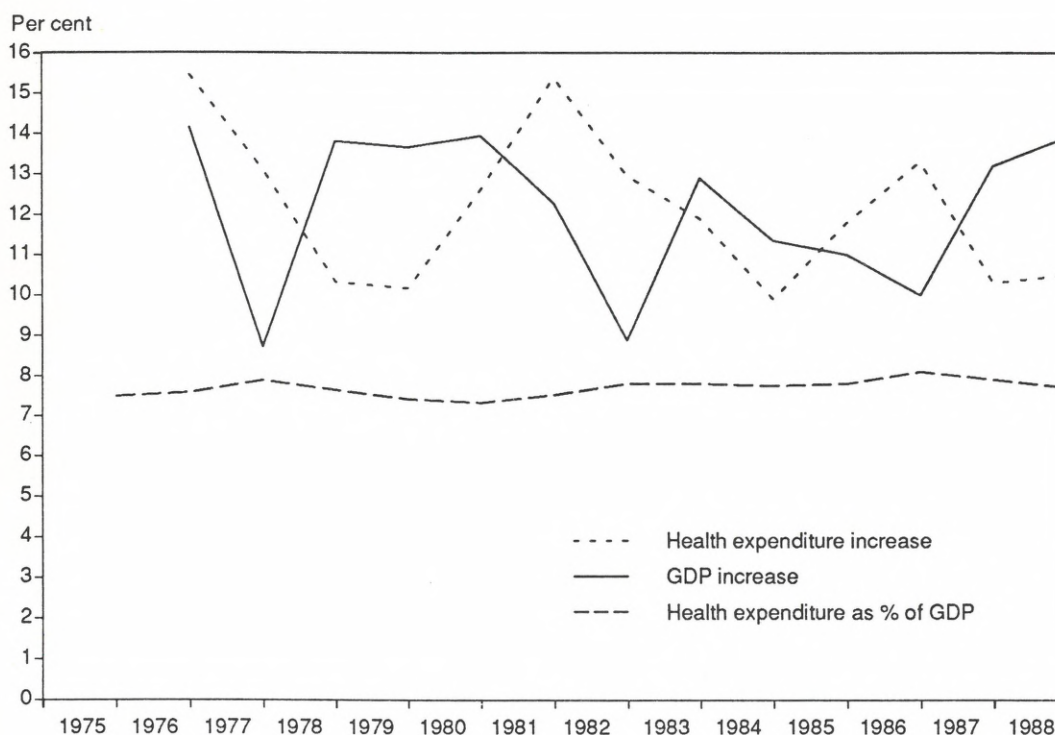


Australian health expenditure to 1988-89

Figure 1: Increases in total health expenditure and GDP, and health expenditure as a percentage of GDP, 1975-76 to 1988-89



This bulletin is the sixth in a series and provides estimates of total Australian health expenditure. Highlights are :

- Health expenditure by Australian governments and individuals in 1988-89 was \$25.9 billion or \$1,551 per person.
- Health expenditure increased in real terms by 30 per cent from 1982-83 to 1988-89.
- Health expenditure per person increased at an average annual growth rate of 2.9 per

cent in real terms between 1982-83 and 1988-89.

- Health expenditure as a proportion of gross domestic product (GDP), has been fairly stable for the past 14 years staying within the range of 7.4 to 8.1 per cent of GDP (Figure 1). In 1988-89 it was 7.7 per cent of GDP with a preliminary estimate for 1989-90 of 7.6 per cent.
- In the period since Medicare was introduced, private sector health expenditure increased by an average annual rate of

6.6 per cent in real terms between 1984-85 and 1987-88, compared to a 3.4 per cent average annual increase in government funded expenditure.

- Private health insurance funded expenditure increased by an average annual rate of 12 per cent in real terms in the same period.
- Government funding of health care fell in real terms from 71.7 per cent of total health expenditure in 1984-85 to 69.8 per cent in 1987-88.

General overview of the years 1982-83 to 1988-89

From 1982-83 to 1988-89 health expenditure grew in current prices at an average annual rate of 11.8 per cent, only 0.2 per cent lower than the GDP growth rate. The average annual growth rate in real terms for the period was 4.4 per cent. The growth rate in the last three years has been lower than during the first three years of the period (Table 1).

For recurrent expenditure, average annual growth rates in current prices and constant prices for the period were 11.4 per cent and 4.0 per cent respectively (Table 2).

Total health expenditure as a proportion of GDP in the period 1982-83 to 1988-89, whether measured

in current prices or constant prices, ranged between 7.7 and 8.1 per cent. The peak of 8.1 per cent occurred in 1986-87. In 1988-89 it was 7.7 per cent (Table 3). The preliminary estimate for 1989-90 (Table 15) is 7.6 per cent of GDP.

Health expenditure per person in 1988-89 was \$1,551. The average annual rate of growth in health expenditure per person in real terms from 1982-83 to 1988-89 was 2.9 per cent per year. In the first three years the average annual growth per person was 3.8 per cent. In the three years 1986-87 to 1988-89 it was 2.1 per cent (Table 4).

Table 1: Total health expenditure and rate of growth, 1982-83 to 1988-89 (current and constant 1984-85 prices)

Year	Amount (\$m)		Rate of growth (%)	
	Current prices	Constant 1984-85 prices(a)	Current prices	Constant 1984-85 prices (a)
1982-83	13,290	15,024		
1983-84	14,958	15,916	12.6	5.9
1984-85	16,556	16,556	10.7	4.0
1985-86	18,628	17,482	12.5	5.6
1986-87	21,126	18,155	13.4	3.8
1987-88	23,309	18,775	10.3	3.4
1988-89	25,900	19,503	11.1	3.9

(a) Health expenditure 1982-83 to 1988-89 deflated to constant prices using specific health deflators (Table 16).

Table 2: Recurrent health expenditure and rate of growth, 1982-83 to 1988-89 (current and constant 1984-85 prices)(a)

Year	Amount (\$m)		Rate of growth (%)	
	Current prices	Constant 1984-85 prices(b)	Current prices	Constant 1984-85 prices (b)
1982-83	12,823	14,503		
1983-84	14,354	15,283	11.9	5.4
1984-85	15,776	15,776	9.9	3.2
1985-86	17,634	16,573	11.8	5.0
1986-87	19,973	17,169	13.3	3.6
1987-88	22,028	17,741	10.3	3.3
1988-89	24,331	18,309	10.5	3.2

(a) Government capital consumption included in recurrent expenditure.

(b) Health expenditure 1982-83 to 1988-89 deflated to constant prices using specific health deflators (Table 16).

Table 3: Total health expenditure and GDP 1982-83 to 1988-89 (current and constant 1984-85 prices)

Year	Current prices			Constant 1984-85 prices		
	Total health expenditure (\$m)	GDP (\$m)	Health expenditure as a % of GDP	Total health expenditure (\$m)	GDP (\$m)	Health expenditure as a % of GDP
1982-83	13,290	170,584	7.8	15,024	192,799	7.8
1983-84	14,958	192,656	7.8	15,916	203,475	7.8
1984-85	16,556	214,470	7.7	16,556	214,470	7.7
1985-86	18,628	238,118	7.8	17,482	222,859	7.8
1986-87	21,126	261,869	8.1	18,155	228,340	8.0
1987-88	23,309	296,423	7.9	18,775	239,198	7.8
1988-89	25,900	337,592	7.7	19,503	248,998	7.8

Source: GDP figures from ABS. *Australian national accounts-national income and expenditure June quarter 1990*. 5206.0

Table 4: Health expenditure per person and rate of growth, 1982-83 to 1988-89 (current and constant 1984-85 prices)

Year	Per person (\$)		Rate of growth (%)	
	Current prices	Constant 1984-85 prices(a)	Current prices	Constant 1984-85 prices (a)
1982-83	869	983		
1983-84	966	1,028	11.1	4.6
1984-85	1,056	1,056	9.3	2.7
1985-86	1,171	1,099	11.0	4.1
1986-87	1,309	1,125	11.7	2.3
1987-88	1,421	1,145	8.6	1.8
1988-89	1,551	1,168	9.2	2.0

(a) Health expenditure 1982-83 to 1988-89 deflated to constant prices using specific health deflators (Table 16).

