory concerned by any state/territory government. For example, some services in the particular state/territory may relate to residents of another state or territory and vice versa. Such transactions may eventually be the subject of cross-border reimbursement arrangements between the states and territories concerned. However, such cross border adjustments are not made in these estimates.

Where funding data are provided only on a national basis, as is the case for some Australian Government programs, the AIHW calculates allocations for those expenditures by state and territory.

State government contracting of private hospital services

The annual matrices for states and territories for years before 2002–03 indicate that state and territory governments provided no funding for services that private hospitals provided. There were, however, at least two situations where the states and territories did provide funding to private hospitals. These were where:

- (a) state or territory governments or Area Health Services had contracts with private hospitals to provide services to public patients
- (b) individual public hospitals purchased services from private hospitals in respect of their public patients.

The AIHW began collecting and reporting these types of data from 2002–03 onwards and they have been included in both the national and the state and territory matrices from that year.

Allocation of Australian Government expenditures by states and territories

The bulk of the Australian Government's expenditures can readily be allocated on a state and territory basis. These include:

- the healthcare SPP and the health-related NP payments to the states and territories
- Medicare benefits payments
- pharmaceutical benefit payments
- DVA expenditure.

Data on other health funding by the Australian Government are generally not available on a state and territory basis. In those cases, indicators are used to derive state and territory estimates. For example, non-Medicare payments to medical service providers aimed at enhancing or modifying medical practice are allocated according to the proportion of vocationally registered GPs in each state or territory.

Expenditure by state and territory governments

The majority of health expenditure data for state and territory governments is sourced from each of the state and territory health authorities. These data are now all supplied on an accruals basis. Prior to 2007–08, South Australia was only able to supply their data on a cash basis.

Data on research, capital expenditure and capital consumption are generally sourced from the ABS. Research expenditure data come from the Research and Experimental Development Survey series (ABS 2010a, 2010b, 2010c, 2010d) which is generally only available every second year. The AIHW made projections every second year up to and including 2009–10. The data for government capital consumption and capital expenditure are sourced from ABS's GFS.

Break in series for selected areas of expenditure from 2002–03 to 2003–04

Public hospitals and public hospital services

There is a break in the series due to differences in definitions of public hospital and public hospital services between 2002–03 and 2003–04.

Prior to 2003–04, the AIHW's public hospitals establishments (PHE) collection data were used to derive public hospital expenditure estimates for each state and territory. The PHE data comprise operating expenses that public hospitals incurred (such as wages and salaries, food, repairs and maintenance, and so forth) in providing a range of services – including community and public health services, dental and patient transport services and health research. This is referred to as 'public hospital' expenditure.

State and territory health authorities have directly provided estimates of expenditure on 'public hospital services' from 2003–04 onwards. These reflect only that part of public hospitals' expenses that are used in providing 'hospital services'. That is, they *exclude* expenses incurred in providing community and public health services, dental and patient transport services and health research undertaken by public hospitals. These excluded expenses are shown under their respective categories in the health expenditure matrix. For example, expenditure on patient transport services that public hospitals incurred prior to 2003–04 was reported as a part of public hospital expenditure. From 2003–04, it was captured as part of expenditure on patient transport services.

As part of the 2003–04 revisions, most states and territories also allocated their central office expenses to functional areas. Previously, those expenses had been subsumed into the

'administration' expenditure category. As a result, although the public hospital services category after 2003–04 excludes the expenditures mentioned above, that does not mean that expenditure on public hospital services is necessarily lower than would have been the case had these changes not taken place. If the central office expenses that have been allocated to 'public hospital services' are greater in total than the excluded expenditures, expenditure on public hospital services would increase.

The AIHW PHE collection was the source of data for state and territory expenditure on public hospitals reported in tables 4.3 to 4.7 and figures 4.3 and 4.4.

State and territory funding for public hospitals was derived by subtracting Australian Government grants and any other public hospital revenue from the PHE data.

Community and public health services and dental and patient transport services

Due to the above-mentioned change in definitions for public hospitals and public hospital services, there is a resulting break in time series between 2002–03 and 2003–04 for community and public health services and for dental and patient transport services.

In addition, for community health services, an indeterminate amount of domiciliary care expenditure was included in the community health services data prior to 2003–04. Domiciliary care, which includes home and community care funding, is considered to be funding for welfare services rather than health services and has, since 2003–04, been excluded from the community health services expenditure estimates.

Although valid comparisons across the discontinuity can be made for total health expenditure, caution should be exercised when comparing data across the decade for these areas of expenditure.

Funding by the non-government sector

Non-government sector funding is shown in the various state matrices in three broad 'source of funds' categories:

- health insurance funds
- individuals
- other non-government sources.

Health insurance funds

Funding for health goods and services by health insurance funds within a state or territory is assumed to be equal to the level of benefits paid by health insurance funds with patients who reside in that state or territory. For 2001–02 onwards, in the case of New South Wales and the Australian Capital Territory, the benefits paid by health insurance funds for New South Wales and Australian Capital Territory residents that were previously all reported under New South Wales, have now been disaggregated. The disaggregation was based on the number of separations for patients who reside in either New South Wales or the Australian Capital Territory whose funding source was private health insurance. Data from the *Australian hospital statistics* publication series and the ABS Private Health Establishments Collection were used to separate private health insurance benefits for public and private hospitals for patients residing in the Australian Capital Territory and New South Wales. The non-hospital benefits for New South Wales and the Australian Capital Territory are included in tables B1 to B3 and B19 to B21 respectively.

Private health insurance premium rebates

In all years from 1997–98, funding of health goods and services through health insurance funds has been divided into two categories:

- private health insurance funding
- Australian Government funding.

This reflects the effect of two forms of indirect Australian Government subsidy of private health insurance – the means-tested PHIIS (up until the end of 1998) and the non-means-tested 30–40% rebate on private health insurance premiums (from 1 January 1999). Refer to Box 3.1 for further details.

Although the rebate related to the premiums payable by health insurance members, they are regarded as being an indirect Australian Government subsidy of the types of activities funded through private health insurance funds. These include both health and non-health activities. The non-health activities include the accumulation of reserves (which is regarded as an ‘insurance-type’ activity).

The Australian Government subsidy is assumed to be spread across all these activities in proportion to the levels of expense and variations in reserves. But only the portions of the subsidy allocation that relate to health activities are included in the estimates of funding by the Australian Government.

Prior to 2009–10, data on private health insurance funding for the Australian Capital Territory was included in the total for New South Wales. To estimate funding for the Australian Capital Territory, the AIHW used the Australian Capital Territory’s admitted patient separation numbers for public and private hospitals to derive its proportion of total Australian Capital Territory and New South Wales separations and applied this proportion to the private health insurance funding.

From 2009–10, private health insurance funding data are now available separately for the Australian Capital Territory. The data for the Australian Capital Territory for all previous years in this report have been adjusted using the 2009–10 proportion described above. The revised numbers are substantially higher than the numbers using the previous method. This is because the previous method did not include a proportion relating to funding for Extras cover – such as for dental, spectacles etc.

Individuals

From 2002–03, estimates of individuals’ expenditure on:

- dental services
- other health practitioners
- aids and appliances

mostly relied on detailed private health insurance data from the PHIAC. The methods in respect of years before 2002–03 relied on highly aggregated ABS data, which proved to be unreliable and were subject to substantial revisions over time. The current methodology uses growth in the cost of services, combined with changes in the proportion of the population who have ancillary cover from year to year, to project forward the individual out-of-pocket expenditure for these categories.

Funding of these services by private health insurance funds and injury compensation insurers is deducted from these estimates to arrive at the estimates of individuals' out-of-pocket funding.

Estimates of expenditure by individuals on patient transport services are based on data from the Productivity Commission's *Report on government services* (SCRCSSP 1999, 2003; SCRGSP 2007, 2009, 2010).

Estimates of expenditure by individuals on over-the-counter pharmaceuticals in this report are sourced from Feros 1999, 2000, 2001; Flanagan 2003, 2004a, 2004b, 2005a, 2005b, 2006, 2007, 2008; and through the *Retail world annual report* (Gloria 2009, 2010).

Other non-government sources

Workers compensation and compulsory third-party motor vehicle insurance payments comprise the majority of expenditure for this category. The AIHW obtains these data from the respective injury compensation insurers in each state and territory.

Blank cells in expenditure tables

The national and the state and territory tables in appendixes A and B have some cells for which there is no expenditure recorded. There are many reasons for this, but the main ones are:

- (i) There are assumed to be no funding flows because they do not exist in the institutional framework for health care funding.
- (ii) The total funding is nil or so small that it rounds to zero – designated as '–'.
- (iii) A flow of funds exists but it cannot be estimated from available data sources.
- (iv) Some cells relate to 'catch-all' categories and the data and metadata are of such high quality as to enable all expenditure to be allocated to specified areas. This, in turn, means that there are no residual data to be allocated to the 'catch-all' categories.

As to (i), for example, there are no funding flows by the state, territory and local government for medical services and benefit-paid pharmaceuticals because these are funded by the Australian Government, individuals and private health insurance funds through Medicare and the PBS.

An example of (iii) is state and local government funding for private hospitals. There are known funding flows in this area because state and territory governments are known to contract with private hospitals to provide some hospital services to public patients. Data have been inserted in the matrices from 2002–03 onwards, but not for earlier years.

As to (iv), in some years small miscellaneous Australian Government expenditures have been allocated to the category 'Other recurrent health expenditure n.e.c.'. These could not, at that time, be allocated to the specific health expenditure areas in the matrix. In other years, better quality of description may have allowed those types of expenditures to be more precisely allocated. The expenditure category remains in order to show what total health expenditure is over a long time period.

6.4 Changes in data sources and methodologies used in this report

Capital consumption

In previous *Health expenditure Australia* reports, private capital consumption was included as part of recurrent expenditure, while government capital consumption was reported as part of total health expenditure but not part of recurrent health expenditure. From *Health expenditure Australia 2007–08* onwards, government capital consumption has been included as part of recurrent health expenditures for all years. The reasons for incorporating both government and non-government capital consumption as part of recurrent expenditure are:

- government and private capital consumption are treated consistently
- international reporting includes depreciation as part of recurrent expenditures.

Private hospitals

The *Private hospitals, Australia, 2009–10* publication (ABS 2011c), based on the ABS Private Hospital survey, was the source of total spending on private hospitals in this report.

For 2007–08, and 2009–10, the ABS Private Hospital survey was not done so an alternative methodology was needed to derive total private hospital expenditure. The following equation best illustrates the methodology used:

Total expenditure = number of separations x cost per separation

Care should be taken when comparing private hospital expenditure for 2007–08 and 2009–10 with all other years.

Over-the-counter medications sold in pharmacies

Over-the-counter medicines sold at pharmacies for 2001–02 to 2004–05 were sourced from *Retail pharmacy* (Flanagan 2002, 2004a, 2005a), having previously been sourced from *Pharmacy 2000* (Feros 1998, 1999, 2000, 2001). Over-the-counter pharmacy data for 2005–06 to 2007–08 were sourced from Synovate AZTEC to enable a more comprehensive breakdown of each category of products sold at pharmacies. From 2008–09 onwards, methodology was kept consistent with data for 2006–07 and 2007–08 but was prepared using retail pharmacy data through the *Retail world annual report* (Gloria 2009, 2010). Care needs to be taken when comparing data prior to 2008–09 with data from 2008–09 onwards.

Public health

Separate and timely data on public health expenditure, based on nine core public health expenditure activities, are available from the AIHW's Public Health Expenditure Project.

The data for 1999–00 to 2008–09 have been published in the AIHW's *National public health expenditure* reports (AIHW 2002, 2004, 2006, 2007b, 2008a) and *Public health expenditure in Australia* reports (AIHW 2008b, 2009b, 2011). The data collected for these reports only include expenditure by key health departments and agencies of the Australian Government and states and territories and, prior to June 2009, these data were provided under the auspices of the PHOFAs. The PHOFAs ceased on 30 June 2009 and since then

Commonwealth funding for public health programs has been included within National healthcare SPPs and NP payments under the Intergovernmental Agreement on Federal Financial Relations.

In 2011, the Public Health Expenditure Project was halted pending a review of the scope and content of the collection. This was partly due to the above changes in federal funding arrangements with the states and territories that commenced in 2009, and also to address a number of data quality concerns relating to the scope of the collection and consistency of reporting across states and territories. As a result, public health expenditure data for 2009–10 are only reported as total public health expenditure, nationally and for each state and territory (appendixes A and B tables respectively).

6.5 Changes in ABS estimates of GDP

Australia has been one of the first countries to adopt a newly developed international standard, the System of National Accounts 2008. The new system has increased the scope of production activities included in the measurement of GDP. The changes have increased the size of Australia's GDP, which has had the effect of reducing Australia's health to GDP ratio, particularly in comparison with other countries that have not yet adopted the new standard.

These changes have been applied retrospectively as of *Health expenditure Australia 2008–09*. As such, health expenditure to GDP ratios contained in publications prior to 2008–09 are not comparable to the ratios published in the 2008–09 and subsequent reports. More information about the new system can be found at <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5310.0.55.002?OpenDocument>.

Appendix tables

There are five appendixes to this report. They show the following:

Appendix A: National health expenditure tables in current and constant prices, by area of expenditure and source of funds, 2007–08 to 2009–10.

Appendix B: State and territory health expenditure tables in current prices, by area of expenditure and source of funds, 2007–08 to 2009–10.

Appendix C: Detailed disaggregation of expenditure on hospitals, medical services, other health practitioner services and medications, 2008–09 and 2009–10.

Appendix D: Price indexes and deflation.

Appendix E: Population data comprising estimated resident population and the number of insured persons with hospital treatment cover.

Appendix A: National health expenditure matrices, 2007–08 to 2009–10

Table A1: Total health expenditure, current prices, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total		
	DVA	DoHA and other ^(b)	Premium rebates ^(c)							Total	
Total hospitals	1,633	11,268	1,960	14,860	16,806	31,666	4,295	812	1,784	6,891	38,557
Public hospital services ^(e)	738	11,081	244	12,063	16,537	28,599	534	475	1,209	2,218	30,817
Private hospitals	895	186	1,716	2,798	269	3,067	3,762	337	575	4,673	7,740
Patient transport services	133	61	58	252	1,296	1,548	128	258	69	455	2,004
Medical services	871	13,093	371	14,335	—	14,335	813	2,170	1,021	4,003	18,338
Dental services	108	114	423	645	580	1,225	927	3,944	10	4,881	6,106
State/territory provider	..	..	..	..	580	580	..	32	..	32	612
Private provider	108	114	423	645	..	645	927	3,912	10	4,849	5,493
Other health practitioners	172	666	203	1,041	—	1,041	446	1,574	312	2,332	3,373
Community health and other ^(f)	2	633	1	635	4,251	4,886	1	239	69	309	5,195
Public health	—	1,363	—	1,363	758	2,122	—	30	112	142	2,264
Medications	461	6,615	21	7,097	—	7,097	46	6,506	71	6,623	13,720
Benefit-paid pharmaceuticals	461	6,329	—	6,789	—	6,789	—	1,321	—	1,321	8,110
All other medications	—	287	21	308	—	308	46	5,185	71	5,303	5,611
Aids and appliances	2	331	148	480	—	480	325	2,264	45	2,634	3,114
Administration	56	984	402	1,442	292	1,733	881	—	—	881	2,614
Research	1	2,131	—	2,133	387	2,519	—	—	213	213	2,732
Total recurrent funding	3,437	37,259	3,587	44,283	24,369	68,653	7,862	17,798	3,705	29,364	98,017
Capital expenditure	—	108	..	108	2,010	2,118	—	—	3,429	3,429	5,546
Total health funding^(g)	3,437	37,367	3,587	44,391	26,379	70,770	7,862	17,798	7,133	32,793	103,563
Non-specific tax expenditure	—	382	..	382	—	382	—	–382	—	–382	—
Total health funding	3,437	37,749	3,587	44,773	26,379	71,152	7,862	17,416	7,133	32,411	103,563

Notes: See page 116.

Table A2: Total health expenditure, current prices, by area of expenditure and source of funds^(a), 2008–09 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government					State and local	Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	Total						
Total hospitals	1,683	13,266	2,019	16,968	17,081	34,049	4,902	1,959	1,547	8,408	42,457
Public hospital services ^(e)	773	13,049	255	14,077	16,722	30,799	620	976	1,080	2,676	33,474
Private hospitals	910	217	1,764	2,891	359	3,250	4,282	984	467	5,732	8,982
Patient transport services	140	66	60	267	1,555	1,821	147	334	89	569	2,391
Medical services	860	14,235	379	15,474	—	15,474	919	2,395	1,031	4,346	19,820
Dental services	103	436	426	965	640	1,605	1,034	4,129	22	5,185	6,790
State/territory provider	..	..	..	..	640	640	..	20	..	20	660
Private provider	103	436	426	965	..	965	1,034	4,109	22	5,165	6,130
Other health practitioners	187	791	206	1,184	—	1,184	500	1,431	311	2,243	3,426
Community health and other ^(f)	2	727	1	729	4,552	5,281	2	116	61	178	5,459
Public health	—	1,159	—	1,159	951	2,110	—	19	110	129	2,239
Medications	478	7,328	20	7,826	—	7,826	49	7,259	72	7,381	15,206
Benefit-paid pharmaceuticals	478	6,988	—	7,466	—	7,466	—	1,452	—	1,452	8,917
All other medications	—	340	20	360	—	360	49	5,807	72	5,929	6,289
Aids and appliances	1	366	150	518	—	518	364	2,337	49	2,750	3,268
Administration	50	1,212	382	1,644	399	2,043	929	3	36	968	3,011
Research	2	2,756	—	2,758	620	3,378	—	17	283	300	3,678
Total recurrent funding	3,507	42,342	3,643	49,492	25,798	75,289	8,845	19,999	3,612	32,455	107,745
Capital expenditure	—	96	..	96	2,695	2,791	—	—	2,909	2,909	5,700
Total health funding^(g)	3,507	42,438	3,643	49,588	28,493	78,080	8,845	19,999	6,521	35,365	113,445
Non-specific tax expenditure	—	483	..	483	—	483	—	–483	—	–483	—
Total health funding	3,507	42,921	3,643	50,071	28,493	78,563	8,845	19,516	6,521	34,882	113,445

Notes: See page 116.