Source: Population - 1982-83: ABS. *Australian demographic statistics March quarter 1989*. 3101.0

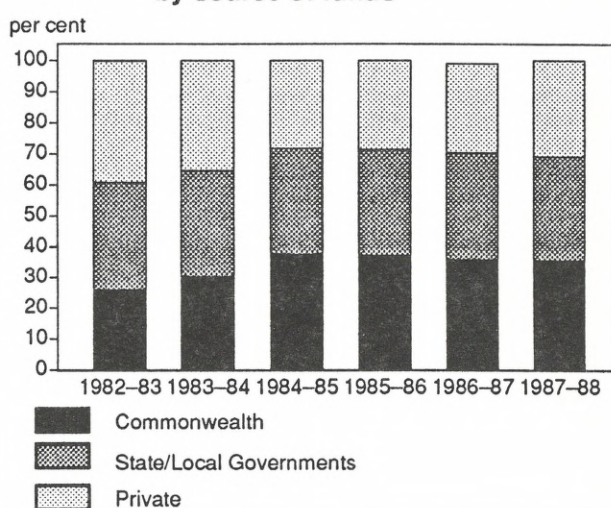
1983-84 to 1988-89: ABS. *Australian demographic statistics December quarter 1989*. 3101.0

Health spending by governments and the private sector

The proportion of total health expenditure funded by the public sector increased from 61 per cent in 1982-83 to 72 per cent in 1984-85 with the introduction of Medicare. Since then, it declined gradually to 70 per cent in 1987-88. The opposite was true of the private sector trends (Table 5).

The share of total health expenditure contributed by the State and Local Governments declined slightly from 35 per cent in 1982-83 to 34 per cent in 1987-88.

Total health expenditure funded by the Commonwealth increased from 26 per cent in 1982-83 to 37.5 per cent in 1984-85, the first full year of Medicare, and then declined steadily to 36 per cent in 1987-88 (Figure 2). The introduction of Hospital Funding Grants in 1988-89 changed significantly the proportion of health expenditure apparently funded by the Commonwealth Government. These changes will be discussed in the next *Health Expenditure Information Bulletin*.

Figure 2: Proportion of total health expenditure by source of funds**Table 5: Percentage of health expenditure by source of funds 1982-83 to 1987-88 (current prices)**

Year	Source of funds				Total
	Commonwealth Government	State and Local Governments	Total Government	Private	
Recurrent expenditure (a)					
1982-83	26.8	34.0	60.8	39.2	100
1983-84	31.0	33.7	64.7	35.3	100
1984-85	39.1	33.3	72.4	27.6	100
1985-86	39.0	33.2	72.2	27.8	100
1986-87	37.7	33.6	71.4	28.6	100
1987-88	37.4	33.2	70.6	29.4	100
Capital expenditure					
1982-83	5.4	52.3	57.7	42.3	100
1983-84	11.5	51.1	62.6	37.4	100
1984-85	4.5	51.7	56.1	43.9	100
1985-86	9.4	45.9	55.3	44.7	100
1986-87	10.1	46.6	56.8	43.2	100
1987-88	10.6	38.6	49.2	50.8	100
Total health expenditure					
1982-83	26.1	34.6	60.7	39.3	100
1983-84	30.2	34.4	64.6	35.4	100
1984-85	37.5	34.2	71.7	28.3	100
1985-86	37.5	33.9	71.3	28.7	100
1986-87	36.2	34.3	70.6	29.4	100
1987-88	35.9	33.5	69.5	30.5	100

(a) Includes Government capital consumption.

The picture was the same for recurrent health expenditure. Government sourced recurrent expenditure was approximately 61 per cent of the total in 1982-83, increased to 72 per cent in 1984-85 and declined to 71 per cent in 1987-88. The Commonwealth increased its share from 27 per cent in 1982-83 to 37 per cent in 1987-88, while the share of State and Local Governments decreased only slightly from 34.0 per cent in 1982-83 to 33.2 per cent in 1987-88.

State and Local Governments spent substantially more on capital than the Commonwealth did. The Commonwealth's share fluctuated during the period from 5.4 per cent in 1982-83 up to 11.5 per cent in 1983-84 then down to 4.5 per cent in 1984-85, then increased to 10.6 per cent in 1987-88. The proportion attributed to State and Local

Governments declined from 52.3 per cent in 1982-83 to 38.6 per cent in 1987-88. The private sector contributed an increasingly significant proportion of capital accumulation in the period. Its share was 42.3 per cent in 1982-83 but increased to 50.8 per cent in 1987-88.

Total health expenditure by the private sector grew at an average annual growth rate of 14.9 per cent from 1984-85 to 1987-88 as compared to 10.9 per cent by the public sector. This comparison is also true for recurrent expenditure (Table 6).

A large part of the private sector expenditure increase was due to increased payments by private health insurance funds. From 1984-85 to 1987-88 health insurance funded expenditure increased at an annual average rate of 11.8 per cent from \$1,456 million to \$2,540 million.

Table 6: Rate of growth of recurrent, capital and total health expenditure by source of funds 1982-83 to 1987-88 (current prices)

	(Per cent)				
	<i>Source of funds</i>				
	<i>Commonwealth Government</i>	<i>State and Local Governments</i>	<i>Total Government</i>	<i>Private</i>	<i>Total</i>
Recurrent expenditure (a)					
1982-83 to 1983-84	29.5	11.0	19.2	0.7	11.9
1983-84 to 1984-85	38.5	8.8	23.1	-14.2	9.9
1984-85 to 1985-86	11.6	11.3	11.5	12.5	11.8
1985-86 to 1986-87	9.4	14.7	11.9	16.9	13.3
1986-87 to 1987-88	9.4	9.0	9.2	13.0	10.3
Average annual growth rate					
1982-83 to 1984-85	34.0	9.9	21.1	-7.0	10.9
1984-85 to 1987-88	10.1	11.7	10.8	14.2	11.8
1982-83 to 1987-88	19.1	11.0	14.8	5.2	11.4
Capital expenditure					
1982-83 to 1983-84	178.3	26.2	40.3	14.6	29.4
1983-84 to 1984-85	-49.7	30.6	15.8	51.2	29.1
1984-85 to 1985-86	166.8	13.4	25.7	30.1	27.6
1985-86 to 1986-87	25.2	17.8	19.0	12.2	16.0
1986-87 to 1987-88	16.3	-8.1	-3.7	30.4	11.0
Average annual growth rate					
1982-83 to 1984-85	18.4	28.4	27.5	31.6	29.3
1984-85 to 1987-88	57.2	7.1	12.9	23.9	18.0
1982-83 to 1987-88	40.3	15.2	18.5	26.9	22.4
Total health expenditure					
1982-83 to 1983-84	30.6	11.8	19.9	1.2	12.6
1983-84 to 1984-85	37.2	10.1	22.8	-11.4	10.7
1984-85 to 1985-86	12.5	11.5	12.0	13.8	12.5
1985-86 to 1986-87	9.6	14.9	12.2	16.5	13.4
1986-87 to 1987-88	9.5	7.7	8.6	14.4	10.3
Average annual growth rate					
1982-83 to 1984-85	33.8	11.0	21.3	-5.3	11.6
1984-85 to 1987-88	10.5	11.3	10.9	14.9	12.1
1982-83 to 1987-88	19.3	11.2	15.0	6.4	11.9

(a) Includes Government capital consumption.

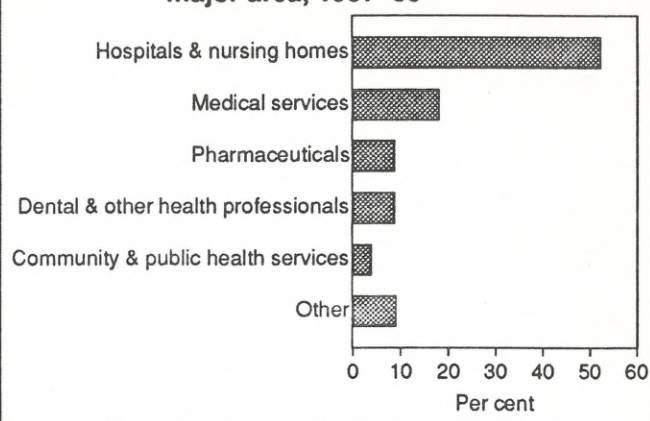
Where the dollar was spent in 1987-88

For each \$100 of recurrent health expenditure in 1987-88, \$43 was spent on hospitals, and \$9 on nursing homes (Figure 3).

Expenditure on non-institutional services was distributed in five main areas. Medical services received \$18, pharmaceuticals \$9, dental services \$5, and other health professionals such as physiotherapists and chiropractors \$4.

Community health services and identified expenditure on health promotion and illness prevention together accounted for another \$4.

Figure 3: Recurrent health expenditure by major area, 1987-88



Changes in distribution of health expenditure from 1982-83 to 1987-88

Over the five year period, institutional expenditure as a proportion of total recurrent health expenditure fell by 2.7 per cent from 56.6 per cent to 53.9 per cent, while non-institutional expenditure increased. The fall in the proportion of expenditure on institutional services was mainly due to a fall in the expenditure share of hospitals. Specifically, the decrease was in the expenditure share of recognised public hospitals, where the decline was 2.2 per cent from 34.6 per cent to 32.4 per cent (Tables 7 to 12).