Table A3: Total health expenditure, current prices, by area of expenditure and source of funds^(a), 2009–10 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	1,684	13,079	2,404	17,167	19,904	37,071	5,177	2,161	1,880	9,218	46,288
Public hospital services ^(e)	760	12,818	300	13,878	19,522	33,400	649	933	1,256	2,838	36,238
Private hospitals	924	261	2,104	3,289	382	3,671	4,528	1,228	623	6,379	10,050
Patient transport services	145	62	69	276	1,681	1,957	162	357	114	632	2,589
Medical services	832	15,331	447	16,610	—	16,610	960	2,641	1,031	4,632	21,242
Dental services	107	654	495	1,257	628	1,885	1,076	4,698	32	5,805	7,690
State/territory provider	..	..	..	..	628	628	..	29	..	29	657
Private provider	107	654	495	1,257	..	1,257	1,076	4,669	32	5,776	7,033
Other health practitioners	202	911	227	1,340	—	1,340	491	1,593	318	2,403	3,742
Community health and other ^(f)	2	855	1	858	4,738	5,595	1	121	134	256	5,851
Public health	—	937	—	937	935	1,872	—	19	114	133	2,005
Medications	486	7,927	24	8,437	—	8,437	51	7,743	72	7,866	16,303
Benefit-paid pharmaceuticals	486	7,563	—	8,050	—	8,050	—	1,537	—	1,537	9,586
All other medications	—	364	24	388	—	388	51	6,206	72	6,329	6,717
Aids and appliances	2	412	183	597	—	597	397	2,456	50	2,903	3,501
Administration	40	1,076	412	1,528	431	1,959	888	—	18	906	2,865
Research	1	3,236	—	3,238	740	3,977	—	—	252	252	4,229
Total recurrent funding	3,502	44,481	4,262	52,245	29,056	81,301	9,203	21,788	4,015	35,005	116,306
Capital expenditure	—	134	..	134	2,814	2,948	—	—	2,101	2,101	5,049
Total health funding^(g)	3,502	44,615	4,262	52,379	31,870	84,249	9,203	21,788	6,116	37,106	121,355
Non-specific tax expenditure	—	540	..	540	—	540	—	-540	—	-540	—
Total health funding	3,502	45,155	4,262	52,919	31,870	84,789	9,203	21,248	6,116	36,566	121,355

Notes: See page 116.

Table A4: Total health expenditure, constant prices^(h), by area of expenditure and source of funds^(a), 2007-08 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government					State and local	Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	Total						
Total hospitals	1,748	12,063	2,099	15,910	17,946	33,856	4,600	871	1,906	7,377	41,233
Public hospital services ^(e)	787	11,863	259	12,910	17,654	30,565	569	509	1,291	2,369	32,933
Private hospitals	961	200	1,839	3,000	291	3,291	4,031	362	615	5,008	8,299
Patient transport services	142	66	62	270	1,387	1,658	136	277	73	486	2,144
Medical services	898	13,459	384	14,741	—	14,741	841	2,230	1,034	4,105	18,846
Dental services	118	124	462	704	632	1,337	1,012	4,308	11	5,331	6,668
State/territory provider	..	..	..	..	632	632	..	34	..	34	666
Private provider	118	124	462	704	..	704	1,012	4,275	11	5,298	6,002
Other health practitioners	195	754	230	1,179	—	1,179	505	1,783	353	2,642	3,821
Community health and other ^(f)	2	686	1	688	4,586	5,274	1	259	75	336	5,610
Public health	—	1,460	—	1,460	813	2,273	—	33	120	152	2,425
Medications	461	6,624	21	7,106	—	7,106	46	6,445	70	6,561	13,667
Benefit-paid pharmaceuticals	461	6,340	—	6,801	—	6,801	—	1,323	—	1,323	8,124
All other medications	—	284	21	305	—	305	46	5,121	70	5,238	5,543
Aids and appliances	2	345	155	502	—	502	339	2,365	47	2,751	3,253
Administration	60	1,063	434	1,557	320	1,876	951	—	—	951	2,827
Research	1	2,299	—	2,300	417	2,717	—	—	229	229	2,945
Total recurrent funding	3,627	38,943	3,847	46,418	26,101	72,519	8,432	18,570	3,919	30,921	103,439
Capital expenditure	—	110	..	110	2,044	2,154	—	—	3,555	3,555	5,709
Total health funding^(g)	3,627	39,053	3,847	46,528	28,145	74,672	8,432	18,570	7,475	34,476	109,148
Non-specific tax expenditure	—	411	..	411	—	411	—	-411	—	-411	—
Total health funding	3,627	39,464	3,847	46,939	28,145	75,083	8,432	18,158	7,475	34,065	109,148

Notes: See page 116.

Table A5: Total health expenditure, constant prices^(h), by area of expenditure and source of funds^(a), 2008–09 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	1,747	13,763	2,095	17,605	17,723	35,328	5,086	2,034	1,603	8,722	44,050
Public hospital services ^(e)	801	13,538	264	14,603	17,350	31,954	642	1,012	1,119	2,773	34,727
Private hospitals	946	225	1,830	3,001	373	3,374	4,444	1,021	484	5,949	9,323
Patient transport services	146	69	62	277	1,615	1,892	152	346	92	589	2,481
Medical services	881	14,577	388	15,845	—	15,845	942	2,453	1,056	4,451	20,297
Dental services	109	460	449	1,019	665	1,683	1,091	4,358	23	5,473	7,156
State/territory provider	..	..	..	..	665	665	..	30	..	30	695
Private provider	109	460	449	1,019	..	1,019	1,091	4,329	23	5,443	6,462
Other health practitioners	204	860	224	1,287	—	1,287	544	1,557	339	2,439	3,726
Community health and other ^(f)	2	756	1	758	4,726	5,484	2	120	63	185	5,669
Public health	—	1,203	—	1,203	987	2,190	—	19	114	134	2,323
Medications	478	7,332	20	7,830	—	7,830	50	7,310	73	7,433	15,263
Benefit-paid pharmaceuticals	478	6,989	—	7,467	—	7,467	—	1,452	—	1,452	8,919
All other medications	—	342	20	363	—	363	50	5,858	73	5,981	6,343
Aids and appliances	2	389	159	550	—	550	387	2,484	52	2,923	3,473
Administration	51	1,260	398	1,709	417	2,126	966	3	37	1,006	3,132
Research	2	2,861	—	2,863	644	3,507	—	18	294	311	3,818
Total recurrent funding	3,620	43,529	3,797	50,945	26,777	77,722	9,218	20,703	3,746	33,667	111,389
Capital expenditure	—	95	..	95	2,643	2,738	—	—	2,958	2,958	5,697
Total health funding^(g)	3,620	43,624	3,797	51,041	29,420	80,461	9,218	20,703	6,705	36,625	117,086
Non-specific tax expenditure	—	501	..	501	—	501	—	-501	—	-501	—
Total health funding	3,620	44,125	3,797	51,542	29,420	80,962	9,218	20,201	6,705	36,124	117,086

Notes: See page 116.

Table A6: Total health expenditure, constant prices^(h), by area of expenditure and source of funds^(a), 2009–10 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	1,684	13,079	2,404	17,167	19,904	37,071	5,177	2,161	1,880	9,218	46,288
Public hospital services ^(e)	760	12,818	300	13,878	19,522	33,400	649	933	1,256	2,838	36,238
Private hospitals	924	261	2,104	3,289	382	3,671	4,528	1,228	623	6,379	10,050
Patient transport services	145	62	69	276	1,681	1,957	162	357	114	632	2,589
Medical services	832	15,331	447	16,610	—	16,610	960	2,641	1,031	4,632	21,242
Dental services	107	654	495	1,257	628	1,885	1,076	4,698	32	5,805	7,690
State/territory provider	..	..	..	..	628	628	..	29	..	29	657
Private provider	107	654	495	1,257	..	1,257	1,076	4,669	32	5,776	7,033
Other health practitioners	202	911	227	1,340	—	1,340	491	1,593	318	2,403	3,742
Community health and other ^(f)	2	855	1	858	4,738	5,595	1	121	134	256	5,851
Public health	—	937	—	937	935	1,872	—	19	114	133	2,005
Medications	486	7,927	24	8,437	—	8,437	51	7,743	72	7,866	16,303
Benefit-paid pharmaceuticals	486	7,563	—	8,050	—	8,050	—	1,537	—	1,537	9,586
All other medications	—	364	24	388	—	388	51	6,206	72	6,329	6,717
Aids and appliances	2	412	183	597	—	597	397	2,456	50	2,903	3,501
Administration	40	1,076	412	1,528	431	1,959	888	—	18	906	2,865
Research	1	3,236	—	3,238	740	3,977	—	—	252	252	4,229
Total recurrent funding	3,502	44,481	4,262	52,245	29,056	81,301	9,203	21,788	4,015	35,005	116,306
Capital expenditure	—	134	..	134	2,814	2,948	—	—	2,101	2,101	5,049
Total health funding^(g)	3,502	44,615	4,262	52,379	31,870	84,249	9,203	21,788	6,116	37,106	121,355
Non-specific tax expenditure	—	540	..	540	—	540	—	-540	—	-540	—
Total health funding	3,502	45,155	4,262	52,919	31,870	84,789	9,203	21,248	6,116	36,566	121,355

Notes: See page 116.

Table A7: Annual growth in health expenditure, current prices, by area of expenditure, 1999–00 to 2009–10 (per cent)

Area of expenditure	1999–00	2000–01	2001–02	Average annual growth									
	to 2000–01	to 2001–02	to 2002–03	2002–03 to 2003–04	2003–04 to 2004–05	2004–05 to 2005–06	2005–06 to 2006–07	2006–07 to 2007–08	2007–08 to 2008–09	2008–09 to 2009–10	1999–00 to 2009–10	1999–00 to 2002–03	2003–04 to 2009–10
Total hospitals	6.4	8.6	10.0	..	8.8	8.5	9.5	9.6	10.1	9.1	..	8.3	9.3
Public hospitals ^(f) /public hospital services ^(e)	6.1	7.9	10.2	..	9.5	9.3	10.2	10.0	8.6	8.3	..	8.1	9.3
Private hospitals	7.8	11.0	9.4	8.2	6.2	5.6	7.0	8.2	16.0	11.9	9.1	9.4	9.1
Patient transport services	15.9	12.8	15.3	..	9.0	4.3	16.7	12.0	19.3	8.3	..	14.7	11.5
Medical services	5.2	9.6	7.2	7.5	13.5	5.8	8.2	9.4	8.1	7.2	8.1	7.3	8.7
Dental services	19.6	16.2	7.3	..	9.2	5.6	7.0	6.2	11.2	13.3	..	14.2	8.7
State/territory provider	–9.8	13.7	6.5	..	11.5	4.0	2.9	9.2	7.8	–0.5	..	3.0	5.7
Private provider	24.1	16.5	7.3	..	8.9	5.8	7.4	5.9	11.6	14.7	..	15.8	9.0
Other health practitioners	20.4	14.7	12.4	..	5.6	8.5	7.7	3.1	1.6	9.2	..	15.8	5.9
Community health and other ^(f)	8.3	7.5	13.7	..	9.3	9.2	12.7	14.5	5.1	7.2	..	9.8	9.6
Public health	13.8	8.4	12.6	..	14.1	1.6	16.4	25.0	–1.1	–10.4	..	11.6	6.9
Medications	18.7	10.4	4.3	9.8	8.5	3.0	9.2	8.8	10.8	7.2	9.0	11.0	7.9
Benefit-paid pharmaceuticals	21.1	8.3	10.9	9.5	5.8	2.9	3.0	8.1	10.0	7.5	8.6	13.3	6.2
All other medications	15.0	14.0	–6.1	10.5	13.7	3.2	19.9	9.9	12.1	6.8	9.7	7.2	10.8
Aids and appliances	35.0	–16.6	9.2	..	12.6	7.0	8.0	2.9	4.9	7.1	..	7.1	7.1
Administration	8.8	–5.1	13.9	9.6	8.3	0.2	–0.8	10.3	15.2	–4.9	5.3	5.6	4.5
Research	25.2	9.3	8.7	11.7	11.8	18.1	13.8	16.3	34.6	15.0	16.2	14.2	18.0
Total recurrent expenditure	10.9	8.3	8.9	..	9.8	6.7	9.2	9.6	9.9	7.9	..	9.4	8.9
Capital expenditure	9.5	8.7	11.2	—	18.6	11.0	15.5	1.0	2.8	–11.4	5.3	9.8	5.8
Total health expenditure^(g)	10.8	8.3	9.0	..	10.3	6.9	9.5	9.1	9.5	7.0	..	9.4	8.7

Notes: See page 116.

Table A8: Annual growth in health expenditure, constant prices^(h), by area of expenditure, 1999–00 to 2009–10 (per cent)

Area of expenditure	1999–00 to 2000–01	2000–01 to 2001–02	2001–02 to 2002–03	Average annual growth									
				2002–03 to 2003–04	2003–04 to 2004–05	2004–05 to 2005–06	2005–06 to 2006–07	2006–07 to 2007–08	2007–08 to 2008–09	2008–09 to 2009–10	1999–00 to 2009–10	1999–00 to 2002–03	2003–04 to 2009–10
Total hospitals	3.5	5.7	7.1	..	6.0	3.7	5.3	6.5	6.8	5.1	..	5.4	5.6
Public hospitals ^(f) /public hospital services ^(e)	3.1	5.1	7.3	..	6.7	4.4	6.0	6.9	5.4	4.4	..	5.2	5.6
Private hospitals	4.8	8.0	6.5	4.6	3.4	1.2	2.8	5.0	12.3	7.8	5.6	6.4	5.4
Patient transport services	12.7	10.0	12.1	..	6.2	–0.1	12.3	8.8	15.7	4.3	..	11.6	7.7
Medical services	0.9	3.6	1.7	2.1	5.2	0.2	4.8	8.1	7.7	4.7	3.9	2.1	5.1
Dental services	13.1	10.7	2.6	..	2.6	1.5	1.3	2.1	7.3	7.5	..	8.7	3.7
State/territory provider	–13.8	7.8	2.1	..	4.9	0.0	–2.6	5.0	4.3	–5.5	..	–1.7	0.9
Private provider	17.3	11.0	2.7	..	2.3	1.6	1.8	1.8	7.7	8.8	..	10.2	4.0
Other health practitioners	12.8	4.7	8.1	..	2.6	3.5	5.6	3.2	–2.5	0.4	..	8.5	2.1
Community health and other ^(f)	5.5	4.0	9.9	..	5.5	3.8	8.0	10.5	1.0	3.2	..	6.4	5.3
Public health	10.6	5.4	9.5	..	11.1	–2.8	11.9	21.4	–4.2	–13.7	..	8.5	3.3
Medications	16.9	10.4	3.4	9.6	7.7	1.9	7.8	8.3	11.7	6.8	8.4	10.1	7.3
Benefit-paid pharmaceuticals	20.9	8.2	10.8	9.4	5.6	2.7	2.8	7.5	9.8	7.5	8.4	13.2	5.9
All other medications	11.3	13.7	–7.6	10.0	11.3	0.7	16.3	9.3	14.4	5.9	8.3	5.4	9.5
Aids and appliances	30.6	–16.9	6.6	..	9.8	4.2	5.7	0.1	6.8	0.8	..	5.0	4.5
Administration	5.8	–8.0	10.2	4.9	4.5	–4.2	–5.0	6.2	10.8	–8.5	1.4	2.3	0.4
Research	21.7	5.7	5.3	7.2	7.9	12.9	9.2	12.1	29.6	10.8	12.0	10.6	13.5
Total recurrent expenditure	7.1	4.7	5.6	..	5.9	2.4	5.5	7.1	7.7	4.4	..	5.8	5.5
Capital expenditure	8.0	5.7	8.1	—	15.7	7.9	11.8	–1.5	–0.2	–11.4	3.3	7.3	3.3
Total health expenditure^(g)	7.1	4.8	5.7	..	6.3	2.7	5.8	6.6	7.3	3.6	..	5.9	5.4

Notes: See page 116.

Table A9: Proportions of recurrent health expenditure, current prices, by area of expenditure, 1999–00 to 2009–10 (per cent)

Area of expenditure	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10
Total hospitals	40.0	38.4	38.5	38.9	38.9	38.5	39.2	39.3	39.3	39.4	39.8
Public hospitals ^(h) /public hospital services ^(e)	31.5	30.2	30.1	30.4	30.4	30.3	31.0	31.3	31.4	31.1	31.2
Private hospitals	8.5	8.2	8.5	8.5	8.5	8.2	8.2	8.0	7.9	8.3	8.6
Patient transport services	1.6	1.7	1.7	1.8	1.9	1.9	1.9	2.0	2.0	2.2	2.2
Medical services	19.6	18.6	18.8	18.5	18.5	19.1	18.9	18.7	18.7	18.4	18.3
Dental services	5.8	6.3	6.8	6.7	6.7	6.6	6.6	6.4	6.2	6.3	6.6
State/territory provider	0.8	0.6	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6
Private provider	5.1	5.7	6.1	6.0	6.0	5.9	5.9	5.8	5.6	5.7	6.0
Other health practitioners	3.2	3.5	3.7	3.8	3.8	3.6	3.7	3.7	3.4	3.2	3.2
Community health and other ^(f)	5.2	5.1	5.1	5.3	4.8	4.8	4.9	5.1	5.3	5.1	5.0
Public health	1.9	1.9	1.9	2.0	1.9	2.0	1.9	2.0	2.3	2.1	1.7
Medications	13.9	14.8	15.1	14.5	14.8	14.6	14.1	14.1	14.0	14.1	14.0
Benefit-paid pharmaceuticals	8.5	9.3	9.3	9.4	9.6	9.2	8.9	8.4	8.3	8.3	8.2
All other medications	5.4	5.6	5.9	5.1	5.2	5.4	5.2	5.7	5.7	5.8	5.8
Aids and appliances	3.4	4.2	3.2	3.2	3.3	3.4	3.4	3.4	3.2	3.0	3.0
Administration	3.4	3.4	3.0	3.1	3.1	3.1	2.9	2.6	2.7	2.8	2.5
Research	1.9	2.1	2.2	2.2	2.2	2.3	2.5	2.6	2.8	3.4	3.6
Total recurrent expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Break in series

Notes: See page 116.

Notes to Appendix A tables

- (a) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health care. They do not show total expenditure on health goods and services by the different service provider sectors.
- (b) 'DoHA and other' comprises DoHA funded-expenditure such as on MBS and PBS, and other Australian Government expenditure such as for the National healthcare SPP and health-related NP payments, capital consumption, estimates of the medical expenses tax offset, and health research not funded by DoHA.
- (c) Includes the 30–40% rebate on health insurance premiums that can be claimed either directly from the Australian Government through the taxation system or it may involve a reduced premium being charged by the private health insurance fund.
- (d) Expenditure on health goods and services by workers compensation and compulsory third-party motor vehicle insurers, as well as other sources of income (for example, rent, interest earned) for service providers.
- (e) Public hospital services exclude certain services undertaken in hospitals. Can include services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).
- (f) 'Other' denotes 'other recurrent health services n.e.c.'.
- (g) Total health funding has not been adjusted to include non-specific tax expenditure as funding by the Australian Government.
- (h) Constant price health expenditure for 1999–00 to 2009–10 is expressed in terms of 2009–10 prices.
- (i) Public hospitals (1998–99 to 2002–03) includes any dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Includes services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).

Notes: Due to changes in methods, care must be taken comparing the growth between 2002–03 and 2003–04 (see Section 6.3 in the Technical notes for further information).

Components in some appendix tables may not add to totals due to rounding.

Appendix B: State and territory health expenditure matrices, 2007–08 to 2009–10

Table B1: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government					State and local	Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	Total						
Total hospitals	549	3,745	619	4,913	5,406	10,319	1,356	122	795	2,274	12,593
Public hospital services ^(e)	321	3,690	129	4,141	5,406	9,547	283	49	559	891	10,438
Private hospitals	228	54	490	772	—	772	1,073	73	237	1,383	2,155
Patient transport services	42	5	40	87	378	465	88	38	21	147	612
Medical services	280	4,671	104	5,055	—	5,055	229	804	525	1,558	6,613
Dental services	36	79	149	264	161	425	328	1,285	2	1,615	2,039
State/territory provider	..	..	..	..	161	161	..	6	..	6	167
Private provider	36	79	149	264	..	264	328	1,278	2	1,608	1,872
Other health practitioners	52	227	70	348	—	348	153	527	106	787	1,135
Community health and other ^(f)	—	138	—	139	1,297	1,436	—	79	6	86	1,522
Public health	—	442	—	442	163	605	—	14	36	50	655
Medications	162	2,246	9	2,417	—	2,417	20	2,047	11	2,078	4,495
Benefit-paid pharmaceuticals	162	2,154	—	2,316	—	2,316	—	445	—	445	2,761
All other medications	—	92	9	101	—	101	20	1,602	11	1,634	1,735
Aids and appliances	—	110	54	165	—	165	119	500	6	625	789
Administration	—	318	135	453	—	453	296	—	—	296	749
Research	—	642	—	642	110	752	—	—	71	71	823
Total recurrent funding	1,121	12,621	1,182	14,924	7,516	22,439	2,590	5,416	1,579	9,585	32,025
Capital expenditure	—	27	..	27	624	651	—	—	1,049	1,049	1,700
Total health funding^(g)	1,121	12,648	1,182	14,951	8,140	23,090	2,590	5,416	2,628	10,634	33,724
Non-specific tax expenditure	—	151	..	151	—	151	—	-151	—	-151	—
Total health funding	1,121	12,799	1,182	15,102	8,140	23,241	2,590	5,265	2,628	10,483	33,724

Notes: See page 142.

Table B2: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2008-09 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	563	4,347	639	5,549	5,415	10,964	1,554	412	727	2,692	13,656
Public hospital services ^(e)	325	4,286	135	4,747	5,415	10,161	329	154	550	1,032	11,194
Private hospitals	238	61	504	802	—	802	1,225	258	177	1,660	2,462
Patient transport services	45	5	40	90	420	511	98	78	35	210	721
Medical services	285	4,987	107	5,379	—	5,379	259	879	549	1,687	7,066
Dental services	34	286	143	463	181	645	348	1,272	7	1,626	2,271
State/territory provider	..	..	..	..	181	181	..	7	..	7	188
Private provider	34	286	143	463	..	463	348	1,265	7	1,620	2,083
Other health practitioners	57	270	69	396	—	396	168	480	113	762	1,158
Community health and other ^(f)	—	158	—	159	1,257	1,416	—	84	19	103	1,519
Public health	—	369	—	369	250	619	—	—	32	32	651
Medications	167	2,494	9	2,670	—	2,670	21	2,281	11	2,313	4,983
Benefit-paid pharmaceuticals	167	2,384	—	2,552	—	2,552	—	489	—	489	3,040
All other medications	—	110	9	118	—	118	21	1,792	11	1,824	1,943
Aids and appliances	1	122	54	176	—	176	131	484	5	619	796
Administration	—	385	126	511	—	511	305	—	—	305	816
Research	—	886	—	886	147	1,034	—	15	134	149	1,183
Total recurrent funding	1,153	14,310	1,186	16,649	7,670	24,318	2,884	5,984	1,633	10,501	34,819
Capital expenditure	—	28	..	28	679	707	—	—	890	890	1,597
Total health funding^(g)	1,153	14,338	1,186	16,677	8,349	25,025	2,884	5,984	2,523	11,391	36,416
Non-specific tax expenditure	—	187	..	187	—	187	—	-187	—	-187	—
Total health funding	1,153	14,525	1,186	16,864	8,349	25,213	2,884	5,797	2,523	11,203	36,416

Notes: See page 142.

Table B3: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds ^(a), 2009–10 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government					State and local	Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	Total						
Total hospitals	578	4,275	751	5,603	6,213	11,816	1,661	432	854	2,947	14,763
Public hospital services ^(e)	335	4,203	158	4,695	6,213	10,908	349	154	632	1,134	12,042
Private hospitals	242	72	594	908	—	908	1,313	278	222	1,813	2,721
Patient transport services	50	5	47	102	468	570	104	69	55	227	797
Medical services	271	5,403	125	5,799	—	5,799	276	965	526	1,766	7,566
Dental services	35	375	159	568	188	756	351	1,660	8	2,018	2,774
State/territory provider	..	..	..	..	188	188	..	3	..	3	190
Private provider	35	375	159	568	..	568	351	1,657	8	2,015	2,583
Other health practitioners	62	306	75	443	—	443	165	527	110	802	1,245
Community health and other ^(f)	—	197	—	197	1,126	1,323	—	51	69	120	1,443
Public health	—	283	—	283	217	500	—	—	34	34	534
Medications	172	2,692	10	2,873	—	2,873	21	2,419	10	2,450	5,322
Benefit-paid pharmaceuticals	172	2,574	—	2,745	—	2,745	—	515	—	515	3,260
All other medications	—	118	10	128	—	128	21	1,903	10	1,934	2,062
Aids and appliances	1	137	63	201	—	201	139	481	7	627	828
Administration	—	344	128	472	—	472	284	—	—	284	756
Research	—	1,086	—	1,086	159	1,245	—	—	84	84	1,328
Total recurrent funding	1,169	15,102	1,357	17,628	8,371	25,999	3,001	6,603	1,754	11,359	37,358
Capital expenditure	—	40	..	40	658	698	—	—	737	737	1,435
Total health funding^(g)	1,169	15,141	1,357	17,668	9,029	26,696	3,001	6,603	2,491	12,096	38,793
Non-specific tax expenditure	—	204	..	204	—	204	—	-204	—	-204	—
Total health funding	1,169	15,346	1,357	17,872	9,029	26,901	3,001	6,399	2,491	11,892	38,793

Notes: See page 142.

Table B4: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total		
	DVA	DoHA and other ^(b)	Premium rebates ^(c)							Total	
Total hospitals	388	2,724	509	3,620	3,633	7,254	1,116	344	348	1,808	9,062
Public hospital services ^(e)	185	2,678	54	2,918	3,633	6,551	119	285	229	633	7,184
Private hospitals	202	46	455	702	—	702	997	59	119	1,175	1,878
Patient transport services	39	1	5	45	240	285	12	127	24	162	447
Medical services	190	3,263	102	3,555	—	3,555	224	479	150	854	4,409
Dental services	18	23	80	122	116	237	175	1,343	2	1,521	1,758
State/territory provider	..	..	..	..	116	116	..	10	..	10	126
Private provider	18	23	80	122	..	122	175	1,343	2	1,511	1,632
Other health practitioners	36	178	42	256	—	256	91	553	79	723	979
Community health and other ^(f)	—	77	—	78	751	829	—	10	3	13	842
Public health	—	334	—	334	189	523	—	—	25	25	548
Medications	99	1,660	2	1,762	—	1,762	5	1,678	27	1,710	3,473
Benefit-paid pharmaceuticals	99	1,592	—	1,691	—	1,691	—	329	—	329	2,020
All other medications	—	68	2	71	—	71	5	1,349	27	1,381	1,452
Aids and appliances	—	83	28	111	—	111	61	619	15	695	806
Administration	—	219	91	310	—	310	198	—	—	198	508
Research	—	695	—	695	153	848	—	—	86	86	934
Total recurrent funding	772	9,257	859	10,888	5,082	15,970	1,883	5,153	759	7,795	23,765
Capital expenditure	—	25	..	25	301	326	..	..	439	439	764
Total health funding^(g)	772	9,282	859	10,913	5,383	16,295	1,883	5,153	1,197	8,234	24,529
Non-specific tax expenditure	..	99	..	99	..	99	..	-99	..	-99	—
Total health funding	772	9,380	859	11,011	5,383	16,394	1,883	5,054	1,197	8,135	24,529

Notes: See page 142.

Table B5: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2008–09 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	388	3,230	522	4,141	3,610	7,750	1,268	606	380	2,253	10,004
Public hospital services ^(e)	186	3,175	58	3,419	3,539	6,958	142	403	271	815	7,773
Private hospitals	203	56	464	722	71	793	1,126	203	109	1,438	2,231
Patient transport services	38	1	6	45	288	333	15	203	24	242	574
Medical services	190	3,698	104	3,992	—	3,992	252	533	121	906	4,898
Dental services	17	95	82	194	117	311	198	1,438	6	1,642	1,953
State/territory provider	..	..	..	..	117	117	..	11	..	11	128
Private provider	17	95	82	194	..	194	198	1,427	6	1,631	1,825
Other health practitioners	37	212	43	292	—	292	104	468	70	643	935
Community health and other ^(f)	1	99	—	100	784	884	—	3	12	15	898
Public health	—	279	—	279	201	480	—	—	24	24	504
Medications	102	1,821	2	1,925	—	1,925	6	1,868	26	1,900	3,825
Benefit-paid pharmaceuticals	102	1,741	—	1,843	—	1,843	—	359	—	359	2,201
All other medications	—	80	2	83	—	83	6	1,509	26	1,541	1,624
Aids and appliances	—	92	29	121	—	121	71	692	15	778	899
Administration	—	272	88	360	—	360	213	—	—	213	574
Research	—	885	—	885	177	1,063	—	—	88	88	1,151
Total recurrent funding	775	10,684	876	12,335	5,177	17,512	2,128	5,810	767	8,704	26,216
Capital expenditure	—	20	..	20	506	526	—	—	372	372	898
Total health funding^(g)	775	10,704	876	12,355	5,683	18,038	2,128	5,810	1,139	9,076	27,114
Non-specific tax expenditure	—	124	..	124	—	124	—	-124	—	-124	—
Total health funding	775	10,828	876	12,479	5,683	18,162	2,128	5,685	1,139	8,952	27,114

Notes: See page 142.

Table B6: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2009–10 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	391	3,094	618	4,103	4,620	8,723	1,308	719	516	2,542	11,265
Public hospital services ^(e)	185	3,027	67	3,279	4,546	7,825	142	345	353	841	8,666
Private hospitals	206	67	551	824	74	898	1,166	373	163	1,702	2,600
Patient transport services	38	1	8	46	321	367	17	220	27	264	631
Medical services	184	3,824	123	4,131	—	4,131	261	588	153	1,002	5,133
Dental services	18	161	99	278	127	405	209	1,592	15	1,815	2,219
State/territory provider	..	..	..	..	127	127	..	10	..	10	137
Private provider	18	161	99	278	..	278	209	1,582	15	1,805	2,083
Other health practitioners	41	248	50	339	—	339	105	539	86	729	1,068
Community health and other ^(f)	1	114	—	115	812	926	—	8	33	40	967
Public health	—	228	—	228	175	403	—	—	24	24	426
Medications	103	1,977	3	2,083	—	2,083	7	2,000	27	2,034	4,117
Benefit-paid pharmaceuticals	103	1,891	—	1,993	—	1,993	—	381	—	381	2,374
All other medications	—	87	3	90	—	90	7	1,619	27	1,653	1,743
Aids and appliances	—	103	37	140	—	140	78	754	16	848	988
Administration	—	247	102	349	—	349	216	—	—	216	565
Research	—	1,046	—	1,046	212	1,257	—	—	97	97	1,355
Total recurrent funding	775	11,041	1,040	12,856	6,266	19,122	2,201	6,419	993	9,612	28,734
Capital expenditure	—	27	..	27	155	182	—	—	523	523	705
Total health funding^(g)	775	11,068	1,040	12,883	6,421	19,304	2,201	6,419	1,516	10,135	29,439
Non-specific tax expenditure	—	140	..	140	—	140	—	-140	—	-140	—
Total health funding	775	11,207	1,040	13,023	6,421	19,443	2,201	6,279	1,516	9,995	29,439

Notes: See page 142.

Table B7: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	352	2,158	393	2,903	3,405	6,308	861	91	313	1,265	7,573
Public hospital services ^(e)	60	2,111	14	2,185	3,383	5,568	30	14	228	273	5,841
Private hospitals	292	47	379	718	22	740	831	77	85	993	1,733
Patient transport services	33	17	—	50	430	480	—	6	8	15	495
Medical services	217	2,504	77	2,798	—	2,798	168	449	103	720	3,518
Dental services	28	6	82	116	147	263	180	511	1	692	955
State/territory provider	..	..	..	..	147	147	..	—	..	—	147
Private provider	28	6	82	116	..	116	180	511	1	692	809
Other health practitioners	40	122	40	202	—	202	89	321	47	457	659
Community health and other ^(f)	—	125	—	125	914	1,039	—	108	2	110	1,149
Public health	—	261	—	261	156	418	—	8	20	28	446
Medications	105	1,259	4	1,369	—	1,369	10	1,387	8	1,405	2,774
Benefit-paid pharmaceuticals	105	1,203	—	1,308	—	1,308	—	257	—	257	1,565
All other medications	—	56	4	60	—	60	10	1,130	8	1,148	1,208
Aids and appliances	—	64	28	93	—	93	62	447	4	513	606
Administration	—	204	85	289	61	349	186	—	—	186	535
Research	—	272	—	272	47	320	—	—	27	27	347
Total recurrent funding	775	6,993	710	8,478	5,161	13,639	1,555	3,329	534	5,419	19,058
Capital expenditure	—	17	..	17	658	675	—	—	1,056	1,056	1,731
Total health funding^(g)	775	7,010	710	8,495	5,819	14,314	1,555	3,329	1,591	6,475	20,789
Non-specific tax expenditure	—	65	..	65	—	65	—	–65	—	–65	—
Total health funding	775	7,075	710	8,560	5,819	14,379	1,555	3,264	1,591	6,410	20,789

Notes: See page 142.