The proportion of recurrent expenditure spent on nursing homes apparently increased by 0.2 per cent. But as there was a methodological change in 1987-88 the nursing home figures must be interpreted with care (see Technical notes).

The areas where proportions increased significantly over the five year period were medical services - from 17.0 per cent to 18.0 per cent; other professional services - from 2.7 per cent to 3.5 per cent; and dental services - from 4.5 per cent to 5.1 per cent.

In current prices, the average annual growth rate of recurrent expenditure on institutional services for the five year period was 10.5 per cent as against 13.1 per cent for non-institutional services (Table 13).

Within institutional services, recurrent expenditure on private hospitals had an average annual growth rate of 11.2 per cent for the five year period, which was higher than the growth rate in

recognised public and repatriation hospitals of 10.1 per cent. The growth rate of nursing homes is high at 12.2 per cent, but this is partly due to changes in methodology (See Technical notes).

Non-institutional services areas with considerably higher average annual growth rates of recurrent expenditure were other professional services - 17.4 per cent and dental services - 14.4 per cent.

Health promotion and illness prevention had the highest average annual growth rate of all - 28.7 per cent. The Commonwealth increased its contribution from \$2 million in 1982-83 to \$66 million in 1987-88, resulting in an average annual growth rate of 101 per cent over the period. State and Local Governments also substantially increased their contribution. They spent \$65 million in 1982-83 and the amount increased to \$173 million in 1987-88, which gave an average annual growth rate of 21.6 per cent.

The picture was slightly different when adjusted for inflation (Table 14). Though the non-institutional average annual health price growth rate was still higher than that of the institutional sector, the difference was less (2.6 per cent in current prices compared with 1.5 per cent in constant prices). This is because the inflation rate was higher in the non-institutional sector with dental and medical services showing the highest inflation rates.

Table 7: Total health expenditure by area of expenditure and source of funds (a), 1982-83 (b)

	Public sector outlays			Private sector outlays				Total (\$m)	Percentage of recurrent expenditure
	Commonwealth Government (\$m)	State and Local Government (\$m)	Total Government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other(c) (\$m)	Total private (\$m)		
Total health expenditure	3,463	4,599	8,061	na	na	na	5,229	13,290	..
Capital expenditure	25	244	269	na	na	na	(d) 197	466	..
Capital consumption	22	319	341	(c)	(e)	(e)	(e)	341	..
Total recurrent expenditure	3,416	4,036	7,451	2,666	1,851	514	5,031	12,482	100.0
Total institutional	1,563	3,516	5,078	1,259	381	343	1,983	7,062	56.6
Total hospital	720	3,359	4,079	1,249	92	328	1,670	5,749	46.1
Recognised public	(f) 387	2,920	3,307	733	-	281	1,013	4,320	34.6
Private	113	-	113	509	55	40	603	716	5.7
Repatriation	199	-	199	8	-	-	8	207	1.7
Public psychiatric	22	439	461	-	37	8	45	506	4.1
Total nursing homes	788	70	858	2	211	2	216	1,073	8.6
Government and other	566	70	635	2	145	2	149	784	6.3
Deficit financed	222	-	222	-	67	1	67	289	2.3
Other institutional services	55	87	142	7	78	13	98	240	1.9
Ambulance	32	87	119	7	78	13	98	217	1.7
Other institutional (nec)	23	-	23	-	-	-	-	23	0.2
Total non-institutional	1,853	520	2,373	1,407	1,470	171	3,048	5,420	43.4
Medical services	959	-	959	854	187	118	1,159	2,118	17.0
Dental services	16	52	67	175	312	11	498	565	4.5
Other professional services	25	-	25	54	233	27	314	339	2.7
Community health services	96	257	353	1	3	2	6	359	2.9
Total pharmaceuticals	483	-	483	13	555	5	573	1,056	8.5
Benefits paid items	483	-	483	-	177	-	177	659	5.3
All other items	-	-	-	13	379	5	397	397	3.2
Aids and appliances	38	1	39	44	157	6	207	246	2.0
Health promotion and illness prevention	2	65	68	-	-	-	-	68	0.5
Administration	118	95	212	265	-	-	265	477	3.8
Research	116	13	129	-	23	-	23	152	1.2
Other non-institutional	1	37	38	2	-	-	2	40	0.3

(a) This table records the amounts provided by the Commonwealth, State and Local Governments and the private sector to fund expenditure on health. It does not give the actual amount spent directly on health goods and services by each sector.

(b) Details of revisions to these figures since *Health Expenditure Information Bulletin No 4* are provided on pages 16-18.

(c) The 'Other' column includes the health costs paid by workers' compensation and motor vehicle third party insurance.

(d) Capital expenditure for the private sector cannot be broken down by source of funds.

(e) Capital consumption (depreciation) for the private sector is included in recurrent expenditure.

(f) Identified health grants (IHGs) of \$1,041 million are not included as part of Commonwealth outlays on health, as they are part of general revenue grants from the Commonwealth to the States. IHGs effectively become part of State and Local Government outlays on health. *Payments to or for the States, the Northern Territory and Local Government authorities 1984-85. Budget paper no.7. AGPS, Canberra:234;* and *Payments to or for the States, the Northern Territory and Local Government authorities 1986-87. Budget paper no.7. AGPS, Canberra:29.*

Table 8: Total health expenditure by area of expenditure and source of funds (a), 1983-84(b)

	Public sector outlays			Private sector outlays				Total (\$m)	Percentage of recurrent expenditure
	Commonwealth Government (\$m)	State and Local Government (\$m)	Total Government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other(c) (\$m)	Total private (\$m)		
Total health expenditure	4,522	5,143	9,664	na	na	na	5,293	14,958	..
Capital expenditure	69	308	378	na	na	na	(d) 226	604	..
Capital consumption	26	332	358	(e)	(e)	(e)	(e)	358	..
Total recurrent expenditure	4,426	4,503	8,929	2,367	2,196	504	5,067	13,996	100.0
Total institutional	1,865	3,916	5,781	1,216	424	339	1,978	7,759	55.4
Total hospital	899	3,708	4,607	1,127	180	327	1,635	6,242	44.6
Recognised public	(f) 523	3,227	3,750	614	—	287	901	4,651	33.2
Private	123	—	123	505	142	32	680	803	5.7
Repatriation	227	—	227	7	—	—	7	234	1.7
Public psychiatric	25	481	507	—	38	8	47	554	4.0
Total nursing homes	905	107	1,012	—	243	3	246	1,257	9.0
Government and other	657	107	763	—	168	2	170	933	6.7
Deficit financed	248	—	248	—	75	1	76	324	2.3
Other institutional services	61	101	162	89	—	8	98	260	1.9
Ambulance	37	101	138	89	—	8	98	236	1.7
Other institutional (nec)	24	—	24	—	—	—	—	24	0.2
Total non-institutional	2,561	586	3,148	1,151	1,773	165	3,089	6,237	44.6
Medical services	1,469	—	1,469	614	209	114	936	2,406	17.2
Dental services	19	53	72	174	397	—	571	643	4.6
Other professional services	39	—	39	53	295	46	395	434	3.1
Community health services	113	291	404	—	—	—	—	404	2.9
Total pharmaceuticals	546	—	546	18	654	4	675	1,221	8.7
Benefits paid items	546	—	546	—	186	—	186	732	5.2
All other items	—	—	—	18	468	4	489	489	3.5
Aids and appliances	38	4	42	50	188	1	240	282	2.0
Health promotion and illness prevention	4	79	82	—	—	—	—	82	0.6
Administration	193	95	288	241	—	—	241	529	3.8
Research	135	17	152	—	30	—	30	182	1.3
Other non-institutional	6	47	54	—	—	—	—	54	0.4

(a) This table records the amounts provided by the Commonwealth, State and Local Governments and the private sector to fund expenditure on health. It does not give the actual amount spent directly on health goods and services by each sector.

(b) Details of revisions to these figures since *Health Expenditure Information Bulletin No 4* are provided on pages 16-18.

(c) The 'Other' column includes the health costs paid by workers' compensation and motor vehicle third party insurance.

(d) Capital expenditure for the private sector cannot be broken down by source of funds.

(e) Capital consumption (depreciation) for the private sector is included in recurrent expenditure.