Table B8: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2008–09 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	382	2,585	409	3,377	3,512	6,888	994	476	197	1,667	8,555
Public hospital services ^(e)	89	2,532	14	2,635	3,486	6,121	35	212	107	353	6,475
Private hospitals	294	53	395	742	25	767	959	265	90	1,314	2,081
Patient transport services	36	18	—	54	497	551	—	—	8	8	560
Medical services	221	2,704	78	3,003	—	3,003	189	500	118	807	3,810
Dental services	29	27	84	140	155	295	204	522	2	729	1,024
State/territory provider	..	..	..	..	155	155	..	—	..	—	155
Private provider	29	27	84	140	..	140	204	522	2	729	869
Other health practitioners	44	145	41	231	—	231	100	306	52	459	689
Community health and other ^(f)	—	141	—	141	1,091	1,232	—	11	15	27	1,258
Public health	—	228	—	228	203	430	—	11	20	30	461
Medications	110	1,411	4	1,526	—	1,526	10	1,556	9	1,575	3,100
Benefit-paid pharmaceuticals	110	1,343	—	1,453	—	1,453	—	285	—	285	1,737
All other medications	—	69	4	73	—	73	10	1,271	9	1,290	1,363
Aids and appliances	—	71	29	100	—	100	70	452	6	527	628
Administration	—	252	81	333	110	442	196	—	—	196	639
Research	—	308	—	308	167	475	—	—	25	25	501
Total recurrent funding	822	7,891	727	9,440	5,734	15,174	1,764	3,835	452	6,051	21,225
Capital expenditure	—	16	..	16	868	884	—	—	896	896	1,781
Total health funding^(g)	822	7,908	727	9,456	6,602	16,058	1,764	3,835	1,348	6,947	23,006
Non-specific tax expenditure	—	85	..	85	—	85	—	–85	—	–85	—
Total health funding	822	7,993	727	9,541	6,602	16,143	1,764	3,750	1,348	6,862	23,006

Notes: See page 142.

Table B9: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2009–10 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	386	2,573	501	3,460	4,110	7,571	1,059	514	304	1,878	9,449
Public hospital services ^(e)	77	2,507	19	2,603	4,086	6,690	39	254	151	444	7,134
Private hospitals	309	66	482	857	24	881	1,020	261	153	1,434	2,315
Patient transport services	37	17	—	54	530	584	—	—	9	10	594
Medical services	223	2,958	91	3,272	—	3,272	193	546	115	853	4,125
Dental services	30	61	103	194	160	354	217	550	3	770	1,124
State/territory provider	..	..	..	..	160	160	..	—	..	—	160
Private provider	30	61	103	194	..	194	217	550	3	770	964
Other health practitioners	51	169	45	265	—	265	96	343	49	488	752
Community health and other ^(f)	—	179	—	180	1,367	1,547	—	12	16	28	1,575
Public health	—	185	—	185	215	400	—	13	23	36	436
Medications	113	1,528	5	1,646	—	1,646	11	1,672	8	1,691	3,338
Benefit-paid pharmaceuticals	113	1,457	—	1,570	—	1,570	—	301	—	301	1,871
All other medications	—	71	5	76	—	76	11	1,371	8	1,390	1,467
Aids and appliances	1	81	37	119	—	119	79	489	5	573	691
Administration	—	218	85	303	138	441	179	—	—	179	621
Research	—	347	—	347	192	538	—	—	33	33	571
Total recurrent funding	841	8,316	867	10,024	6,713	16,736	1,834	4,140	565	6,539	23,276
Capital expenditure	—	22	..	22	1,099	1,121	—	—	572	572	1,693
Total health funding^(g)	841	8,338	867	10,046	7,812	17,858	1,834	4,140	1,137	7,111	24,969
Non-specific tax expenditure	—	98	..	98	—	98	—	-98	—	-98	—
Total health funding	841	8,436	867	10,144	7,812	17,956	1,834	4,041	1,137	7,013	24,969

Notes: See page 142.

Table B10: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	145	1,104	205	1,454	1,871	3,325	449	149	122	720	4,044
Public hospital services ^(e)	54	1,080	19	1,153	1,643	2,797	42	82	39	163	2,960
Private hospitals	91	24	186	301	227	528	407	66	83	557	1,084
Patient transport services	8	18	5	31	77	109	11	41	6	58	167
Medical services	62	1,119	39	1,220	—	1,220	85	219	91	395	1,615
Dental services	11	1	52	64	58	122	114	468	2	584	706
State/territory provider	..	..	..	..	58	58	..	6	..	6	64
Private provider	11	1	52	64	..	64	114	461	2	578	642
Other health practitioners	14	62	21	97	—	97	46	65	22	134	230
Community health and other ^(f)	—	91	—	91	570	661	1	21	42	63	724
Public health	—	132	—	132	70	202	—	5	9	13	215
Medications	38	588	2	628	—	628	4	652	13	669	1,297
Benefit-paid pharmaceuticals	38	560	—	597	—	597	—	124	—	124	722
All other medications	—	28	2	30	—	30	4	527	13	545	575
Aids and appliances	—	32	16	48	—	48	35	429	6	470	518
Administration	—	97	42	139	39	179	92	—	—	92	271
Research	—	181	—	181	30	210	—	—	15	15	225
Total recurrent funding	278	3,425	382	4,085	2,714	6,799	837	2,048	329	3,214	10,013
Capital expenditure	—	13	..	13	232	245	—	—	382	382	627
Total health funding^(g)	278	3,438	382	4,098	2,946	7,044	837	2,048	710	3,595	10,639
Non-specific tax expenditure	—	30	..	30	—	30	—	–30	—	–30	—
Total health funding	278	3,469	382	4,128	2,946	7,075	837	2,017	710	3,565	10,639

Notes: See page 142.

Table B11: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds ^(a), 2008–09 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	143	1,312	211	1,667	2,021	3,688	513	286	46	844	4,532
Public hospital services ^(e)	49	1,284	20	1,352	1,777	3,129	48	136	42	226	3,355
Private hospitals	95	29	191	315	244	558	464	150	4	618	1,176
Patient transport services	9	19	5	34	103	137	12	—	7	19	155
Medical services	64	1,199	41	1,303	—	1,303	99	243	93	435	1,738
Dental services	10	6	58	74	65	139	141	587	3	731	871
State/territory provider	..	..	..	..	65	65	..	3	..	3	69
Private provider	10	6	58	74	..	74	141	583	3	728	802
Other health practitioners	15	73	22	110	—	110	53	68	22	143	253
Community health and other ^(f)	—	100	—	100	565	666	1	17	4	21	687
Public health	—	117	—	117	90	207	—	6	13	19	226
Medications	39	653	2	694	—	694	5	733	16	753	1,447
Benefit-paid pharmaceuticals	39	620	—	659	—	659	—	139	—	139	798
All other medications	—	33	2	35	—	35	5	594	16	614	649
Aids and appliances	—	36	16	52	—	52	40	469	7	516	568
Administration	—	120	41	161	33	193	99	—	—	100	293
Research	—	228	—	228	59	287	—	—	15	15	302
Total recurrent funding	281	3,862	397	4,539	2,936	7,476	963	2,408	225	3,596	11,072
Capital expenditure	—	10	..	10	353	363	—	—	324	324	686
Total health funding^(g)	281	3,872	397	4,549	3,289	7,838	963	2,408	549	3,920	11,758
Non-specific tax expenditure	—	23	..	23	—	23	—	-23	—	-23	—
Total health funding	281	3,894	397	4,572	3,289	7,861	963	2,385	549	3,897	11,758

Notes: See page 142.

Table B12: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2009–10 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	144	1,319	263	1,725	2,130	3,856	556	306	83	945	4,801
Public hospital services ^(e)	57	1,287	24	1,368	1,865	3,233	51	114	47	213	3,446
Private hospitals	87	32	239	358	265	623	505	192	36	732	1,355
Patient transport services	8	18	6	33	118	151	13	—	8	21	172
Medical services	60	1,319	51	1,429	—	1,429	107	268	97	472	1,901
Dental services	10	7	72	88	64	153	151	541	4	696	849
State/territory provider	..	..	..	..	64	64	..	6	..	6	70
Private provider	10	7	72	88	..	88	151	535	4	690	778
Other health practitioners	16	83	25	124	—	124	52	73	22	148	272
Community health and other ^(f)	—	115	—	115	562	677	—	14	5	19	695
Public health	—	95	—	95	95	191	—	5	11	16	207
Medications	39	697	2	738	—	738	5	778	18	801	1,539
Benefit-paid pharmaceuticals	39	662	—	701	—	701	—	146	—	146	847
All other medications	—	35	2	37	—	37	5	632	18	655	692
Aids and appliances	—	40	21	61	—	61	44	483	8	535	596
Administration	—	104	47	151	21	172	99	—	—	99	271
Research	—	255	—	255	66	321	—	—	17	17	338
Total recurrent funding	277	4,053	486	4,816	3,056	7,871	1,028	2,468	272	3,768	11,639
Capital expenditure	—	13	..	13	477	490	—	—	165	165	655
Total health funding^(g)	277	4,065	486	4,828	3,533	8,361	1,028	2,468	437	3,932	12,294
Non-specific tax expenditure	—	25	..	25	—	25	—	-25	—	-25	—
Total health funding	277	4,091	486	4,854	3,533	8,387	1,028	2,443	437	3,907	12,294

Notes: See page 142.

Table B13: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2007-08 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	119	914	154	1,187	1,414	2,601	338	64	87	490	3,091
Public hospital services ^(e)	73	903	17	993	1,410	2,403	38	31	67	136	2,539
Private hospitals	46	11	137	194	4	198	301	33	20	354	552
Patient transport services	8	7	3	19	91	110	7	45	8	60	170
Medical services	57	991	35	1,083	—	1,083	76	108	117	301	1,384
Dental services	9	4	41	53	55	108	89	158	1	248	357
State/territory provider	..	..	..	..	55	55	..	6	..	6	61
Private provider	9	4	41	53	..	53	89	152	1	242	296
Other health practitioners	12	48	22	82	—	82	49	36	38	123	205
Community health and other ^(f)	—	55	—	56	344	399	—	8	13	21	420
Public health	—	98	—	98	74	172	—	—	8	8	180
Medications	35	556	2	593	—	593	4	467	8	479	1,072
Benefit-paid pharmaceuticals	35	533	—	568	—	568	—	105	—	105	673
All other medications	—	23	2	25	—	25	4	361	8	373	398
Aids and appliances	—	26	14	41	—	41	31	179	11	221	262
Administration	—	77	31	108	192	300	68	—	—	68	368
Research	—	176	—	176	24	200	—	—	9	9	209
Total recurrent funding	240	2,952	303	3,495	2,194	5,689	663	1,065	301	2,028	7,718
Capital expenditure	—	12	..	12	116	128	—	—	462	462	589
Total health funding^(g)	240	2,964	303	3,507	2,310	5,817	663	1,065	762	2,490	8,307
Non-specific tax expenditure	—	19	..	19	—	19	—	-19	—	-19	—
Total health funding	240	2,983	303	3,526	2,310	5,836	663	1,046	762	2,471	8,307

Notes: See page 142.

Table B14: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2008–09 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government					State and local	Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	Total						
Total hospitals	125	1,064	153	1,343	1,424	2,767	372	125	65	563	3,330
Public hospital services ^(e)	78	1,051	17	1,147	1,419	2,566	42	67	50	160	2,726
Private hospitals	48	13	136	196	5	201	330	59	15	404	604
Patient transport services	8	8	5	21	154	176	12	51	12	75	250
Medical services	58	1,061	35	1,154	—	1,154	85	117	116	318	1,473
Dental services	9	17	40	67	71	137	98	127	3	227	365
State/territory provider	..	..	..	..	71	71	..	6	..	6	76
Private provider	9	17	40	67	..	67	98	121	3	222	289
Other health practitioners	13	57	22	92	—	92	54	39	35	128	220
Community health and other ^(f)	—	59	—	59	378	437	—	2	8	10	448
Public health	—	83	—	83	84	167	—	2	10	12	178
Medications	37	615	2	653	—	653	4	516	7	528	1,181
Benefit-paid pharmaceuticals	37	587	—	624	—	624	—	114	—	114	738
All other medications	—	28	2	29	—	29	4	402	7	413	443
Aids and appliances	—	29	14	43	—	43	34	148	13	195	238
Administration	—	98	30	128	257	386	73	3	35	112	497
Research	—	236	—	236	22	259	—	2	12	13	272
Total recurrent funding	250	3,328	302	3,880	2,390	6,271	734	1,132	316	2,182	8,452
Capital expenditure	—	9	..	9	196	205	—	—	392	392	597
Total health funding^(g)	250	3,337	302	3,890	2,586	6,476	734	1,132	708	2,573	9,049
Non-specific tax expenditure	—	40	..	40	—	40	—	–40	—	–40	—
Total health funding	250	3,377	302	3,930	2,586	6,516	734	1,092	708	2,533	9,049

Notes: See page 142.

Table B15: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2009–10 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	117	1,055	179	1,351	1,625	2,976	378	130	74	582	3,558
Public hospital services ^(e)	71	1,038	20	1,129	1,621	2,750	42	62	50	154	2,904
Private hospitals	46	16	159	222	5	226	336	69	24	429	655
Patient transport services	8	8	6	22	140	162	13	65	12	90	252
Medical services	54	1,153	41	1,249	—	1,249	87	132	107	326	1,575
Dental services	9	45	47	100	50	150	99	167	2	267	417
State/territory provider	..	..	..	..	50	50	..	8	..	8	58
Private provider	9	45	47	100	..	100	99	159	2	259	359
Other health practitioners	14	66	25	105	—	105	53	39	32	124	229
Community health and other ^(f)	—	67	—	68	436	504	—	37	10	47	551
Public health	—	68	—	68	106	174	—	1	10	11	185
Medications	38	669	2	709	—	709	4	549	6	559	1,268
Benefit-paid pharmaceuticals	38	638	—	675	—	675	—	123	—	123	798
All other medications	—	31	2	33	—	33	4	426	6	436	470
Aids and appliances	—	32	17	49	—	49	36	153	12	201	250
Administration	—	86	33	119	271	390	71	—	18	88	478
Research	—	272	—	272	27	300	—	—	13	13	312
Total recurrent funding	241	3,521	350	4,112	2,657	6,769	741	1,272	296	2,309	9,077
Capital expenditure	—	14	..	14	274	288	—	—	55	55	343
Total health funding^(g)	241	3,534	350	4,126	2,931	7,056	741	1,272	351	2,364	9,420
Non-specific tax expenditure	—	46	..	46	—	46	—	–46	—	–46	—
Total health funding	241	3,581	350	4,172	2,931	7,103	741	1,226	351	2,318	9,420

Notes: See page 142.

Table B16: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	40	317	49	405	344	749	107	17	45	170	919
Public hospital services ^(e)	18	314	6	337	330	667	12	5	28	46	712
Private hospitals	22	3	43	68	14	82	94	12	17	124	206
Patient transport services	3	1	—	4	37	41	—	—	1	2	43
Medical services	23	284	9	316	—	316	19	41	15	76	391
Dental services	2	—	8	11	22	33	18	62	—	81	113
State/territory provider	..	..	..	..	22	22	..	2	..	2	24
Private provider	2	—	8	11	..	11	18	61	—	79	89
Other health practitioners	6	16	4	27	—	27	9	26	9	44	71
Community health and other ^(f)	—	14	—	14	136	150	—	7	1	8	158
Public health	—	43	—	43	21	64	—	2	3	5	69
Medications	14	176	1	191	—	191	1	158	2	161	352
Benefit-paid pharmaceuticals	14	167	—	181	—	181	—	34	—	34	215
All other medications	—	9	1	9	—	9	1	124	2	128	137
Aids and appliances	—	8	4	12	—	12	9	52	2	62	75
Administration	—	29	10	39	—	39	23	—	—	23	62
Research	—	32	—	32	8	40	—	—	1	1	42
Total recurrent funding	88	921	85	1,093	569	1,663	186	365	81	632	2,294
Capital expenditure	—	6	..	6	34	40	—	—	26	26	65
Total health funding^(g)	88	927	85	1,099	603	1,702	186	365	106	657	2,359
Non-specific tax expenditure	—	5	..	5	—	5	—	–5	—	–5	—
Total health funding	88	931	85	1,104	603	1,707	186	361	106	653	2,359

Notes: See page 142.

Table B17: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2008–09 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	38	370	51	459	334	792	123	3	85	211	1,004
Public hospital services ^(e)	18	365	6	389	320	710	14	—	47	60	770
Private hospitals	20	5	45	70	13	83	110	3	38	151	234
Patient transport services	4	1	—	5	50	55	—	2	2	4	60
Medical services	22	307	9	338	—	338	22	46	17	85	423
Dental services	2	2	8	12	25	38	19	65	—	85	122
State/territory provider	..	..	..	..	25	25	..	—	..	—	25
Private provider	2	2	8	12	..	12	19	65	—	85	97
Other health practitioners	6	19	4	29	—	29	10	24	9	44	73
Community health and other ^(f)	—	15	—	15	137	152	—	—	2	2	154
Public health	—	37	—	37	25	63	—	—	3	3	66
Medications	14	194	1	209	—	209	2	174	2	178	387
Benefit-paid pharmaceuticals	14	185	—	199	—	199	—	37	—	37	236
All other medications	—	10	1	11	—	11	2	138	2	141	152
Aids and appliances	—	9	4	13	—	13	9	53	2	65	77
Administration	—	34	10	44	—	44	24	—	—	24	68
Research	—	43	—	43	10	53	—	—	3	3	56
Total recurrent funding	86	1,033	87	1,205	582	1,788	210	368	124	702	2,490
Capital expenditure	—	4	..	4	26	30	—	—	22	22	52
Total health funding^(g)	86	1,037	87	1,210	608	1,818	210	368	146	724	2,542
Non-specific tax expenditure	—	6	..	6	—	6	—	–6	—	–6	—
Total health funding	86	1,043	87	1,216	608	1,824	210	362	146	718	2,542

Notes: See page 142.

Table B18: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2009–10 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government					State and local	Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	Total						
Total hospitals	36	389	60	485	373	857	126	7	23	156	1,014
Public hospital services ^(e)	17	383	7	407	360	767	15	—	9	24	791
Private hospitals	19	6	53	78	13	91	111	7	14	132	223
Patient transport services	4	1	—	5	50	56	—	2	1	3	59
Medical services	21	365	10	397	—	397	22	52	17	91	488
Dental services	2	3	10	15	26	41	21	64	—	85	127
State/territory provider	..	..	..	..	26	26	..	—	..	—	26
Private provider	2	3	10	15	..	15	21	64	—	85	101
Other health practitioners	7	21	4	32	—	32	9	27	9	45	78
Community health and other ^(f)	—	18	—	18	126	144	—	—	1	1	145
Public health	—	29	—	29	28	57	—	—	3	3	60
Medications	14	211	1	226	—	226	2	184	2	188	414
Benefit-paid pharmaceuticals	14	201	—	216	—	216	—	39	—	39	254
All other medications	—	10	1	11	—	11	2	146	2	149	160
Aids and appliances	—	10	5	15	—	15	10	57	2	69	84
Administration	—	33	10	43	—	43	22	—	—	22	65
Research	—	52	—	52	13	65	—	—	3	3	67
Total recurrent funding	85	1,133	100	1,318	616	1,933	212	393	62	668	2,601
Capital expenditure	—	6	..	6	33	39	—	—	27	27	66
Total health funding^(g)	85	1,138	100	1,324	649	1,972	212	393	89	695	2,667
Non-specific tax expenditure	—	7	..	7	—	7	—	-7	—	-7	—
Total health funding	85	1,145	100	1,330	649	1,979	212	387	89	688	2,667

Notes: See page 142.

Table B19: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2007-08 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	39	154	24	216	412	628	52	-3	62	111	739
Public hospital services ^(e)	25	153	4	182	412	594	8	3	52	63	657
Private hospitals	13	1	20	34	—	34	44	-7	11	47	82
Patient transport services	—	—	4	4	2	6	9	—	1	10	16
Medical services	42	172	4	218	—	218	8	56	9	73	291
Dental services	4	—	8	12	8	21	18	66	—	84	105
State/territory provider	..	..	..	..	8	8	..	1	..	1	9
Private provider	4	—	8	12	..	12	18	65	—	83	95
Other health practitioners	12	9	3	24	—	24	7	28	8	42	66
Community health and other ^(f)	—	7	—	8	113	121	—	5	2	8	128
Public health	—	27	—	27	23	50	—	1	6	7	56
Medications	8	83	—	91	—	91	1	84	1	86	177
Benefit-paid pharmaceuticals	8	78	—	86	—	86	—	21	—	21	106
All other medications	—	5	—	5	—	5	1	63	1	66	71
Aids and appliances	—	5	2	7	—	7	5	23	1	29	36
Administration	56	14	6	76	—	76	13	—	—	13	88
Research	1	123	—	124	14	139	—	—	4	4	142
Total recurrent funding	160	595	51	807	572	1,379	113	260	93	466	1,845
Capital expenditure	—	4	..	4	34	38	—	—	10	10	48
Total health funding^(g)	160	599	51	810	606	1,417	113	260	104	477	1,893
Non-specific tax expenditure	—	12	..	12	—	12	—	-12	—	-12	—
Total health funding	160	611	51	822	606	1,429	113	248	104	465	1,893

Notes: See page 142.

Table B20: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2008–09 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	39	189	25	253	467	720	59	26	29	114	834
Public hospital services ^(e)	26	189	4	219	467	685	9	—	6	15	700
Private hospitals	13	1	21	35	1	35	49	26	23	99	134
Patient transport services	—	—	4	4	11	15	10	—	1	11	26
Medical services	20	183	4	207	—	207	9	62	8	79	285
Dental services	1	2	8	11	10	21	19	64	—	84	105
State/territory provider	..	..	..	..	10	10	..	—	..	—	10
Private provider	1	2	8	11	..	11	19	64	—	84	95
Other health practitioners	14	11	3	28	—	28	7	27	8	42	70
Community health and other ^(f)	—	8	—	8	122	131	—	—	—	—	131
Public health	—	23	—	23	27	50	—	—	5	5	55
Medications	7	88	—	96	—	96	1	94	1	96	192
Benefit-paid pharmaceuticals	7	83	—	91	—	91	—	23	—	23	114
All other medications	—	5	—	5	—	5	1	71	1	73	79
Aids and appliances	—	5	3	8	—	8	6	22	1	29	37
Administration	50	15	5	70	—	70	13	—	—	13	83
Research	2	157	—	159	25	184	—	—	5	5	189
Total recurrent funding	134	681	53	868	663	1,531	124	295	58	477	2,007
Capital expenditure	—	2	..	2	53	55	—	—	9	9	64
Total health funding^(g)	134	684	53	870	716	1,586	124	295	67	485	2,071
Non-specific tax expenditure	—	15	..	15	—	15	—	–15	—	–15	—
Total health funding	134	698	53	885	716	1,601	124	280	67	471	2,071

Notes: See page 142.

Table B21: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2009–10 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	29	192	23	244	531	775	69	26	13	108	883
Public hospital services ^(e)	16	191	5	211	531	742	10	—	6	16	758
Private hospitals	13	1	18	33	0	33	59	26	7	92	125
Patient transport services	—	—	1	1	22	23	14	—	1	15	39
Medical services	17	195	4	216	—	216	11	73	8	91	307
Dental services	2	3	5	10	10	20	23	70	—	94	114
State/territory provider	..	..	..	..	10	10	..	—	..	—	10
Private provider	2	3	5	10	..	10	23	70	—	94	104
Other health practitioners	11	12	2	25	—	25	8	27	8	43	68
Community health and other ^(f)	—	10	—	10	141	150	—	—	—	—	151
Public health	—	18	—	18	28	46	—	—	5	5	51
Medications	7	97	—	105	—	105	1	100	2	102	207
Benefit-paid pharmaceuticals	7	92	—	99	—	99	—	24	—	24	123
All other medications	—	5	—	6	—	6	1	76	2	78	84
Aids and appliances	—	6	2	8	—	8	7	22	1	30	38
Administration	40	13	4	57	—	57	14	—	—	14	71
Research	1	166	—	168	27	194	—	—	5	5	199
Total recurrent funding	108	711	42	861	758	1,619	147	319	43	508	2,128
Capital expenditure	—	4	..	4	76	80	—	—	15	15	95
Total health funding^(g)	108	715	42	865	834	1,699	147	319	59	524	2,223
Non-specific tax expenditure	—	2	..	2	—	2	—	-2	—	-2	—
Total health funding	108	717	42	868	834	1,702	147	316	59	522	2,223

Notes: See page 142.

Table B22: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total							
Total hospitals	2	152	8	162	320	482	17	28	9	54	536
Public hospital services ^(e)	2	151	—	153	319	472	1	6	7	14	486
Private hospitals	1	1	7	9	1	9	16	22	3	41	50
Patient transport services	—	12	—	12	41	53	—	1	—	2	55
Medical services	1	88	2	90	—	90	3	13	10	26	117
Dental services	—	—	2	2	14	16	5	51	—	56	72
State/territory provider	..	..	..	..	14	14	..	1	..	1	14
Private provider	—	—	2	2	..	2	5	50	—	55	57
Other health practitioners	—	4	1	5	—	5	2	18	3	23	28
Community health and other ^(f)	—	125	—	125	125	251	—	1	—	1	251
Public health	—	27	—	27	62	89	—	—	5	5	94
Medications	1	46	—	47	—	47	—	34	—	34	81
Benefit-paid pharmaceuticals	1	40	—	41	—	41	—	6	—	6	48
All other medications	—	5	—	6	—	6	—	27	—	28	34
Aids and appliances	—	3	1	4	—	4	2	16	1	19	22
Administration	—	26	2	28	—	28	4	—	—	4	32
Research	—	10	—	10	—	11	—	—	—	—	11
Total recurrent funding	5	493	16	513	562	1,075	34	162	29	225	1,300
Capital expenditure	—	6	..	6	11	17	—	—	6	6	23
Total health funding^(g)	5	498	16	519	573	1,091	34	162	35	231	1,322
Non-specific tax expenditure	—	2	..	2	—	2	—	–2	—	–2	—
Total health funding	5	500	16	520	573	1,093	34	161	35	229	1,322

Notes: See page 142.

Table B23: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2008–09 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government					Total	Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local						
Total hospitals	4	167	8	180	300	479	19	25	19	63	542
Public hospital services ^(e)	3	167	—	170	298	468	1	4	8	14	482
Private hospitals	1	1	8	10	1	11	18	20	11	49	60
Patient transport services	—	13	—	13	30	44	—	—	—	1	44
Medical services	1	96	2	98	—	98	4	15	9	28	126
Dental services	—	—	2	3	15	18	5	55	—	61	79
State/territory provider	..	..	..	..	15	15	..	—	..	—	15
Private provider	—	—	2	3	..	3	5	55	—	61	64
Other health practitioners	—	5	1	6	—	6	3	19	2	23	29
Community health and other ^(f)	—	147	—	147	217	364	—	—	—	—	364
Public health	—	23	—	23	71	94	—	—	4	4	98
Medications	1	51	—	52	—	52	—	38	—	38	91
Benefit-paid pharmaceuticals	1	45	—	46	—	46	—	7	—	7	53
All other medications	—	6	—	6	—	6	—	31	—	31	38
Aids and appliances	—	3	1	4	—	4	3	17	1	20	24
Administration	—	35	2	37	—	37	4	—	—	4	41
Research	—	12	—	12	11	24	—	—	1	1	24
Total recurrent funding	7	553	16	576	645	1,221	39	168	36	243	1,464
Capital expenditure	—	6	..	6	14	20	—	—	5	5	25
Total health funding^(g)	7	559	16	582	659	1,241	39	168	41	248	1,489
Non-specific tax expenditure	—	2	..	2	—	2	—	–2	—	–2	—
Total health funding	7	561	16	584	659	1,243	39	166	41	246	1,489

Notes: See page 142.

Table B24: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2009–10 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government						Health insurance funds	Individuals	Other ^(d)	Total	
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total					
Total hospitals	3	183	9	195	302	497	19	27	12	58	555
Public hospital services ^(e)	2	182	—	185	301	485	1	5	8	13	499
Private hospitals	1	1	9	11	1	12	18	22	4	45	57
Patient transport services	—	12	—	12	32	45	—	—	—	1	45
Medical services	1	115	2	118	—	118	4	17	9	30	148
Dental services	—	—	3	3	3	6	6	54	—	60	67
State/territory provider	..	..	..	..	3	3	..	—	..	—	3
Private provider	—	—	3	3	..	3	6	54	—	60	64
Other health practitioners	—	5	1	7	—	7	3	19	2	23	30
Community health and other ^(f)	—	155	—	155	169	324	—	—	—	—	324
Public health	—	31	—	31	71	101	—	—	4	4	105
Medications	1	56	—	57	—	57	—	40	—	41	98
Benefit-paid pharmaceuticals	1	49	—	50	—	50	—	7	—	7	57
All other medications	—	7	—	7	—	7	—	33	—	33	41
Aids and appliances	—	3	1	5	—	5	3	17	1	21	25
Administration	—	32	2	34	—	34	4	—	—	4	38
Research	—	12	—	12	45	57	—	—	1	1	58
Total recurrent funding	6	606	19	630	621	1,251	39	174	29	242	1,493
Capital expenditure	—	9	..	9	42	51	—	—	7	7	58
Total health funding^(g)	6	615	19	639	663	1,302	39	174	36	249	1,552
Non-specific tax expenditure	—	17	..	17	—	17	—	-17	—	-17	—
Total health funding	6	632	19	656	663	1,319	39	157	36	233	1,552

Notes: See page 142.

Notes to Appendix B tables

- (a) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health goods and services. They do not show total expenditure on health services by the different service provider sectors.
- (b) 'DoHA and other' comprises DoHA funded-expenditure such as on MBS and PBS, and other Australian Government expenditure such as for the National healthcare SPP and health-related NP payments, capital consumption, estimates of the medical expenses tax offset, and health research not funded by DoHA.
- (c) Includes the 30–40% rebate on health insurance premiums that can be claimed either directly from the Australian Government through the taxation system or it may involve a reduced premium being charged by the private health insurance fund.
- (d) 'Other' includes expenditure on health goods and services by workers compensation and compulsory motor vehicle third-party insurers, as well as other sources of income (for example, interest earned) of service providers.
- (e) Public hospital services exclude certain services undertaken in hospitals. Can include services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).
- (f) 'Other' denotes 'other recurrent health services n.e.c.'.
- (g) Total health funding has not been adjusted to include non-specific tax expenditure as funding by the Australian Government.

Note: Components in some appendix tables may not add to totals due to rounding.

Appendix C: Detailed disaggregation of selected areas of health expenditure, 2008–09

Table C1: Hospital expenditure, current prices, by area of expenditure, 2008–09 (\$ million)

Area of expenditure	Total expenditure
Total hospitals^(a)	42,457
Admitted patients	34,726
Same-day admissions	7,528
Curative care	7,438
Rehabilitative care	30
Long-term care	18
Palliative care	13
Other n.e.c.	30
Overnight admissions	27,198
Curative care	25,855
Rehabilitative care	595
Long-term care	384
Palliative care	155
Other n.e.c.	209
Non-admitted patients	6,144
Public hospital services^{(a)(b)}	33,474
Admitted patients	26,373
Same-day admissions	5,174
Curative care	5,102
Rehabilitative care	28
Long-term care	2
Palliative care	12
Other n.e.c.	29
Overnight admissions	21,199
Curative care	19,902
Rehabilitative care	593
Long-term care	363
Palliative care	141
Other n.e.c.	200
Non-admitted patients	5,732
Private hospitals^(a)	8,982
Admitted patients	8,354
Same-day admissions	2,354
Curative care	2,336
Rehabilitative care	2
Long-term care	15
Palliative care	1
Other n.e.c.	—
Overnight admissions	5,999
Curative care	5,953
Rehabilitative care	2
Long-term care	21
Palliative care	14
Other n.e.c.	9
Non-admitted patients	412

Notes: See page 148.

Table C2: Health expenditure, current prices, by selected area of expenditure and source of funds^(c), Australia, 2008–09 (\$ million)

Area of expenditure	Australian Government			Non-government				Total health expenditure
	Direct outlays	Premium rebates ^(d)	Total	Private health insurance	Individuals	Other ^(e)	Total	
In hospital ^(f)	2,121	379	2,500	919	1,302	—	2,221	4,722
Public hospitals	472	84	557	205	290	—	495	1,052
Private hospitals	1,649	294	1,943	715	1,012	—	1,727	3,670
Medical services	11,127	—	11,127	—	997	—	997	12,124
General practitioners	4,967	—	4,967	—	300	—	300	5,267
Specialists	2,818	—	2,818	—	478	—	478	3,297
Imaging/pathology	3,342	—	3,342	—	218	—	218	3,560
Other medical (includes DVA)	1,049	—	1,049	—	—	1,021	1,021	2,070
Other health practitioners	245	71	316	—	49	—	49	365
Optometrical services (Medicare)	254	59	313	—	2	—	2	315
Non-Medicare other health	338	76	414	446	1,523	312	2,281	2,696
Benefit-paid pharmaceuticals	6,789	—	6,789	—	7,233	—	7,233	14,022
General patients	1,213	—	1,213	—	1,842	—	1,842	3,055
Safety net	174	—	174	—	196	—	196	369
No safety net	1,039	—	1,039	—	1,647	—	1,647	2,686
Concessional patients	4,699	—	4,699	—	5,259	—	5,259	9,958
Safety net	1,138	—	1,138	—	1,138	—	1,138	2,276
No safety net	3,561	—	3,561	—	4,121	—	4,121	7,683
Medications	877	—	877	—	131	—	131	1,008
All other medications	340	20	360	49	5,807	72	5,929	6,289
Under copayment PBS items	—	—	—	—	1,083	—	1,083	1,083
Private prescriptions	—	20	20	49	563	72	685	705
Other pharmacy medications	—	—	—	—	2,363	—	2,363	2,363
Other retail medications	—	—	—	—	1,798	—	1,798	1,798
All other medications n.e.c.	340	—	340	—	—	—	—	340

Notes: See page 148.