(f) Identified health grants (IHGs) of \$1,194 million are not included as part of Commonwealth outlays on health, as they are part of general revenue grants from the Commonwealth to the States, IHGs effectively become part of State and Local Government outlays on health. *Payments to or for the States, the Northern Territory and Local Government authorities 1984-85. Budget paper no.7. AGPS, Canberra:234; and Payments to or for the States, the Northern Territory and Local Government authorities 1986-87. Budget paper no.7. AGPS, Canberra:29.*

Table 9: Total health expenditure by area of expenditure and source of funds (a), 1984-85 (b)

	Public sector outlays			Private sector outlays			Total private (\$m)	Total (\$m)	Percentage of recurrent expenditure
	Commonwealth Government (\$m)	State and Local Government (\$m)	Total Government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other(c) (\$m)			
Total health expenditure	6,203	5,663	11,866	na	na	na	4,690	16,556	..
Capital expenditure	35	403	437	na	na	na	(d) 342	779	..
Capital consumption	30	350	380	(e)	(e)	(e)	(e)	380	..
Total recurrent expenditure	6,138	4,910	11,048	1,456	2,324	569	4,348	15,396	100.0
Total institutional	2,553	4,204	6,757	863	509	346	1,718	8,475	55.0
Total hospital	1,482	3,964	5,447	828	179	335	1,342	6,788	44.1
Recognised public	(f) 1,043	3,427	4,470	291	-	293	584	5054	32.8
Private	166	-	166	533	136	33	703	869	5.6
Repatriation	248	6	254	4	-	-	4	258	1.7
Public psychiatric	25	531	557	-	43	8	51	608	3.9
Total nursing homes	1,005	126	1,131	-	270	3	273	1,404	9.1
Government and other	722	(g) 126	848	-	188	2	190	1,038	6.7
Deficit financed	283	-	283	-	83	1	83	367	2.4
Other institutional services	66	114	179	34	60	8	103	282	1.8
Ambulance	39	114	153	34	60	8	103	256	1.7
Other institutional (nec)	26	-	26	-	-	-	-	26	0.2
Total non-institutional	3,585	707	4,292	593	1,814	223	2,630	6,922	45.0
Medical services	2,308	-	2,308	-	249	130	378	2,686	17.4
Dental services	22	64	86	229	400	-	629	716	4.6
Other professional services	63	-	63	70	268	85	422	485	3.2
Community health services	129	351	480	1	3	3	7	487	3.2
Total pharmaceuticals	629	-	629	24	664	4	691	1,320	8.6
Benefits paid items	629	-	629	-	221	-	221	850	5.5
All other items	-	-	-	24	442	4	470	470	3.1
Aids and appliances	41	2	42	66	192	2	259	301	2.0
Health promotion and illness prevention	9	110	119	-	-	-	-	119	0.8
Administration	220	107	327	204	-	-	204	531	3.5
Research	157	22	179	-	39	-	39	219	1.4
Other non-institutional	9	50	59	-	-	-	-	59	0.4

(a) This table records the amounts provided by the Commonwealth, State and Local Governments and the private sector to fund expenditure on health. It does not give the actual amount spent directly on health goods and services by each sector.

(b) Details of revisions to these figures since *Health Expenditure Information Bulletin No 4* are provided on pages 16-18.

(c) The 'Other' column includes the health costs paid by workers' compensation and motor vehicle third party insurance.

(d) Capital expenditure for the private sector cannot be broken down by source of funds.

(e) Capital consumption (depreciation) for the private sector is included in recurrent expenditure.

(f) Identified health grants (IHGs) of \$1,401 million are not included as part of Commonwealth outlays on health, as they are part of general revenue grants from the Commonwealth to the States, IHGs effectively become part of State and Local Government outlays on health. *Payments to or for the States, the Northern Territory and Local Government authorities 1984-85. Budget paper no.7. AGPS, Canberra:234;* and *Payments to or for the States, the Northern Territory and Local Government authorities 1986-87. Budget paper no.7. AGPS, Canberra:29.*

(g) Due to more complete data being provided in this area, this figure has been revised to \$126 million up from the \$64 million published in *Health Expenditure Information Bulletin No 4* (see Technical notes for more detail).

Table 10: Total health expenditure by area of expenditure and source of funds (a), 1985-86 (b)

	Public sector outlays			Private sector outlays			Total private (\$m)	Total (\$m)	Percentage of recurrent expenditure
	Commonwealth Government (\$m)	State and Local Government (\$m)	Total Government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other(c) (\$m)			
Total health expenditure	6,977	6,313	13,290	na	na	na	5338	18,628	..
Capital expenditure	93	456	550	na	na	na	(d) 445	994	..
Capital consumption	35	381	416	(e)	(e)	(e)	(e)	416	..
Total recurrent expenditure	6,849	5,475	12,324	1,767	2,664	462	4,893	17,217	100.0
Total institutional	2,743	4,714	7,458	1,017	541	252	1,810	9,268	53.8
Total hospital	1,587	4,440	6,027	977	175	238	1,391	7,417	43.1
Recognised public	(f) 1,137	3,887	5,024	340	—	203	543	5,567	32.3
Private	168	—	168	634	132	34	800	969	5.6
Repatriation	263	6	269	4	—	—	4	272	1.6
Public psychiatric	18	547	565	—	43	1	44	609	3.5
Total nursing homes	1,081	158	1,240	—	303	3	306	1,546	9.0
Government and other	775	(g) 158	933	—	209	2	211	1,144	6.6
Deficit financed	307	—	307	—	94	1	95	402	2.3
Other institutional services	75	116	191	40	63	11	114	305	1.8
Ambulance	45	116	161	40	63	11	114	275	1.6
Other institutional (nec)	31	—	31	—	—	—	—	31	0.2
Total non-institutional	4,105	761	4,867	750	2,123	210	3,083	7,949	46.2
Medical services	2,686	—	2,686	17	271	117	405	3,091	18.0
Dental services	25	70	94	294	489	2	785	879	5.1
Other professional services	69	—	69	90	329	85	503	572	3.3
Community health services	121	403	524	1	—	—	1	525	3.0
Total pharmaceuticals	693	—	693	31	763	5	798	1,491	8.7
Benefits paid items	693	—	693	—	243	—	243	936	5.4
All other items	—	—	—	31	520	5	555	555	3.2
Aids and appliances	43	2	45	84	229	2	315	361	2.1
Health promotion and illness prevention	30	134	164	—	—	—	—	164	1.0
Administration	258	69	327	233	—	—	233	561	3.3
Research	170	25	195	—	42	—	42	237	1.4
Other non-institutional	9	59	69	—	—	—	—	69	0.4

(a) This table records the amounts provided by the Commonwealth, State and Local Governments and the private sector to fund expenditure on health. It does not give the actual amount spent directly on health goods and services by each sector.

(b) Details of revisions to these figures since *Health Expenditure Information Bulletin No 4* are provided on pages 16-18.

(c) The 'Other' column includes the health costs paid by workers' compensation and motor vehicle third party insurance.

(d) Capital expenditure for the private sector cannot be broken down by source of funds.

(e) Capital consumption (depreciation) for the private sector is included in recurrent expenditure.

(f) Identified health grants (IHGs) of \$1,514 million are not included as part of Commonwealth outlays on health, as they are part of general revenue grants from the Commonwealth to the States. IHGs effectively become part of State and Local Government outlays on health. *Budget statement 1987-88. Budget paper no. 1.* AGPS, Canberra:279. The figure \$1,514 million includes an estimate for NT of \$30 million.

(g) Due to more complete data being provided in this area, this figure has been revised to \$158 million up from the \$47 million published in *Health Expenditure Information Bulletin No 4* (see Technical notes for more detail).