Table C3: Medicare expenditure, current prices, by area of expenditure, source of funds^(c) and by state and territory of patient residence, 2008–09 (\$ million)

Area of expenditure	Australian Government			Non-government			Total health expenditure	
	Direct outlays	Premium rebates ^(d)	Total	Private insurance	Individuals	Total		
NSW								
	In hospital ^(f)	606	107	713	259	446	705	1,418
	Public hospitals	194	34	228	83	143	226	454
	Private hospitals	412	73	485	176	303	479	964
Medical services	Out of hospital	4,317	—	4,317	—	360	360	4,677
	General practitioners	1,841	—	1,841	—	82	82	1,923
	Specialists	1,173	—	1,173	—	207	207	1,380
	Imaging/pathology	1,303	—	1,303	—	71	71	1,374
Other health practitioners	Allied health services	118	25	118	—	22	22	140
	Optometrical services	95	20	95	—	—	—	95
Vic								
	In hospital ^(f)	702	104	806	252	305	557	1,362
	Public hospitals	154	23	177	81	67	148	325
	Private hospitals	548	81	628	171	238	409	1,037
Medical services	Out of hospital	2,957	—	2,957	—	270	270	3,227
	General practitioners	1,315	—	1,315	—	89	89	1,403
	Specialists	778	—	778	—	124	124	902
	Imaging/pathology	864	—	864	—	57	57	921
Other health practitioners	Allied health services	101	17	118	—	46	46	164
	Optometrical services	68	12	80	—	—	—	80
Qld								
	In hospital ^(f)	412	78	490	189	284	473	963
	Public hospitals	41	8	49	19	28	47	96
	Private hospitals	371	70	441	170	255	426	866
Medical services	Out of hospital	2,241	—	2,241	—	103	103	2,344
	General practitioners	1,000	—	1,000	—	31	31	1,032
	Specialists	560	—	560	—	—	—	560
	Imaging/pathology	680	—	680	—	72	72	752
Other health practitioners	Allied health services	54	12	66	—	43	43	109
	Optometrical services	58	13	71	—	—	—	71
WA								
	In hospital ^(f)	177	41	218	99	128	227	445
	Public hospitals	32	7	39	18	23	41	80
	Private hospitals	145	33	179	81	105	186	365
Medical services	Out of hospital	997	—	997	99	128	227	1,224
	General practitioners	445	—	445	99	—	99	545
	Specialists	244	—	244	—	112	112	356
	Imaging/pathology	308	—	308	—	16	16	324
Other health practitioners	Allied health services	30	8	38	—	40	40	78
	Optometrical services	26	6	32	—	49	49	81

(continued)

Table C3 (continued): Medicare expenditure, current prices, by area of expenditure, source of funds^(c) and by state and territory of patient residence, 2008–09 (\$ million)

Area of expenditure	Australian Government			Non-government			Total health expenditure	
	Direct outlays	Premium rebates ^(d)	Total	Private insurance	Individuals	Total		
SA								
	In hospital ^(f)	151	35	186	85	86	172	358
	Public hospitals	29	7	35	16	16	33	68
	Private hospitals	122	28	151	69	70	139	290
Medical services	Out of hospital	893	—	893	—	67	67	960
	General practitioners	411	—	411	—	20	20	432
	Specialists	238	—	238	—	32	32	269
	Imaging/pathology	244	—	244	—	15	15	259
Other health practitioners	Allied health services	244	—	244	—	10	10	254
	Optometrical services	76	—	76	—	—	—	76
Tas								
	In hospital	43	9	52	22	27	49	101
	Out of hospital	257	—	257	—	22	22	279
Medical services	General practitioners	127	—	127	—	9	9	136
	Specialists	60	—	60	—	8	8	68
	Imaging/pathology	70	—	70	—	5	5	76
Other health practitioners	Allied health services	7	1	8	—	2	2	10
	Optometrical services	7	1	8	—	—	—	8
ACT								
	In hospital	23	4	27	9	21	31	58
	Out of hospital	156	—	156	—	27	27	183
Medical services	General practitioners	65	—	65	—	11	11	76
	Specialists	41	—	41	—	10	10	51
	Imaging/pathology	50	—	50	—	6	6	56
Other health practitioners	Allied health services	4	1	5	—	2	2	6
	Optometrical services	5	1	5	—	—	—	5
NT								
	In hospital	7	2	9	4	5	9	18
	Out of hospital	84	—	84	—	8	8	92
Medical services	General practitioners	47	—	47	—	4	4	51
	Specialists	16	—	16	—	2	2	18
	Imaging/pathology	21	—	21	—	1	1	23
Other health practitioners	Allied health services	1	—	1	—	—	—	1
	Optometrical services	2	—	3	—	2	2	5

Notes: See page 148.

Notes to Appendix C tables

- (a) Totals include expenditure not allocable to admitted or non-admitted patients.
- (b) Public hospital services exclude certain services undertaken in hospitals. Can include services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).
- (c) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health care. They do not show total expenditure on health goods and services by the different service provider sectors.
- (d) Includes the 30–40% rebate on health insurance premiums that can be claimed either directly from the Australian Government through the taxation system or it may involve a reduced premium being charged by the private health insurance fund.
- (e) 'Other' includes expenditure on health goods and services by workers compensation and compulsory third-party motor vehicle insurers, as well as other sources of income (for example, interest earned) for service providers.
- (f) Estimates are based on DRG cost weight-adjusted proportions of separations in public and private hospitals, sourced from the AIHW National Hospital Morbidity Database.

Note: Components in some appendix tables may not add to totals due to rounding.

Appendix D: Price indexes and deflation

The term 'current prices' refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and the level of use of goods and services in the economy (the volume component).

Constant price expenditure aims to remove the effects of inflation. So changes in constant price expenditures attempt to reflect changes in just the amount (volume) of goods and services in the economy. The transformation of a current price expenditure number into its constant price counterpart is called 'deflation' and the price indexes used in this transformation are called 'deflators'.

Price indexes

There is a wide variety of price indexes (deflators) for the Australian health sector, and these may be distinguished in several ways:

- By the scope of the index – the economic variable to which the price indexes refer (such as all health expenditure, capital consumption, capital expenditure, and so on); the economic agents over which the indexes are aggregated (such as all agents, households, all government, state and territory governments, and so on); or by the segment of health services to which the indexes refer (such as all health services, medical services, pharmaceuticals, and so on).
- By the technical manner in which the indexes are constructed – such as IPDs or directly computed indexes (base-weighted, current-weighted or symmetric indexes, chained or unchained indexes, and so on).

Different indexes are appropriate for different analytical purposes. For this report, the AIHW prefers indexes whose scope matches the particular health services being analysed rather than broadbrush indexes that cover all health services. Chain indexes, which give better measures of pure price change, are preferred to IPDs. But the suite of available indexes is not always ideal, and in some cases it has been necessary to resort to proxies for the preferred indexes. Note that neither the consumer price index (CPI) nor its health services subgroup is appropriate for measuring movements in overall prices of health goods and services, nor for deflating macro expenditure aggregates. This is because the CPI measures movements in the prices faced by households only. The overall CPI and its components do not, for example, include government subsidies, benefit payments and non-marketed services that governments provide.

The deflators that the AIHW uses in this report are either annually re-weighted Laspeyres (base-period-weighted) chain price indexes or IPDs. The chain price indexes are calculated at a detailed level, and they provide a close approximation to measures of pure price change while IPDs are affected by compositional changes. The IPD for GDP is the broadest measure of price change available in the national accounts; it provides an indication of the overall changes in the prices of goods and services produced in Australia. The reference year for both the chain price indexes and the IPDs in this report is 2009–10. Constant price estimates therefore indicate what expenditure would have been had 2009–10 prices applied in all years. The change in constant price expenditures is a measure of changes in the volume of health goods and services.

There are nine different deflators used in this report (Table D1). Most deflators are very specific to the type of expenditure they are applied to. For example, all hospitals use the government final consumption expenditure (GFCE) hospitals and nursing homes deflator.

Table D1: Area of health expenditure, by type of deflator applied

Area of expenditure	Deflator applied
Public hospitals ^(a) /Public hospital services ^(a)	GFCE hospitals and nursing homes
Private hospitals	GFCE hospitals and nursing homes
Patient transport services	GFCE hospitals and nursing homes
Medical services	Medicare medical services fees charged
Dental services	Dental services ^(b)
Other health practitioners	Other health practitioners ^(b)
Community health and other	Professional health workers wage rate index ^(b)
Public health	GFCE hospitals and nursing homes
Benefit-paid pharmaceuticals	PBS pharmaceuticals
All other medications	HFCE on chemist goods
Aids and appliances	Aids and appliances ^(b)
Administration	Professional health workers wage rate index
Research	Professional health workers wage rate index
Capital expenditure	Gross fixed capital formation
Capital consumption	Gross fixed capital formation
Non-specific tax expenditure	Professional health workers wage rate index

(a) See Box 4.1 for details on the distinction between public hospitals and public hospital services.

(b) These deflators were first used in *Health expenditure Australia 2005–06* (AIHW 2007a) and replaced those used in previous editions.

The following deflators are sourced from the ABS: GFCE hospitals and nursing homes, professional health workers wage rate index, HFCE on chemist goods, gross fixed capital formation and GDP. The ABS deflators use 2008–09 as their base year but for this report the AIHW has re-referenced them to 2009–10. The AIHW has derived the chain price index for Medicare medical services fees charged and the IPD for PBS pharmaceuticals from Medicare Australia and Pharmaceutical Pricing Authority data respectively. The IPDs for dental services, other health practitioners and aids and appliances have been derived by the AIHW from ABS and PHIAC data. The THPI is discussed in detail below.

Total health price index (THPI)

The THPI is the AIHW's index of annual ratios of total national health expenditure at current prices, to estimated total national health expenditure at constant prices. All prices in the THPI for this report are referenced to 2009–10 (that is, the prices are given a value of 100 in 2009–10). Thus, because in most years there is positive health inflation, prices in all years prior to the reference year would be expected to be lower than those applying in the reference year. Therefore, all years prior to the reference year would usually have an index number of less than 100, except for those years where there was negative health inflation, for example where prices in some areas of health expenditure were lower than the previous year (see tables D2 and D3).

The AIHW's method for deriving constant price estimates also allows it to produce THPIs for each state and territory. As the national THPI is a measure of the change in average health prices from year to year, at the national level it can be utilised as a broad deflator for the health sector. It is not the deflator that is used to convert current price expenditures to constant price estimates in the AIHW's national health accounts. This is done at the individual expenditure component level.

The national THPI provides the most useful available measure of overall health inflation in Australia. As such, it has now been integrated into the indexation formula for payments in support of the National Healthcare Agreement under the Intergovernmental Agreement on Federal Financial Relations, implicitly in 2009-10 and explicitly thereafter.

Table D2 shows the THPI and other industry-wide indexes used in this report, referenced to 2009-10, while Table D3 shows the corresponding annual growth rates for each of these indexes over the past decade.

Table D2: Total health price index and industry-wide indexes (reference year 2009-10 = 100)

Index	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Total health price index ^(a)	72.85	75.38	77.90	80.33	82.97	86.04	89.59	92.72	94.88	96.89	100.00
Government final consumption expenditure on hospitals and nursing homes	70.62	72.06	74.08	76.20	78.32	81.12	83.33	87.09	90.66	93.35	100.00
Medicare medical services fees charged ^(b)	63.33	65.07	67.93	71.86	75.73	79.75	85.96	90.79	93.64	96.20	100.00
Dental services ^(a)	58.78	62.25	65.82	69.11	72.22	75.29	80.13	83.38	88.01	91.55	100.00
Other health practitioners ^(a)	61.22	63.43	67.63	74.05	78.48	80.32	82.65	86.64	88.36	88.27	100.00
Professional health workers wage rates	66.83	68.56	70.48	72.88	75.38	78.85	81.73	85.48	89.33	92.69	100.00
PBS pharmaceuticals ^(a)	98.21	98.39	98.53	98.59	98.68	98.76	98.91	99.12	99.34	99.82	100.00
HFCE on chemist goods	87.19	88.28	91.26	91.46	92.95	93.35	95.43	98.01	100.99	101.39	100.00
Aids and appliances ^(a)	75.31	76.26	78.83	79.00	80.92	86.54	88.79	91.17	93.13	95.73	100.00
Australian Government gross fixed capital formation	99.29	98.28	99.29	98.18	96.47	94.85	96.77	97.28	98.79	98.59	100.00
State, territory and local government gross fixed capital formation	87.97	85.42	86.44	85.93	86.65	87.36	89.81	92.46	95.51	98.17	100.00
Private gross fixed capital formation	79.84	80.44	81.25	85.18	86.39	87.30	88.91	91.63	93.65	96.37	100.00
Gross domestic product	69.80	73.03	75.25	77.21	79.76	82.94	86.97	91.54	95.77	99.93	100.00

(a) IPD, constructed by the AIHW.

(b) Chain price index, constructed by the AIHW.

Table D3: Growth rates for the total health price index and industry-wide indexes, 1999–00 to 2009–10 (per cent)

Index	1999–00 to 2000–01	2000–01 to 2001–02	2001–02 to 2002–03	2002–03 to 2003–04	2003–04 to 2004–05	2004–05 to 2005–06	2005–06 to 2006–07	2006–07 to 2007–08	2007–08 to 2008–09	2008–09 to 2009–10
Total health price index ^(a)	3.5	3.3	3.1	3.3	3.7	4.1	3.5	2.3	2.1	3.2
Government final consumption expenditure on hospitals and nursing homes	2.0	2.8	2.9	2.8	3.6	2.7	4.5	4.1	3.0	7.1
Medicare medical services fees charged ^(b)	2.8	4.4	5.8	5.4	5.3	7.8	5.6	3.1	2.7	4.0
Dental services ^(a)	5.9	5.7	5.0	4.5	4.3	6.4	4.1	5.5	4.0	9.2
Other health practitioners ^(a)	3.6	6.6	9.5	6.0	2.3	2.9	4.8	2.0	–0.1	13.3
Professional health workers wage rates	2.6	2.8	3.4	3.4	4.6	3.7	4.6	4.5	3.8	7.9
PBS pharmaceuticals ^(a)	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.5	0.2
HFCE on chemist goods	1.3	3.4	0.2	1.6	0.4	2.2	2.7	3.0	0.4	–1.4
Aids and appliances ^(a)	1.3	3.4	0.2	2.4	6.9	2.6	2.7	2.1	2.8	4.5
Australian Government gross fixed capital formation	–1.0	1.0	–1.1	–1.7	–1.7	2.0	0.5	1.6	–0.2	1.4
State, territory and local government gross fixed capital formation	–2.9	1.2	–0.6	0.8	0.8	2.8	3.0	3.3	2.8	1.9
Private gross fixed capital formation	0.8	1.0	4.8	1.4	1.1	1.8	3.1	2.2	2.9	3.8
Gross domestic product	4.6	3.0	2.6	3.3	4.0	4.9	5.3	4.6	4.4	0.1

(a) IPD, constructed by the AIHW.

(b) Chain price index, constructed by the AIHW.

Appendix E: Population

In previous reports, the per person estimates of expenditure were calculated using estimates of annual mean resident population, which were based on quarterly estimated resident population data from the ABS (ABS 2011a).

As of the 2009–10 report, the per person estimates of expenditure are calculated using the estimated resident population (ERP) as at 31 December (ABS 2011a). As a result of this change, per person estimates contained in this report are not comparable to those published in previous reports.

Table E1 show the Australian estimated resident population and state and territory estimated resident populations, while Table E2 shows annual population growth. Table E3 shows the number of insured persons with hospital treatment cover between 1999–00 and 2009–10.

Table E1: Estimated resident population, by state and territory, 1999–00 to 2009–10 ('000)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1999–00	6,527.4	4,770.0	3,592.4	1,887.7	1,508.0	471.4	316.8	196.3	19,272.6
2000–01	6,605.1	4,833.4	3,670.8	1,914.0	1,516.7	472.3	320.8	198.3	19,534.0
2001–02	6,649.5	4,892.5	3,764.7	1,937.6	1,525.9	474.9	324.1	199.3	19,771.0
2002–03	6,688.7	4,952.2	3,857.1	1,967.9	1,536.3	480.8	326.0	200.6	20,011.9
2003–04	6,728.9	5,014.0	3,946.0	1,998.8	1,545.5	484.6	328.2	203.8	20,252.1
2004–05	6,786.4	5,085.5	4,043.8	2,037.3	1,559.4	488.5	332.4	208.4	20,544.1
2005–06	6,858.6	5,170.6	4,139.7	2,084.7	1,576.5	491.8	337.1	212.3	20,873.7
2006–07	6,943.9	5,262.4	4,242.8	2,138.1	1,593.5	495.4	342.1	217.4	21,237.9
2007–08	7,041.4	5,364.8	4,349.5	2,204.0	1,612.0	500.3	347.8	221.7	21,644.0
2008–09	7,184.3	5,499.8	4,472.6	2,269.7	1,634.8	505.4	355.0	228.0	22,151.9
2009–10	7,272.2	5,585.6	4,548.7	2,317.1	1,650.4	509.3	361.9	229.9	22,477.4

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

Source: ABS 2011a.

Table E2: Annual population growth, by state and territory, 1999-00 to 2009-10 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1999-00 to 2000-01	1.2	1.3	2.2	1.4	0.6	0.2	1.3	1.1	1.4
2000-01 to 2001-02	0.7	1.2	2.6	1.2	0.6	0.5	1.0	0.5	1.2
2001-02 to 2002-03	0.6	1.2	2.5	1.6	0.7	1.2	0.6	0.6	1.2
2002-03 to 2003-04	0.6	1.2	2.3	1.6	0.6	0.8	0.7	1.6	1.2
2003-04 to 2004-05	0.9	1.4	2.5	1.9	0.9	0.8	1.3	2.3	1.4
2004-05 to 2005-06	1.1	1.7	2.4	2.3	1.1	0.7	1.4	1.9	1.6
2005-06 to 2006-07	1.2	1.8	2.5	2.6	1.1	0.7	1.5	2.4	1.7
2006-07 to 2007-08	1.4	1.9	2.5	3.1	1.2	1.0	1.7	2.0	1.9
2007-08 to 2008-09	2.0	2.5	2.8	3.0	1.4	1.0	2.1	2.8	2.3
2008-09 to 2009-10	1.2	1.6	1.7	2.1	1.0	0.8	2.0	0.8	1.5
Average annual growth rate (%)									
1999-00 to 2004-05	0.8	1.3	2.4	1.5	0.7	0.7	1.0	1.2	1.3
2004-05 to 2009-10	1.4	1.9	2.4	2.6	1.1	0.8	1.7	2.0	1.8
1999-00 to 2009-10	1.1	1.6	2.4	2.1	0.9	0.8	1.3	1.6	1.6

Source: ABS 2011a.