Table 11: Total health expenditure by area of expenditure and source of funds (a), 1986-87 (b)

	Public sector outlays			Private sector outlays			Total private (\$m)	Total (\$m)	Percentage of recurrent expenditure
	Commonwealth Government (\$m)	State and Local Government (\$m)	Total Government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other(c) (\$m)			
Total health expenditure	7,650	7,255	14,905	na	na	na	6,221	21,126	..
Capital expenditure	117	538	654	na	na	na	(d) 499	1,153	..
Capital consumption	41	413	454	(e)	(e)	(e)	(e)	454	..
Total recurrent expenditure	7,492	6,305	13,797	2,181	3,005	535	5,722	19,519	100.0
Total institutional	2,877	5,518	8,395	1,281	623	285	2,189	10,585	54.2
Total hospital	1,566	5,194	6,760	1,237	219	271	1,726	8,486	43.5
Recognised public	(f) 1,172	4,514	5,686	414	-	220	634	6,319	32.4
Private	91	-	91	816	172	50	1,037	1,127	5.8
Repatriation	284	6	289	7	-	-	7	296	1.5
Public psychiatric	20	674	694	-	47	2	49	743	3.8
Total nursing homes	1,214	195	1,410	-	338	4	342	1,752	9.0
Government and other	858	(g) 195	1,054	-	233	3	235	1,289	6.6
Deficit financed	356	-	356	-	106	1	107	463	2.4
Other institutional services	97	129	226	45	66	11	121	347	1.8
Ambulance	46	129	175	45	66	11	121	296	1.5
Other institutional (nec)	51	-	51	-	-	-	-	51	0.3
Total non-institutional	4,615	787	5,401	900	2,382	250	3,532	8,934	45.8
Medical services	2,972	-	2,972	38	334	128	499	3,471	17.8
Dental services	26	72	98	345	552	2	898	996	5.1
Other professional services	81	-	81	105	364	112	582	663	3.4
Community health services	154	376	530	1	-	-	1	530	2.7
Total pharmaceuticals	833	-	833	30	823	7	860	1,693	8.7
Benefits paid items	824	-	824	-	189	-	189	1,013	5.2
All other items	9	-	9	30	634	7	671	680	3.5
Aids and appliances	40	1	41	98	266	2	365	406	2.1
Health promotion and illness prevention	39	155	194	1	-	-	1	195	1.0
Administration	246	77	323	282	-	-	282	605	3.1
Research	215	29	243	-	44	-	44	287	1.5
Other non-institutional	10	77	87	-	-	-	-	87	0.4

- (a) This table records the amounts provided by the Commonwealth, State and Local Governments and the private sector to fund expenditure on health. It does not give the actual amount spent directly on health goods and services by each sector.
- (b) Details of revisions to these figures since *Health Expenditure Information Bulletin No 4* are provided on pages 16-18.
- (c) The 'Other' column includes the health costs paid by workers' compensation and motor vehicle third party insurance funds.
- (d) Capital expenditure for the private sector cannot be broken down by source of funds.
- (e) Capital consumption (depreciation) for the private sector is included in recurrent expenditure.
- (f) Identified health grants (IHGs) of \$1,685 million are not included as part of Commonwealth outlays on health, as they are part of general revenue grants from the Commonwealth to the States. IHGs effectively become part of State and Local Government outlays on health. *Budget statement 1987-88. Budget paper no. 1.* AGPS, Canberra:279. The figure \$1,685 million includes an estimate for NT of \$34 million.
- (g) Due to more complete data being provided in this area, this figure has been revised to \$195 million up from the \$80 million published in *Health Expenditure Information Bulletin No 4* (see Technical notes for more detail).

Table 12: Total health expenditure by area of expenditure and source of funds (a), 1987-88 (b)

	Public sector outlays			Private sector outlays			Total (\$m)	Percentage of recurrent expenditure	
	Commonwealth Government (\$m)	State and Local Government (\$m)	Total Government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other(c) (\$m)			Total private (\$m)
Total health expenditure	8,374	7,817	16,191	na	na	na	7,118	23,309	..
Capital expenditure	136	494	630	na	na	na	(d) 650	1,280	..
Capital consumption	46	430	476	(e)	(e)	(e)	(e)	476	..
Total recurrent expenditure	8,192	6,893	15,085	2,540	3,356	572	6,468	21,552	100.0
Total institutional	3,060	6,071	9,131	1,490	682	307	2,479	11,610	53.9
Total hospital	1,696	5,717	7,414	1,439	195	292	1,926	9,340	43.3
Recognised public	(f) 1,303	4,970	6,273	469	-	232	701	6,974	32.4
Private	49	-	49	962	145	60	1,167	1,216	5.6
Repatriation	323	6	329	8	-	-	8	338	1.6
Public psychiatric	21	741	762	-	50	1	51	812	3.8
Total nursing homes (g)	1,271	213	1,485	-	416	4	420	1,905	8.8
Other institutional services	92	140	233	51	71	10	132	365	1.7
Ambulance	34	140	174	51	71	10	132	306	1.4
Other institutional (nec)	58	-	58	-	-	-	-	58	0.3
Total non-institutional	5,132	822	5,954	1,050	2,673	265	3,989	9,943	46.1
Medical services	3,188	-	3,188	104	440	156	700	3,888	18.0
Dental services	26	74	101	378	627	2	1,006	1,107	5.1
Other professional services	84	-	84	118	464	90	672	756	3.5
Community health services	187	396	583	1	-	5	6	589	2.7
Total pharmaceuticals	1,020	-	1,020	27	807	9	843	1,863	8.6
Benefits paid items	1,020	-	1,020	-	137	-	137	1,157	5.4
All other items	-	-	-	27	671	9	706	706	3.3
Aids and appliances	45	2	47	108	291	5	403	450	2.1
Health promotion and illness prevention	66	173	239	-	-	-	-	239	1.1
Administration	268	71	338	314	-	-	314	653	3.0
Research	237	31	268	-	44	-	44	312	1.4
Other non-institutional	11	75	86	-	-	-	-	86	0.4

(a) This table records the amounts provided by the Commonwealth, State and Local Governments and the private sector to fund expenditure on health. It does not give the actual amount spent directly on health goods and services by each sector.

(b) Details of revisions to these figures since *Health Expenditure Information Bulletin No 4* are provided on pages 16-18.

(c) The 'Other' column includes the health costs paid by workers' compensation and motor vehicle third party insurance funds.

(d) Capital expenditure for the private sector cannot be broken down by source of funds.

(e) Capital consumption (depreciation) for the private sector is included in recurrent expenditure.

(f) Identified health grants (IHGs) of \$1,820 million are not included as part of Commonwealth outlays on health, as they are part of general revenue grants from the Commonwealth to the States. IHGs effectively become part of State and Local Government outlays on health. *Commonwealth financial relations with other levels of government 1988-89. Budget paper no.4.* AGPS, Canberra:62.

(g) 1987-88 nursing home expenditure not comparable with earlier years because from 1987-88 non-aged nursing home expenditure was not included and the methodology for calculating individual contribution changed (see Technical notes for further details).

Table 13: Changes in health expenditure 1982-83 to 1987-88 (current prices)

Area of expenditure	Annual change (per cent)					Average annual change
	1982-83 to 1983-84	1983-84 to 1984-85	1984-85 to 1985-86	1985-86 to 1986-87	1986-87 to 1987-88	1982-83 to 1987-88
Total health expenditure	12.6	10.7	12.5	13.4	10.3	11.9
Capital expenditure	29.4	29.1	27.6	16.0	11.0	22.4
Capital consumption	5.0	6.1	9.5	9.1	4.8	6.9
Total recurrent expenditure	12.1	10.0	11.8	13.4	10.4	11.5
Total institutional	9.9	9.2	9.4	14.2	9.7	10.5
Total hospital	8.6	8.8	9.3	14.4	10.1	10.2
Recognised public	7.7	8.7	10.2	13.5	10.4	10.1
Private	12.1	8.2	11.5	16.4	7.9	11.2
Repatriation	13.4	10.0	5.8	8.8	14.0	10.3
Public psychiatric	9.4	9.8	0.2	22.0	9.3	9.9
Total nursing homes	17.1	11.7	10.1	13.3	8.8	12.2
Other institutional services	8.5	8.4	8.1	13.7	5.1	8.8
Ambulance	8.7	8.5	7.2	7.8	3.5	7.1
Other institutional (nec)	6.4	7.9	16.6	66.6	14.7	20.7
Total non-institutional	15.3	11.2	15.4	12.3	11.4	13.1
Medical services	13.6	11.7	15.1	12.3	12.0	12.9
Dental services	13.8	11.2	22.8	13.3	11.1	14.4
Other professional services	28.0	11.8	17.9	15.9	14.1	17.4
Community health services	12.7	20.4	7.8	1.1	11.0	10.4
Total pharmaceuticals	15.6	8.1	13.0	13.5	10.0	12.0
Benefit paid items	10.9	16.2	10.1	8.3	14.2	11.9
All other items	23.4	-4.0	18.2	22.4	3.9	12.2
Aids and appliances	14.4	6.9	19.9	12.5	10.9	12.8
Health promotion and illness prevention	22.0	44.0	38.2	18.9	22.3	28.7
Administration	10.7	0.6	5.5	8.0	7.8	6.4
Research	19.9	20.0	8.5	20.9	8.8	15.4
Other non-institutional	32.9	9.5	16.9	26.2	-0.8	16.3

Table 14: Changes in real health expenditure 1982-83 to 1987-88 (constant 1984-85 prices) (a)

Area of expenditure	Annual change (per cent)					Average annual change
	1982-83 to 1983-84	1983-84 to 1984-85	1984-85 to 1985-86	1985-86 to 1986-87	1986-87 to 1987-88	1982-83 to 1987-88
Total health expenditure	5.9	4.0	5.6	3.8	3.4	4.6
Capital expenditure	21.8	23.0	16.7	8.4	4.8	14.7
Capital consumption	-1.4	1.6	1.3	2.5	0.3	0.8
Total recurrent expenditure	5.6	3.3	5.1	3.6	3.4	4.2
Total institutional	3.5	2.9	3.4	4.0	4.0	3.5
Total hospital	2.2	2.4	3.3	4.2	4.3	3.3
Recognised public	1.4	2.4	4.1	3.4	4.6	3.2
Private	5.6	1.9	5.4	6.0	2.3	4.2
Repatriation	6.8	3.6	0.0	-0.9	8.0	3.4
Public psychiatric	3.0	3.5	-5.3	11.1	3.6	3.1
Total nursing homes	10.3	5.2	4.1	3.2	3.1	5.1
Other institutional services	2.2	2.2	2.2	3.6	-0.3	2.0
Ambulance	2.4	2.2	1.4	-1.8	-1.9	0.4
Other institutional (nec)	0.2	1.6	10.2	51.8	8.8	13.1
Total non-institutional	8.4	3.8	7.7	2.8	2.4	5.0
Medical services	6.0	2.9	6.9	2.4	2.2	4.0
Dental services	4.8	2.0	11.4	1.9	0.9	4.1
Other professional services	20.4	5.2	11.8	5.7	8.2	10.1
Community health services	6.2	13.6	1.8	-6.4	5.3	3.9
Total pharmaceuticals	11.4	3.2	6.7	5.5	1.1	5.5
Benefit paid items	6.9	11.0	4.0	0.6	4.9	5.4
All other items	18.9	-8.3	11.7	13.7	-4.6	5.7
Aids and appliances	10.2	2.1	13.2	4.5	1.8	6.3
Health promotion and illness prevention	14.8	35.5	30.6	9.7	16.2	21.0
Administration	4.2	-5.1	-0.5	0.4	2.2	0.2
Research	13.4	13.6	2.1	13.7	3.2	9.1
Other non-institutional	24.9	3.2	10.4	16.1	-6.0	9.2

(a) Health expenditure 1982-83 to 1987-88 deflated to constant prices using specific health deflators (Table 16).

Total health expenditure in 1989-90

The preliminary estimate for total health expenditure in 1989-90 is \$28.0 billion. This is 7.6 per cent of estimated GDP. The estimate is made by applying the ABS estimated health expenditure growth rate for 1988-89 to

1989-90 of 8.2 per cent to the AIH estimate of health expenditure in 1988-89.

The AIH figures are higher than the ABS figures (Table 15) partly because the AIH includes health

research funded by universities as health expenditure (\$138 million in 1987-88), whereas the ABS counts it as an education expenditure, and partly because of methodological differences.

Table 15: ABS and AIH estimates of health expenditure, 1982-83 to 1989-90

	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
ABS health expenditure (\$m)								
Commonwealth Government final consumption expenditure	709	885	987	974	1,067	1,162	1,337	1,147
State and Local Government final consumption expenditure	4,507	5,156	6,086	6,768	7,651	8,379	9,211	9,723
Private final consumption expenditure	7,102	7,898	8,328	9,260	10,640	12,177	13,698	15,456
Total final consumption expenditure	12,318	13,939	15,401	17,002	19,358	21,718	24,246	26,326
Commonwealth Government gross fixed capital expenditure	20	65	37	41	58	72	45	37
State and Local Government gross fixed capital expenditure	245	303	394	503	574	546	741	713
Total Government fixed capital expenditure	265	368	431	544	632	618	786	750
Total health expenditure (excluding private capital expenditure)	12,583	14,307	15,832	17,546	19,990	22,336	25,032	27,076
Change (%)		13.7	10.7	10.8	13.9	11.7	12.1	8.2
AIH estimates of health expenditure								
Total health expenditure (excluding private capital)	13,092	14,732	16,214	18,183	20,627	22,658	25,134	
Change (%)		12.5	10.1	12.1	13.4	9.8	10.9	
Total health expenditure (including private capital)	13,290	14,958	16,556	18,628	21,126	23,309	25,900	(a)28,015
Change (%)		12.6	10.7	12.5	13.4	10.3	11.1	8.2

(a) The 1989-90 AIH estimate is obtained by applying the ABS 1988-89 to 1989-90 growth rate of health expenditure (excluding private capital) of 8.2 per cent to the AIH 1988-89 health expenditure estimate.

Source: Population - 1982-83: ABS. *Australian demographic statistics March quarter 1989*. 3101.0

ABS health expenditure unpublished data for 1982-83 to 1985-86

ABS health expenditure data for 1986-87 to 1989-90 from ABS. *Australian national accounts: national income and expenditure September quarter 1990*. 5206.0

Health prices

The picture has not changed since the publication of *Health Expenditure Information Bulletin No 4*. The medium term changes in the Australian health price index were commensurate with increases in the Average Weekly Earnings (AWE). The Consumer Price Index (CPI) (unadjusted for the Medicare effect) has moved slightly faster than AWE and health prices in the period 1982-83 to 1988-89. Australian health prices increased by an annual average of 7.0 per cent from 1982-83 to 1988-89 compared to an annual average increase in the AWE of 6.9 per cent

and an annual increase in the CPI of 7.2 per cent.

It should be noted that changes in the health price index and the AWE index (Tables 16-17) do not take account of changes in costs that arise due to award restructuring, where the award restructuring increases the proportion of higher level positions. The AWE and health price index only measure the increase in wages paid at each particular level. Thus the price indexes are likely to underestimate the increases in cost for each full time employee.

The introduction of Medicare in February 1984 led to a fall in the CPI because the price paid by private consumers for insurance for medical services dropped to zero. The Medicare levy imposed to finance the extra costs arising from the introduction of Medicare does not appear in the CPI. The Treasury calculated that the Medicare induced fall in the CPI amounted to 2.4 percentage points. It may be considered that the CPI adjusted for the Medicare effect is a better measure of changes in the real cost of living, so this index is included as well as the analytical CPI series.

Table 16: Health expenditure and economy wide deflators 1970-71 to 1989-90 (base year 1984-85 = 100)

Year	Total health price index (a)	CPI (b)	CPI adjusted for Medicare effect	GDP-IPD	AWE (c)	Hospital and clinical (d)	Total health and welfare (e)	Other health and welfare (f)	IPD1 (g)	IPD2 (h)	IPD3 (i)
1970-71	22.3	26.6	26.0	24.9	19.8	21.4	21.4	na	22.4	21.3	21.8
1971-72	24.4	28.4	27.7	26.5	22.2	23.7	23.8	na	24.6	22.7	23.4
1972-73	26.3	30.1	29.4	28.9	24.3	25.2	25.5	na	26.5	24.7	25.2
1973-74	30.4	34.0	33.2	33.2	27.9	28.9	29.6	na	30.6	28.4	28.8
1974-75	38.4	39.7	38.7	39.7	35.7	38.1	40.7	34.2	39.1	37.4	36.9
1975-76	44.6	44.9	43.8	45.8	40.3	44.2	46.7	40.6	45.4	43.4	42.9
1976-77	50.6	51.0	49.8	50.9	45.3	50.4	52.2	51.0	51.2	48.0	47.4
1977-78	55.0	55.9	54.6	54.8	50.0	54.7	56.3	55.0	55.4	52.1	51.5
1978-79	58.3	60.5	59.0	59.4	53.7	57.9	59.5	58.5	58.8	55.5	55.2
1979-80	64.3	66.6	65.0	65.9	59.0	64.0	64.6	64.1	64.1	62.2	61.7
1980-81	71.7	72.9	71.2	72.6	67.2	71.4	72.2	71.4	71.7	69.9	69.4
1981-82	79.9	80.5	78.6	80.2	76.0	79.8	81.7	79.8	80.1	78.9	78.5
1982-83	88.5	89.7	87.6	88.5	86.7	88.7	88.9	88.5	88.8	89.9	89.3
1983-84	94.0	95.9	94.5	94.7	92.9	94.2	94.7	94.3	94.3	95.7	94.6
1984-85	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1985-86	106.6	108.4	108.4	106.8	106.3	105.8	106.3	105.7	106.0	108.1	111.0
1986-87	116.4	118.5	118.5	114.7	114.6	116.1	113.7	112.0	115.2	115.1	119.6
1987-88	124.1	127.2	127.2	123.9	120.7	122.5	120.6	118.5	121.5	120.3	127.6
1988-89	132.8	(j)136.2	136.2	135.6	129.7	130.3	127.9	126.7	128.6	126.6	136.9
1989-90	141.0	147.4	147.4	143.3	138.6	137.3	134.8	134.0	na	134.5	146.7

(a) Total health price indices for 1988-89 and 1989-90 are based on 1987-88 expenditure weights.