Table E3: Number of insured persons with hospital treatment coverage, 1999–00 to 2009–10

Year	NSW & ACT	Vic	Qld	WA	SA	Tas	NT	Australia
1999–00	2,374,514	1,585,831	1,143,486	712,177	523,524	170,858	52,624	6,563,012
2000–01	3,163,640	2,159,479	1,525,041	920,404	693,120	209,843	70,071	8,741,597
2001–02	3,149,329	2,152,371	1,551,111	913,562	691,659	210,382	66,913	8,735,325
2002–03	3,143,669	2,129,396	1,552,171	906,975	685,336	208,070	64,740	8,690,357
2003–04	3,133,488	2,112,666	1,557,221	907,028	677,275	204,592	63,519	8,655,789
2004–05	3,141,827	2,112,766	1,576,205	920,629	674,882	205,013	63,337	8,694,657
2005–06	3,169,613	2,128,507	1,614,167	949,550	679,193	204,546	63,821	8,809,398
2006–07	3,225,824	2,180,529	1,675,599	991,121	689,397	206,560	66,127	9,035,157
2007–08	3,331,903	2,267,809	1,774,475	1,055,205	708,720	212,894	72,645	9,423,650
2008–09	3,386,645	2,317,560	1,848,647	1,110,380	721,201	215,998	76,215	9,676,645
2009–10	3,442,726	2,361,358	1,890,095	1,144,915	730,176	218,186	79,228	9,866,684

Sources: PHIAC 2007, 2008, 2009a, 2009b, 2010.

Glossary

Accrual accounting	The method of accounting now most commonly used by governments in Australia. Relates expenses, revenues and accruals to the period in which they are incurred (see also Cash accounting).
Admitted patient	A patient who undergoes a hospital's formal admission process to receive treatment and/or care. This treatment and/or care is provided over a period of time and can occur in hospital and/or in the person's home (for hospital-in-the-home patients).
Aids and appliances	<p>Durable medical goods dispensed to ambulatory patients that are used more than once, for therapeutic purposes, such as glasses, hearing aids, wheelchairs and orthopaedic appliances and prosthetics that are not implanted surgically but are external to the user of the appliance.</p> <p>Excludes prostheses fitted as part of admitted patient care in a hospital.</p>
Australian Government administered expenses	Expenses incurred by the Australian Government Department of Health and Ageing (DoHA) in administering resources on behalf of the government to contribute to the specified outcome. For example, most grants in which the grantee has some control over how, when and to whom funds can be expended, including Public Health Outcome Funding Agreements (PHOFAs) payments and specific purpose payments to state and territory governments) (see also <i>Australian Government departmental expenses</i>).
Australian Government departmental expenses	Those expenses incurred by the Australian Government Department of Health and Ageing (DoHA) in the production of the Department's outputs. This mostly consists of the cost of employees but also includes suppliers of goods and services, particularly those where the Australian Government retains full control of how, when and to whom funds are to be provided.
Australian Government expenditure	Total expenditure actually incurred by the Australian Government on its own health programs. It does not include the funding provided by the Australian Government to the states and territories by way of grants under section 96 of the Constitution.

Australian Government funding	The sum of Australian Government expenditure and section 96 grants to states and territories. This also includes the 30–40% private health insurance premium rebates.
Australian Health Care Agreements (AHCAs)	The Australian Government, via a series of 5-year agreements, provided funding to each state and territory to support the provision of free public hospital services and some related state health services to all Australians. See Box 4.2 for details.
Average annual growth rate	To calculate the average annual growth rate in health expenditure between 1999–00 and 2009–10 you would apply the following formula: $\left(\frac{\text{\$million in 2009–10}}{\text{\$million in 1999–00}}\right)^{(1/10)} - 1 \times 100.$
Benefit-paid pharmaceuticals	Pharmaceuticals that are listed in the schedule of pharmaceuticals under the Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme (RPBS) for which pharmaceutical benefits have been paid or are payable. Does not include listed pharmaceutical items the full cost of which is met from the patient copayment under the PBS or RPBS.
Bulk-billed service under Medicare	If a practitioner agrees to the bulk-billing method, the patient assigns his/her right to a Medicare benefit to the practitioner as full payment for the medical service. The practitioner (or any other person or company) cannot make any additional charge for the service. The practitioner then claims the Medicare benefit from Medicare in full payment of the service.
Capital consumption	The amount of fixed capital used up each year in the provision of health goods and services (sometimes referred to as depreciation).
Capital expenditure	Expenditure on fixed assets (for example, new buildings and equipment with a useful life that extends beyond 1 year). This does not include changes in inventories. This term is used in this publication to refer to what the ABS calls Gross fixed capital formation. See <i>Capital formation</i> .

Capital formation	Gross fixed capital formation is the value of acquisitions less disposals of new or existing fixed assets. Assets consist of tangible or intangible assets that have come into existence as outputs from processes of production, and that are themselves used repeatedly or continuously in other processes of production over periods of time longer than 1 year. See <i>Australian national accounts: concepts, sources and methods</i> (ABS cat. no. 5216.0, November 2000) for further details.
Cash accounting	Relates receipts and payments to the period in which the cash transfer actually occurred. Does not have the capacity to reflect non-cash transactions, such as depreciation (see also <i>Accrual accounting</i>).
Chain price index	An annually re-weighted index providing a close approximation to measures of pure price change.
Community health services	<p>Non-residential health services offered by establishments to patients/clients, in an integrated and coordinated manner in a community setting, or the coordination of health services elsewhere in the community. Such services are provided by, or on behalf of, state and territory governments.</p> <p>Includes, for example:</p> <ul style="list-style-type: none"> • well baby clinics • health services provided to particular groups, such as Aboriginal and Torres Strait Islander people, women, youth and migrants, as well as family planning services, alcohol and drug treatment services, and so forth • specialised mental health programs for patients with mental illness that are delivered in a community setting.

Constant prices	Constant price expenditure adjusts current prices for the effects of inflation, that is, it aims to remove the effects of inflation. Constant price estimates for expenditure aggregates have been derived using either annually re-weighted chain price indexes or implicit price deflators (IPDs). The reference year for both the chain price indexes and the IPDs is 2009–10 in this report. Constant price estimates indicate what expenditure would have been had 2009–10 prices applied in all years. Hence, expenditures in different years can be compared on a dollar-for-dollar basis, using this measure of changes in the volume of health goods and services.
Current prices	The term ‘current prices’ refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and volume.
Dental services	A range of services provided by registered dental practitioners. Includes oral and maxillofacial surgery items; orthodontic, pedodontic and periodontic services; cleft lip and palate services; dental assessment and treatment; and other dental items listed in the MBS.
Excess health inflation	The difference where the health inflation rate exceeds the general inflation rate; that is, the rate of increase in the price of goods and services in the health care sector exceeds the rate of increase in the price of goods and services in the economy as a whole.
General inflation	The increase in the general price level of goods and services in the economy.
Government finance statistics (GFS)	Provides details of revenues, expenses, cash flows, assets and liabilities of the Australian public sector and comprises units which are owned and/or controlled by the Australian Government, state and territory governments and local governments. See ABS 2005 for further details.
Government Purpose Classification	An ABS classification that classifies current outlays, capital outlays and selected other transactions of the non-financial public sector in terms of the government purposes for which the transactions are made. See ABS 2005 for further details.

Gross domestic product (GDP)	A statistic commonly used to indicate national income. It is the total market value of goods and services produced within a given period after deducting the cost of goods and services used up in the process of production but before deducting allowances for the consumption of fixed capital.
Health administration	Activities related to the formulation and administration of government and non-government policy in health and in the setting and enforcement of standards for health personnel and for hospitals, clinics, and so forth. Includes the regulation and licensing of providers of health services. Where possible, administrative costs related to the delivery of particular health goods and services are added to the direct expenditure on those goods and services.
Health inflation	The increase in the price level of goods and services in the health sector.
Health research	<p>Research undertaken at tertiary institutions, in private non-profit organisations and in government facilities that has a health socioeconomic objective.</p> <p>Excludes commercially oriented research funded by private business, the costs of which are assumed to be included in the prices charged for the goods and services (for example, medications that have been developed and/or supported by research activities).</p>
Highly specialised drugs	Under Section 100 of the National Health Act, certain drugs can only be supplied to patients through hospitals because only the hospitals can provide the facilities or staff necessary to oversee the appropriate use of the drugs. These drugs are funded by the Australian Government.
Hospital services	Services of a type that are normally provided to a patient who is receiving admitted patient services or non-admitted patient services in a hospital but <i>excludes</i> dental services, community health services, patient transport services, public health activities and health research undertaken within the hospital. Can include services provided off-site, such as hospital in the home, dialysis or other services.
Household final consumption expenditure (HFCE)	Net expenditure on goods and services by households and by private non-profit institutions serving households.
Implicit price deflator (IPD)	An index obtained using the ratio of current price expenditure to constant price expenditure.

Individuals' out-of-pocket funding	Payments by individuals where they meet the full cost of a good or service as well as where they share the cost of goods and services with third-party payers, for example, private health insurance funds or the Australian Government.
Injury compensation insurers	Workers compensation and compulsory third-party motor vehicle insurers.
Inpatient	An OECD term that roughly equates with the Australian 'admitted patient' classification (see <i>Admitted patient</i>).
Jurisdictions	State, territory and local governments.
Local government	A public sector unit where the political authority underlying its function is limited to a local government area or other region within a state or territory, or the functions involve policies that are primarily of concern at the local level.
Medical durables	Therapeutic devices, such as glasses, hearing aids and wheelchairs that can be used more than once.
Medical services	<p>Includes services provided by, or on behalf of, registered medical practitioners that are funded by the Medicare Benefits Schedule (MBS), DVA, compulsory motor vehicle third-party insurance, workers compensation insurance, private health insurance funds, Australian Government premium rebates allocated to medical services, Medicare copayments and other out-of-pocket payments.</p> <p>Most medical services in Australia are provided on a fee-for-service basis and attract benefits from the Australian Government under Medicare. This includes both private in-hospital medical services and out-of-hospital medical services.</p> <p>It also includes non-MBS medical services, such as the provision of vaccines for overseas travel, as well as some expenditure by the Australian Government under funding arrangements that are alternatives to the fees for service.</p> <p>Excludes medical services provided to public admitted patients in public hospitals and medical services provided to public patients at outpatient clinics in public hospitals.</p>

Medical expenses tax rebate

This tax rebate applies in regard to a wide range of health expenditures, not just expenses associated with doctors, as its name might suggest. It is currently the only component of the category 'non-specific tax expenditure'. As the name indicates, 'non-specific tax expenditures' are those tax expenditures that cannot be specifically allocated to the various areas of health expenditure.

Individuals are able to claim a rebate in respect of that part of their eligible personal health expenses that exceeds a threshold in an income year. For the 2009–10 income year, the tax rebate was 20 cents for each \$1 by which a taxpayer's net medical expenses exceeded \$1,500 (the threshold).

These tax expenditures are a form of funding only. The related expenditures have already been allocated to particular area(s) of health expenditure, but it is not possible to allocate this form of funding to particular health expenditure areas.

The Australian Department of the Treasury estimates other tax expenditures in the health area, such as the cost of exempting low-income earners from the Medicare levy. These tax expenditures are not included in the Australian NHA framework.

Medications

Comprises benefit-paid pharmaceuticals and other medications.

Nominal expenditure

Expenditure expressed in terms of current prices.

Non-admitted patient

Patients who receive care from a recognised non-admitted patient service/clinic of a hospital.

Non-specific tax expenditure

See *Medical expenses tax rebate*.

Other health practitioner services

Services provided by health practitioners (other than doctors and dentists). These include chiropractors, optometrists, physiotherapists, speech therapists, audiologists, dietitians, podiatrists, homeopaths, naturopaths, practitioners of Chinese medicine and other forms of traditional medicine.

Other medications	<p>Pharmaceuticals for which no PBS or RPBS benefit was paid and other medications.</p> <p>Includes:</p> <ul style="list-style-type: none"> • pharmaceuticals listed in the PBS or RPBS, the total costs of which are equal to, or less than, the statutory patient contribution for the class of patient concerned • pharmaceuticals dispensed through private prescriptions that do not fulfil the criteria for payment of benefit under the PBS or RPBS • over-the-counter medicines including pharmacy-only medicines, aspirin, cough and cold medicines, vitamins and minerals, herbal and other complementary medicines, and a range of medical non-durables, such as bandages, bandaids and condoms.
Other recurrent health services n.e.c.	<p>Miscellaneous expenditures that could not, at that time, be allocated to the specific health expenditure areas in the matrix.</p>
Over-the-counter medicines	<p>Therapeutic medicinal preparations that can be purchased from pharmacies and supermarkets.</p>
Over-the-counter therapeutic medical non-durables	<p>Non-prescription therapeutic goods that tend to be single-use items, such as bandages, elastic stockings, condoms and other mechanical contraceptive devices, from pharmacies or supermarkets.</p>
Patient transport services	<p>Expenditure by organisations primarily engaged in providing transportation of patients by ground or air, along with health (or medical) care. These services are often provided during a medical emergency but are not restricted to emergencies. The vehicles are equipped with lifesaving equipment operated by medically trained personnel. Includes public ambulance services or flying doctor services, such as Royal Flying Doctor Service and Care Flight. Also includes patient transport programs, such as patient transport vouchers or support programs to assist isolated patients with travel to obtain specialised health care.</p> <p>For 2003–04 onwards, this category includes patient transport expenses that are included in the operating costs of public hospitals.</p>

Pharmaceutical Benefits Scheme (PBS) A national, government-funded scheme that subsidises the cost of a wide range of pharmaceutical drugs, and that covers all Australians to help them afford standard medications.

Private Health Insurance Incentives Scheme (PHIIS) The PHIIS, which was introduced on 1 July 1997, was to encourage more people to take out private health insurance by providing a subsidy to low-income earners who did, and a tax penalty to high-income earners who did not. Middle-income earners were not the target of this policy and as such they were neither eligible for the tax subsidy nor liable to incur a tax penalty, regardless of their private health insurance status. The scheme ceased operation on 31 December 1998.

Private hospital A health care provider facility, other than a public hospital, that has been established under state or territory legislation as a hospital or freestanding day procedure unit and authorised to facilitate the provision of hospital services to patients. A private hospital is not defined by whether it is privately owned but by whether it is *not* a public hospital (as defined below). Private hospital expenditure includes expenditures incurred by a private hospital in providing contracted and/or ad hoc treatments for public patients.

Private patient A person admitted to a private hospital, or a person admitted to a public hospital who is treated by a doctor of their own choice and/or who has private ward accommodation. This means that the patient will be charged for medical services, food and accommodation.

Public health activities

Nine types of activities undertaken or funded by the key jurisdictional health departments that address issues related to populations, rather than individuals. These activities comprise:

- communicable disease control
- selected health promotion
- organised immunisation
- environmental health
- food standards and hygiene
- breast cancer, cervical and bowel cancer screening
- prevention of hazardous and harmful drug use
- public health research.

These activities do not include treatment services.

Public health services

Services provided and/or funded by governments that are aimed at protecting and promoting the health of the whole population or specified population subgroups and/or preventing illness or injury in the whole population or specified population subgroups.

Public health services do not include treatment services.

For 1999–00 onwards public health services also include departmental costs for the following departmental regulators: Therapeutic Goods Administration, Office of Gene Technology Regulator (OGTR) and the National Industrial Chemicals Notification and Assessment Scheme (NICNAS). These departmental costs are not included in the *National public health expenditure* or *Public health expenditure in Australia* reports.

Public hospital

A health care provider facility that has been established under state or territory legislation as a hospital or as a freestanding day procedure unit. Public hospitals are operated by, or on behalf of, the government of the state or territory in which they are established and are authorised under that state/territory's legislation to provide or facilitate the provision of hospital services to patients. Public hospitals are recognised under the NHCAs and include some hospitals, such as some denominational hospitals, that are privately owned. Defence force hospitals are not included in the scope of public hospitals.