(b) The base year for the ABS CPI is 1980-81 and the index equals 100 for that year. The ABS figures have been transformed by the factor 1.372 to produce a series with 1984-85 equal to 100.

(c) AWE is all male employees average weekly total gross earnings. Earnings comprise overtime earnings, ordinary time earnings, shift allowances, penalty rates, commissions and similar payments. Included are paid annual leave, paid sick leave, long service leave and paid holidays taken during the reference period.

(d) The 'Hospital and clinical' implicit price deflator (IPD) is used for hospitals and all other health institutions.

(e) The 'Total health and welfare' IPD is used for State and Local Government and private sourced expenditure for community services, other non-institutional, health promotion and illness prevention, administration and research.

(f) The 'Other health and welfare' IPD is used for Commonwealth Government sourced expenditure for community services, other non-institutional, health promotion and illness prevention, administration and research.

(g) Estimates of real health expenditure published since 1989 use health deflators which are more specific for the different types of expenditure, whereas in publications before 1989, IPD1, which is the implicit price deflator for government final consumption expenditure on health, social security and welfare, was the main deflator used.

(h) IPD2 is the implicit price deflator for general government public gross fixed capital expenditure, and is used to deflate government capital health expenditure and government capital consumption.

(i) IPD3 is the implicit price deflator for private capital expenditure on non-dwelling construction, and is used to deflate private capital health expenditure.

(j) For the period 1987-88 on, the data in the table are from the analytical price series index. This index is more appropriate for the analysis of price changes. The analytical index is only different from the official CPI in 1988-89 where the CPI is 136.5 and the analytical price index is 136.2 (1984-85 = 100).

Source: CPI from ABS. *Consumer Price Index*. 6401.0

CPI adjusted for Medicare effect using data from 1985-86 *Budget Paper No.1. Budget Statements 1985-86*, AGPS, Canberra, 1985 (see text)

GDP implicit price deflators from ABS. *Australian national accounts—national income and expenditure June quarter 1990*. 5206.0

AWE from ABS. *Average weekly earnings, States and Australia*, various issues. 6302.0

Hospital and clinical, other health and welfare, total health and welfare deflators from the ABS

IPD1 from ABS. *Australian national accounts—national income and expenditure 1988-89*. 5204.0

IPD2 and IPD3 from ABS. *Australian national accounts—national income and expenditure June quarter 1990*. 5206.0

Table 17: Percentage change in health expenditure and economy wide deflators 1970-71 to 1989-90

Year	(Per cent)										
	Total health price index (a)	CPI (b)	CPI adjusted for Medicare effect	GDP-IPD	AWE (c)	Hospital and clinical (d)	Total health and welfare (e)	Other health and welfare (f)	IPD1 (g)	IPD2 (h)	IPD3 (i)
1970-71 to 1971-72	9.4	6.8	6.8	6.4	12.3	10.9	11.3	na	9.6	6.9	7.4
1971-72 to 1972-73	7.8	6.0	6.0	9.1	9.1	6.0	7.1	na	7.7	8.9	7.4
1972-73 to 1973-74	15.5	12.9	12.9	14.9	14.8	15.0	16.1	na	15.5	14.8	14.5
1973-74 to 1974-75	26.5	16.6	16.6	19.6	28.0	31.8	37.2	na	28.0	31.6	28.0
1974-75 to 1975-76	16.1	13.0	13.0	15.4	13.0	15.9	14.9	18.7	16.1	16.0	16.3
1975-76 to 1976-77	13.3	13.8	13.8	11.1	12.3	14.1	11.8	25.8	12.8	10.6	10.5
1976-77 to 1977-78	8.7	9.5	9.5	7.7	10.4	8.5	7.8	7.8	8.2	8.5	8.6
1977-78 to 1978-79	6.1	8.2	8.2	8.4	7.4	5.9	5.8	6.4	6.0	6.5	7.2
1978-79 to 1979-80	10.3	10.1	10.1	10.9	9.9	10.4	8.5	9.5	9.1	12.1	11.8
1979-80 to 1980-81	11.4	9.4	9.4	10.2	13.8	11.6	11.8	11.4	11.8	12.4	12.5
1980-81 to 1981-82	11.4	10.4	10.4	10.5	13.1	11.8	13.2	11.8	11.7	12.9	13.1
1981-82 to 1982-83	10.8	11.5	11.5	10.3	14.1	11.2	8.8	10.9	10.9	13.9	13.8
1982-83 to 1983-84	6.2	6.9	7.9	7.0	7.2	6.2	6.5	6.5	6.2	6.5	5.9
1983-84 to 1984-85	6.4	4.3	5.8	5.6	7.6	6.2	5.7	6.1	6.0	4.5	5.7
1984-85 to 1985-86	6.6	8.4	8.4	6.8	6.3	5.8	6.2	5.6	6.0	8.1	11.0
1985-86 to 1986-87	9.2	9.3	9.3	7.4	7.8	9.7	7.0	6.0	8.6	6.5	7.7
1986-87 to 1987-88	6.7	7.3	7.3	8.0	5.3	5.5	6.0	5.8	5.5	4.5	6.7
1987-88 to 1988-89	7.0	(j)7.1	7.1	9.4	7.5	6.3	6.1	6.9	5.9	5.2	7.3
1988-89 to 1989-90	6.2	8.2	8.2	5.7	6.9	5.4	5.4	5.8	na	6.2	7.2

(a) Total health price indices for 1988-89 and 1989-90 are based on 1987-88 expenditure weights.

(b) The base year for the ABS CPI is 1980-81 and the index equals 100 for that year. The ABS figures have been transformed by the factor 1.372 to produce a series with 1984-85 equal to 100.

(c) AWE is all male employees average weekly total gross earnings. Earnings comprise overtime earnings, ordinary time earnings, shift allowances, penalty rates, commissions and similar payments. Included are paid annual leave, paid sick leave, long service leave and paid holidays taken during the reference period.

(d) The 'Hospital and clinical' implicit price deflator (IPD) is used for hospitals and all other health institutions.

(e) The 'Total health and welfare' IPD is used for State and Local Government and private sourced expenditure for community services, other non-institutional, health promotion and illness prevention, administration and research.

(f) The 'Other health and welfare' IPD is used for Commonwealth Government sourced expenditure for community services, other non-institutional, health promotion and illness prevention, administration and research.

(g) Estimates of real health expenditure published since 1989 use health deflators which are more specific for the different types of expenditure, whereas in publications before 1989, IPD1, which is the implicit price deflator for government final consumption expenditure on health, social security and welfare, was the main deflator used.

(h) IPD2 is the implicit price deflator for general government public gross fixed capital expenditure, and is used to deflate government capital health expenditure and government capital consumption.

(i) IPD3 is the implicit price deflator for private capital expenditure on non-dwelling construction, and is used to deflate private capital health expenditure.

(j) For the period 1987-88 on, the data in the table are from the analytical price series index. This index is more appropriate for the analysis of price changes. The analytical index is only different from the official CPI in 1988-89 where the CPI is 136.5 and the analytical price index is 136.2 (1984-85 = 100).

Source: CPI from ABS. *Consumer Price Index*. 6401.0

CPI adjusted for Medicare effect using data from 1985-86 Budget Paper No. 1. *Budget Statements 1985-86*, AGPS, Canberra, 1985 (see text)

GDP implicit price deflators from ABS. *Australian national accounts - national income and expenditure June quarter 1990*. 5206.0

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IPD1 from ABS. *Australian national accounts - national income and expenditure 1988-89*. 5204.0

IPD2 and IPD3 from ABS. *Australian national accounts - national income and expenditure June quarter 1990*. 5206.0

Technical notes

Definitions, sources and notes

The AIH collects information for its estimates of health expenditure from a wide range of sources, with the Australian Bureau of Statistics (ABS) the Commonwealth Department of Community Services and Health (DCSH) and State health authorities providing most of the basic data.

The 'medical services' category includes expenditure on medical services provided on a fee for service basis, and includes medical services provided to private patients in hospitals. It does not include the cost of salaried medical practitioners or of visiting medical officers at recognised public hospitals.

These health expenditure figures do not include expenditure which is primarily of a welfare nature even if it has a health component. Also excluded are most costs associated with the training of health personnel in universities and colleges of advanced education. But in some cases, such as hospital based nursing training, the cost of training cannot be separated from the operational costs of health services.