Public hospital services	The balance of public hospital expenditure remaining, after community health services, public health services, non-admitted dental services, patient transport services and health research activities that are undertaken by public hospitals have been removed and reallocated to their own expenditure categories.
Public patient	A patient admitted to a public hospital who is treated by doctors of the hospital's choice and accepts shared ward accommodation if necessary. This means that the patient is not charged.
Purchasing power parity (PPP)	This exchange rate is one which adjusts for differences in the prices of goods and services between countries. It shows how much the same good or service will cost across countries.
Real expenditure	Expenditure that has been adjusted to remove the effects of inflation (for example, expenditure for all years has been compiled using 2009–10 prices). Removing the effects of inflation enables comparisons to be made between expenditures in different years on an equal dollar-for-dollar basis. Changes in real expenditure measure the change in the volume of goods and services produced.
Rebates of health insurance premiums	<p>Introduced in January 1999, a non-means tested rebate on private health insurance premiums replaced the PHIIS subsidy. There are two types of rebates of health insurance premiums.</p> <p>The first rebate is where the 30–40% rebate is taken as a reduced premium payable by the individual with private health cover (with the health fund claiming payment from the Australian Government).</p> <p>The second rebate is taken as an income tax rebate, where individuals with private health cover elect to claim the rebate through the tax system at the end of the financial year for the 30–40% rebate, having paid the health funds 100% of their premiums up front.</p>
Recurrent expenditure	Expenditure incurred by organisations on a recurring basis, for the provision of health goods and services. This excludes capital expenditure. For all years recurrent expenditure includes capital consumption.

Repatriation Pharmaceutical Benefits Scheme (RPBS)

This scheme provides assistance to eligible veterans (with recognised war or service-related disabilities) and their dependants for both pharmaceuticals listed on the PBS and a supplementary repatriation list, at the same cost as patients entitled to the concessional payment under the PBS.

Specific purpose payments (SPPs)

Australian Government payments to the states and territories under the provisions of section 96 of the Constitution, to be used for purposes specified in agreements between the Australian Government and individual state and territory governments. Some are conditional on states and territories incurring a specified level or proportion of expenditure from their own resources. The National healthcare SPP, implemented from 1 July 2009, provides payments to state and territory governments that require only to be spent within the sector described e.g. within the health sector. In addition, there are National partnership payments under National partnership agreements that are targeted to specific areas of health expenditure.

State and territory dental services

School dental programs, community dental services and hospital dental programs funded by state and territory health authorities.

Therapeutic

Having to do with the treating or curing of a disease.

Total health price index (THPI)

The ratio of total national health expenditure at current prices, to total national health expenditure at constant prices.

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This report, *Health expenditure Australia, 2009–10*, is part of an annual series. The earlier editions and any published subsequently can be downloaded free from the AIHW website <<http://www.aihw.gov.au/expenditure-publications>>. The website also includes information on ordering printed copies.

The following AIHW publications relating to health expenditure might also be of interest:

AIHW 2011. Australian health expenditure by remoteness: a comparison of remote, regional and city health expenditure. Health and welfare expenditure series no. 41. Cat. no. HWE 50. Canberra: AIHW.

AIHW 2011. Expenditure on health for Aboriginal and Torres Strait Islander people 2008–09: an analysis by remoteness and disease. Health and welfare expenditure series no. 45. Cat. no. HWE 54. Canberra: AIHW.

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List of tables

Table 2.1:	Total health expenditure, current and constant prices, and annual rates of change, 1999-00 to 2009-10	8
Table 2.2:	Total health expenditure and GDP, current prices, and annual health to GDP ratios, 1999-00 to 2009-10.....	10
Table 2.3:	Total health expenditure and GDP, constant prices, and annual growth rates, 1999-00 to 2009-10	11
Table 2.4:	Annual rates of health inflation, 1999-00 to 2009-10 (per cent).....	13
Table 2.5:	Components of the annual change in the health expenditure to GDP ratio, 1999-00 to 2009-10 (per cent).....	14
Table 2.6:	Average health expenditure per person, current and constant prices, and annual growth rates, 1999-00 to 2009-10	15
Table 2.7:	Total and recurrent health expenditure, current prices, and recurrent expenditure as a proportion of total health expenditure, 1999-00 to 2009-10	16
Table 2.8:	Total and recurrent health expenditure, constant prices and annual growth rates, 1999-00 to 2009-10	16
Table 2.9:	Total recurrent health expenditure, current prices, for each state and territory, all sources of funds, 1999-00 to 2009-10 (\$ million)	17
Table 2.10:	Total recurrent health expenditure, constant prices, for each state and territory, all sources of funds, and annual growth rates, 1999-00 to 2009-10	18
Table 2.11:	Average recurrent health expenditure per person, current prices, for each state and territory, all sources of funds, 1999-00 to 2009-10 (\$)	19
Table 2.12:	Average recurrent health expenditure per person, constant prices, for each state and territory, all sources of funds, 1999-00 to 2009-10 (\$)	20
Table 2.13:	Annual growth in recurrent health expenditure per person, constant prices, all sources of funding, by state and territory, 1999-00 to 2009-10 (per cent)	21
Table 3.1:	Total funding for health expenditure, current prices, by source of funds, 1999-00 to 2009-10 (\$ million)	22
Table 3.2:	Total funding for health expenditure, by source of funds as a proportion of total health expenditure, 1999-00 to 2009-10 (per cent)	23
Table 3.3:	Total health expenditure, current prices, by source of funds as a proportion of GDP, 1999-00 to 2009-10 (per cent)	24
Table 3.4:	Funding of total health expenditure, constant prices, and annual growth in funding, by source of funds, 1999-00 to 2009-10.....	26
Table 3.5:	Funding of health expenditure by the Australian Government, current prices, by type of expenditure, 1999-00 to 2009-10 (\$ million).....	27
Table 3.6:	Department of Veterans' Affairs health expenditure, by area of expenditure, 2009-10.....	28
Table 3.7:	Non-government sector funding of total health expenditure, by source of funds, current prices, 1999-00 to 2009-10	31
Table 3.8:	Non-government sector funding of total health expenditure, by source of funds, constant prices, and annual growth rates, 1999-00 to 2009-10	32

Table 3.9:	Average out-of-pocket funding of recurrent health expenditure per person, constant prices, and annual growth rates, by area of expenditure, 1999-00 to 2009-10	34
Table 3.10:	Expenditure on health goods and services funded by health insurance funds, current prices, 2007-08 to 2009-10 (\$ million)	37
Table 3.11:	Health insurance funds' reported expenses and revenues, current prices, 2007-08 to 2009-10 (\$ million)	38
Table 3.12:	Expenditure on health goods and services and administration funded through private health insurance funds, constant prices, and annual growth rates, 1999-00 to 2009-10	38
Table 3.13:	Average health expenditure funded by private health insurance, per person covered, constant prices, by state and territory, 1999-00 to 2009-10 (\$)	40
Table 3.14:	Fees charged, benefits paid and out-of-pocket expenditure, per person with private health insurance hospital cover and/or ancillary cover, by age group and sex, current prices, 2009-10 (\$)	41
Table 3.15:	Expenditure by injury compensation insurers, constant prices, and annual growth rates, 1999-00 to 2009-10	42
Table 4.1:	Total funding of recurrent health expenditure, current prices, by area of expenditure, and proportion of total recurrent expenditure, 1999-00 to 2009-10	44
Table 4.2:	Total funding of recurrent health expenditure, constant prices, by area of expenditure, and annual growth rates, 1999-00 to 2009-10	45
Table 4.3:	Recurrent expenditure on public hospitals and private hospitals, constant prices and annual growth rates, 1999-00 to 2009-10	50
Table 4.4:	Funding of public hospitals and private hospitals, current prices, by source of funds, 1999-00 to 2009-10 (per cent).....	51
Table 4.5:	Funding of public hospitals, current prices, by broad source of funds and annual growth rates, 1999-00 to 2009-10	53
Table 4.6:	Government shares of recurrent expenditure on public hospitals, by level of government, current prices, 1999-00 to 2009-10 (per cent)	54
Table 4.7:	Funding of public hospitals, constant prices, by broad source of funds, and annual growth rates, 1999-00 to 2009-10.....	55
Table 4.8:	Funding of public hospital services, Australia, current prices, by source of funds, 2005-06 to 2009-10	57
Table 4.9:	Funding of public hospital services, current prices, and shares of total funding for public hospital services, by source of funds, by state and territory, 2007-08 to 2009-10	58
Table 4.10:	Funding of private hospitals, current prices, and shares of total, by state and territory, by source of funds, 2007-08 to 2009-10	60
Table 4.11:	Annual fluctuations in the weighted average payments per service for medical services provided under Medicare, by component of total fee charged, 1999-00 to 2009-10	63
Table 4.12:	Recurrent funding of medical services, constant prices by source of funds, and annual growth rates, 1999-00 to 2009-10.....	65
Table 4.13:	Shares of recurrent funding for medical services, current prices, and proportion of medical services bulk-billed, 1999-00 to 2009-10 (per cent).....	66

Table 4.14:	Recurrent expenditure on benefit-paid pharmaceuticals, constant prices, by source of funds, and annual growth rates, 1999-00 to 2009-10	69
Table 4.15:	Recurrent expenditure on other medications, constant prices, by source of funds, and annual growth rates, 1999-00 to 2009-10	70
Table 4.16:	Expenditure on prescribed medications, dispensed in the community and by hospitals, current prices, 2009-10 (\$ million)	72
Table 4.17:	Pharmaceutical Benefits Scheme, Australian Government and patients' contributions, current prices, 2004-05 to 2009-10 (\$ million).....	73
Table 4.18:	Total government expenditure on public health activities, constant prices, by activity, 1999-00 to 2008-09 (\$ million)	75
Table 4.19:	Recurrent funding for health research, constant prices, and annual growth rates, by source of funds, 1999-00 to 2009-10	76
Table 4.20:	Proportion of recurrent health expenditure spent on health research and development, 1999-00 to 2009-10	77
Table 4.21:	Capital consumption by governments, current and constant prices, and annual growth rates, 1999-00 to 2009-10	78
Table 4.22:	Government capital expenditure as a proportion of government capital consumption expenditure by health-care facilities, 1999-00 to 2009-10.....	78
Table 4.23:	Capital expenditure, current prices, by source of funds, 1999-00 to 2009-10 (\$ million)	79
Table 4.24:	Capital expenditure, constant prices, by source of funds, 1999-00 to 2009-10 (\$ million)	80
Table 4.25:	Non-specific tax expenditure, current and constant prices, and annual growth rates, 1999-00 to 2009-10	81
Table 5.1:	Health expenditure as a proportion of GDP and per person, OECD countries, 1999 to 2009	85
Table 5.2:	Government health expenditure as a proportion of total health expenditure and GDP, OECD countries, 1999 to 2009 (per cent)	86
Table 5.3:	Out-of-pocket health expenditure per person, and as shares of total health expenditure and household final consumption expenditure, OECD countries, 1999 and 2009	87
Table 5.4:	Components of growth in health expenditure, selected OECD countries, 1999 to 2009, (per cent)	89
Table 5.5:	Health expenditure comparison for selected Asia-Pacific countries, 2008.....	90
Table 5.6:	Total health expenditure, by financing agents, current prices, 2008-09 and 2009-10.....	92
Table 5.7:	Total health expenditure, by mode of production, current prices, 2008-09 and 2009-10.....	93
Table 5.8:	Total health expenditure, by provider, current prices, 2008-09 and 2009-10.....	94
Table A1:	Total health expenditure, current prices, by area of expenditure and source of funds, 2007-08 (\$ million)	107
Table A2:	Total health expenditure, current prices, by area of expenditure and source of funds, 2008-09 (\$ million)	108

Table A3:	Total health expenditure, current prices, by area of expenditure and source of funds, 2009–10 (\$ million)	109
Table A4:	Total health expenditure, constant prices, by area of expenditure and source of funds, 2007–08 (\$ million)	110
Table A5:	Total health expenditure, constant prices, by area of expenditure and source of funds, 2008–09 (\$ million)	111
Table A6:	Total health expenditure, constant prices, by area of expenditure and source of funds, 2009–10 (\$ million)	112
Table A7:	Annual growth in health expenditure, current prices, by area of expenditure, 1999–00 to 2009–10 (per cent).....	113
Table A8:	Annual growth in health expenditure, constant prices by area of expenditure, 1999–00 to 2009–10 (per cent).....	114
Table A9:	Proportions of recurrent health expenditure, current prices, by area of expenditure, 1999–00 to 2009–10 (per cent)	115
Table B1:	Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds, 2007–08 (\$ million)	118
Table B2:	Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds, 2008–09 (\$ million)	119
Table B3:	Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds, 2009–10 (\$ million)	120
Table B4:	Total health expenditure, current prices, Victoria, by area of expenditure and source of funds, 2007–08 (\$ million)	121
Table B5:	Total health expenditure, current prices, Victoria, by area of expenditure and source of funds, 2008–09 (\$ million)	122
Table B6:	Total health expenditure, current prices, Victoria, by area of expenditure and source of funds, 2009–10 (\$ million)	123
Table B7:	Total health expenditure, current prices, Queensland, by area of expenditure and source of funds, 2007–08 (\$ million)	124
Table B8:	Total health expenditure, current prices, Queensland, by area of expenditure and source of funds, 2008–09 (\$ million)	125
Table B9:	Total health expenditure, current prices, Queensland, by area of expenditure and source of funds, 2009–10 (\$ million)	126
Table B10:	Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds, 2007–08 (\$ million)	127
Table B11:	Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds, 2008–09 (\$ million)	128
Table B12:	Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds, 2009–10 (\$ million)	129
Table B13:	Total health expenditure, current prices, South Australia, by area of expenditure and source of funds, 2007–08 (\$ million).....	130
Table B14:	Total health expenditure, current prices, South Australia, by area of expenditure and source of funds, 2008–09 (\$ million).....	131
Table B15:	Total health expenditure, current prices, South Australia, by area of expenditure and source of funds, 2009–10 (\$ million).....	132

Table B16:	Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds, 2007-08 (\$ million)	133
Table B17:	Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds, 2008-09 (\$ million)	134
Table B18:	Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds, 2009-10 (\$ million)	135
Table B19:	Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds, 2007-08 (\$ million)	136
Table B20:	Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds, 2008-09 (\$ million)	137
Table B21:	Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds, 2009-10 (\$ million)	138
Table B22:	Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds, 2007-08 (\$ million)	139
Table B23:	Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds, 2008-09 (\$ million)	140
Table B24:	Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds, 2009-10 (\$ million)	141
Table C1:	Hospital expenditure, current prices, by area of expenditure, 2008-09 (\$ million)	144
Table C2:	Health expenditure, current prices, by selected area of expenditure and source of funds, Australia, 2008-09 (\$ million)	145
Table C3:	Medicare expenditure, current prices, by area of expenditure, source of funds and by state and territory of patient residence, 2008-09 (\$ million)	146
Table D1:	Area of health expenditure, by type of deflator applied.....	150
Table D2:	Total health price index and industry-wide indexes (reference year 2009-10 = 100).....	152
Table D3:	Growth rates for the total health price index and industry-wide indexes, 1999-00 to 2009-10 (per cent).....	153
Table E1:	Estimated resident population, by state and territory, 1999-00 to 2009-10 ('000)	154
Table E2:	Annual population growth, by state and territory, 1999-00 to 2009-10 (per cent)	155
Table E3:	Number of insured persons with hospital treatment coverage, 1999-00 to 2009-10	156

List of figures

Figure 1.1:	The structure of the Australian health care system and its flow of funds.....	5
Figure 2.1:	Annual growth of health expenditure and GDP, constant prices, 2000–01 to 2009–10.....	11
Figure 2.2:	Average recurrent health expenditure per person, current prices, for each state and territory and Australia, 2009–10 (\$).....	20
Figure 3.1:	Total health expenditure, by source of funds as a proportion of total health expenditure, 1999–00 to 2009–10 (per cent)	23
Figure 3.2:	Recurrent health expenditure, by area of expenditure and source of funds, current prices, 2009–10	25
Figure 3.3:	Individuals’ funding of recurrent health expenditure, by area of expenditure, current prices, 2009–10.....	33
Figure 3.4:	Funding of recurrent health expenditure by private health insurance funds, by area of expenditure, current prices, 2009–10	35
Figure 3.5:	Funding of recurrent health expenditure through private health insurance, constant prices, 1999–00 to 2009–10	39
Figure 4.1:	Recurrent expenditure on health goods and services, current prices, by broad area of expenditure, 2009–10	47
Figure 4.2:	Proportions of annual growth in health expenditure, by area of expenditure, constant prices, 2006–07 to 2009–10 (per cent)	48
Figure 4.3:	Government funding of public hospitals, current prices, 1999–00 to 2009–10 (per cent).....	54
Figure 4.4:	Recurrent funding of public hospitals, constant prices, by source of funds, 1999–00 to 2009–10	56
Figure 4.5:	Recurrent expenditure on medical services, current prices, by source of funds, 2009–10.....	64
Figure 4.6:	Recurrent expenditure on benefit-paid pharmaceuticals, current prices, 2009–10	68
Figure 4.7:	Other medications expenditure, by category, current prices, 2009–10	71
Figure 4.8:	Capital expenditure, constant prices, by broad source of funds, 1999–00 to 2009–10.....	80
Figure 5.1:	Health expenditure as a proportion of GDP, selected OECD countries, 2009	84
Figure 5.2:	Out-of-pocket health expenditure as a share of total health expenditure, selected OECD countries, 2009 (per cent)	88

List of boxes

- Box 1.1: Defining health expenditure and health funding1
- Box 1.2: Expenditure at current and constant prices3
- Box 2.1: Inflation.....9
- Box 3.1 Overview of the National Healthcare Agreement28
- Box 3.2: Treatment of private health insurance premium rebates.....36
- Box 4.1: Public hospital and public hospital services expenditure46
- Box 4.2: Australian Government and state and territory governments’ health funding agreements periods49
- Box 4.3: Medical services fees and prices.....62
- Box 5.1: Periods equating to OECD year 200983