Further details of the sources and definitions of the health expenditure categories used in this *Bulletin* are contained in Appendixes A and B of the AIH publication *Australian Health Expenditure 1970-71 to 1984-85*. Also, data for years prior to 1982-83 can be obtained from that publication.

Revisions of definitions and estimates

Some of the figures included in this *Information Bulletin* have been revised since *Health Expenditure Information Bulletin No 4* was published in January 1990. The major changes are:

1. ABS

1.1 Gross domestic product (GDP)

The ABS revised GDP downwards, for some years, as a result of the revision of the annual benchmarks for gross operating surplus of private corporate trading enterprises (Tables 18 and 19). GDP figures for the financial years 1982-83 to 1987-88, published in ABS. *Australian national accounts: national income and expenditure June quarter 1990*. 5206.0, show an average decrease of 0.15 per cent in the figures published as compared to the figures published in the June quarter 1989 bulletin.

Table 18: Gross domestic product 1982-83 to 1989-90 (current and constant 1984-85 prices)

Year	Current prices (\$m)	Growth rate (%)	Constant 1984-85 prices (\$m)	Growth rate (%)
1982-83	170,584		192,799	
1983-84	192,656	12.9	203,475	5.5
1984-85	214,470	11.3	214,470	5.4
1985-86	238,118	11.0	222,859	3.9
1986-87	261,869	10.0	228,340	2.5
1987-88	296,423	13.2	239,198	4.8
1988-89	337,592	13.9	248,998	4.1
1989-90	368,627	9.2	257,227	3.3

Source: GDP from ABS. *Australian national accounts-national income and expenditure June quarter 1990*. 5206.0

Table 19: Gross domestic product per person (current and constant 1984-85 prices), and population 1982-83 to 1989-90

Year	Gross domestic product per person				Mean resident population year ended 30 June (million)
	Current prices (\$m)	Growth rate (%)	Constant 1984-85 prices (\$m)	Growth rate (%)	
1982-83	11,155		12,608		15.29
1983-84	12,441	11.5	13,140	4.2	15.49
1984-85	13,676	9.9	13,676	4.1	15.68
1985-86	14,975	9.5	14,015	2.5	15.90
1986-87	16,225	8.3	14,148	0.9	16.14
1987-88	18,072	11.4	14,583	3.1	16.40
1988-89	20,219	11.9	14,913	2.3	16.70
1989-90	21,739	7.5	15,169	1.7	16.96

Source: GDP from ABS. *Australian national accounts-national income and expenditure June quarter 1990*. 5206.0

Population - 1982-83 : ABS. *Australian demographic statistics March quarter 1989*. 3101.0

- 1983-84 to 1988-89 : ABS. *Australian demographic statistics December quarter 1989*. 3101.0

- 1989-90 : ABS. *Australian demographic statistics June quarter 1990*. 3101.0

1.2 Private final consumption expenditure (PFCE)

ABS has revised the figures for 1985-86 and 1986-87 for 'dental services' and 'other professional services' downward in the light of more accurate recent information obtained from tax returns. The estimate for dental services expenditure for 1985-86 was reduced from \$843 million to \$807 million and for other professional services from \$587 million to \$572 million. For 1986-87, the estimate for dental services expenditure was reduced from \$937 million to \$922 million and other professional services from \$660 million to \$663 million.

1.3 State and Local Government expenditure on health

The Public Finance Section of the ABS revised their estimate of State and Local Government expenditure upward. The differences between the 1989 and the 1990 versions were, for example, 0.37 per cent for 1983–84, 0.08 per cent for 1985–86 and 0.21 per cent for 1986–87. The average difference for the period 1982–83 to 1986–87 was 0.21 per cent.

1.4 Government Final Consumption Expenditure (GFCE) Deflators

Revisions were made following further information about changes in award rates of pay. More changes were made to the State and Local GFCE deflators than to the Commonwealth GFCE deflators. The hospital and clinical deflator is one of three State and Local GFCE deflators which was revised upward. The extent of the revision is greater for the more recent quarters.

2. Workers' compensation and third party insurance organisations

The Transport Accident Commission of Victoria provided breakdowns with more detail on institutional services for 1982–83 to 1988–89 than previously supplied.

3. AIH

3.1 ACT Board of Health (formerly Department of Community Services and Health) expenditure on hospital supply service centre (HSSC)

In *Health Expenditure Information Bulletin No 4*, the expenditure on the hospital supply service centre was allocated between Royal Canberra Hospital, Woden Valley Hospital and nursing homes. In fact, Calvary and Queen Elizabeth II hospitals also make use of the service. For this issue, HSSC expenditure was apportioned to the four hospitals and the nursing homes on the basis of bed days.

3.2 ACT Board of Health expenditure on nursing homes

Nursing home revenue was subtracted from gross operating cost to arrive at net operating cost, which is the Territory's contribution to total costs.

3.3 Commonwealth interest on HIC advances for medical benefits

The Health Insurance Commission earns interest on appropriated advances for the payment of medical benefits. This interest is returned to the Commonwealth and is recorded as 'Revenue and/or items not affecting outlays' because it is a financing transaction, not a specific health revenue item. In *Health Expenditure Information Bulletin No 4* this revenue of \$11.2 million was wrongly subtracted from Commonwealth medical services expenditure for 1986–87. This error has been corrected.

3.4 Expenditure on nursing homes

Prior to 1987–88, nursing home data including non-aged nursing home patients, and data on total patients' contributions were obtained from the Commonwealth Department of Community Services and Health. Since 1987–88, non-aged nursing home patients have not been included in nursing home data, and patients' contributions have been estimated as 87.5 per cent of the pension plus rental assistance. These two changes roughly cancelled each other out in regard to total nursing home expenditure, but have changed the estimated proportion of nursing home expenditure funded by the Commonwealth.

For *Health Expenditure Information Bulletin No 4*, nursing home expenditure by State and Local Governments was taken from the ABS public finance data. In this data-set some State Government nursing home expenditure is recorded in the more general institutional health services categories, so the nursing home category underestimates actual expenditure. For this *Bulletin*, expenditure on government nursing homes is estimated from data supplied by State health authorities for the period 1984–85 to 1987–88. Due to this change in methodology, there have been substantial increases in data for expenditure on government nursing homes between *Health Expenditure Information Bulletin No 4* and *Health Expenditure Information Bulletin No 6*. For 1984–85, the increase is from \$64 million to \$126 million; for 1985–86, from \$47 million to \$158 million; and for 1986–87, from \$80 million to \$195 million.

Deficit-financed nursing homes ceased to exist as a separate category in 1986–87. Hence, from 1987–88, there is only one line item of nursing home expenditure.

3.5 Expenditure on pharmaceuticals

The figure for medicines and therapeutic appliances of \$1.5 billion, obtained from ABS. *Retail industry: details of operations Australia 1985–86*. 8622.0, p 30, is now used as a base figure on which growth rate from retail turnover of pharmacists from unpublished ABS data, from 1985–86 to 1986–87 and from 1986–87 to 1987–88, is applied to estimate total medicines expenditure for 1986–87 and 1987–88 respectively.

3.6 Expenditure on aids and appliances

The growth rates, from 1985–86 to 1986–87 and from 1986–87 to 1987–88, of the health insurance funds aids and appliances expenditure are used to estimate the total expenditure on aids and appliances for 1986–87 and 1987–88 respectively.

3.7 Commonwealth and State and Local Governments capital expenditure

In *Health Expenditure Information Bulletin No 4*, transfer payments for capital from the Commonwealth to the State and Local Governments for 1985–86 and 1986–87 were neither added to the Commonwealth sourced nor subtracted from the State and Local Governments sourced capital expenditure. Thus the figure in *Health Expenditure Information Bulletin No 4* was total capital expenditure by State and Local Governments, whereas it should have been only that capital expenditure funded by State and Local Governments. This error has been corrected in this *Bulletin*.

3.8 Private capital expenditure

In this *Bulletin*, private capital expenditure is net of government transfer, whereas previously government transfers had not been subtracted. For 1985-86, for instance, private capital expenditure published in *Health Expenditure Information Bulletin No 4* was \$452 million, as against \$445 million published in this *Bulletin*. In *Health Expenditure Information Bulletin No 4*, 1986-87 private capital expenditure was a preliminary and underestimated figure.

Abbreviations and symbols used in tables

na	not available
nec	not elsewhere classified
-	nil or rounded down to zero
..	not applicable

Note: Figures in the tables in this *Bulletin* may not add, due to rounding.

Further copies of this bulletin may be obtained by writing to the Australian Institute of Health, GPO Box 570, Canberra ACT 2601, or by telephoning John Goss on (06) 243 5028 or Maneerat Pinyopusarerk on (06) 243 5079.