

5 International comparison

The countries included in this comparison are Canada, France, Germany, Japan, the Netherlands, New Zealand, Sweden, the United Kingdom and the United States, all of them OECD members. The comparison, which looks at the period from 1991 to 2001, provides an indication of the relative efforts being made to meet the need for health goods and services and capital formation in countries with similar economic and social structures or with which Australia has important economic and social links. Differences between countries in terms of what is included as 'health expenditure' complicate the comparison to some extent, so caution is warranted when making comparisons. It is also important to acknowledge that there is no definitive relationship between what a country spends on health and the health status of its population.

Table 32: Health expenditure as a proportion of GDP, Australia and other selected OECD countries, 1991 to 2001 (per cent)

Year ^(a)	Aust	Can	Fra	Ger	Jpn	Neth	NZ	Swe	UK	US	Ten-country mean ^(b)
1991	8.1	9.7	8.8	n.a.	5.9	8.2	7.4	8.1	6.5	12.6	9.0
1992	8.2	10.0	9.0	9.9	6.2	8.4	7.5	8.3	6.9	13.0	10.2
1993	8.3	9.9	9.4	9.9	6.4	8.5	7.2	8.6	6.9	13.3	10.5
1994	8.3	9.5	9.4	10.2	6.7	8.4	7.2	8.2	7.0	13.2	10.5
1995	8.4	9.2	9.5	10.6	6.8	8.4	7.2	8.1	7.0	13.3	10.6
1996	8.5	9.0	9.5	10.9	6.9	8.3	7.2	8.4	7.0	13.2	10.6
1997	8.6	8.9	9.4	10.7	6.8	8.2	7.5	8.2	6.8	13.0	10.5
1998	8.7	9.1	9.3	10.6	7.1	8.6	8.0	8.3	6.9	13.0	10.6
1999	8.9	9.1	9.3	10.6	7.5	8.7	7.9	8.4	7.2	13.0	10.7
2000	9.1	9.2	9.3	10.6	7.6	8.6	8.0	8.4	7.3	13.1	10.8
2001	9.3	9.7	9.5	10.7	n.a.	8.9	8.2	8.7	7.6	13.9	10.0
Mean ^(c)	8.6	9.4	9.3	10.5	6.8	8.5	7.6	8.3	7.0	13.1	10.4

(a) See definition of 'OECD financial year' in Chapter 6.

(b) Mean weighted by GDP.

(c) Unweighted means for Australia, Canada, France, Netherlands, New Zealand, Sweden, the UK and the US, and the group mean are based on an 11-year average; Germany and Japan are based on a 10-year average.

Sources: AIHW health expenditure database; OECD Health Data 2003.

Health expenditure by different countries can be compared as a proportion of GDP. This gives a measure of the proportion of a nation's productive effort that is spent on funding its health goods, services and capital investment. Fluctuations in the health expenditure – GDP ratio can, however, be misleading because they can indicate movements in GDP as much as health expenditure.

When making international comparisons of health expenditure, it is useful to consider the weighted means for the group in order to see where Australia fits in comparison with the group average.

The tables in this chapter show some key facts:

- Australia's average expenditure of 8.6% of GDP over the period 1991–92 to 2001–02 was the fifth-highest of the group (Table 32), which had a mean of 10.4%.
- Of the 10 selected OECD countries, the United States is by far the largest health spender, in terms of both the proportion of GDP and per person expenditure on health (Table 33).
- Japan and the United Kingdom devoted the smallest proportion of their GDP to health expenditure, averaging 6.8% and 7.0% respectively over the period.

Table 33: Health expenditure per person, Australia and other selected OECD countries, current prices, 1991 to 2001 (\$)

Year ^(a)	Aust	Can	Fra	Ger	Jpn	Neth	NZ	Swe	UK	USA	Ten country mean ^(b)
1991	1,904	2,482	2,240	n.a.	1,595	1,930	1,355	2,000	1,410	4,051	2,461
1992	1,996	2,600	2,399	2,562	1,744	2,085	1,455	2,056	1,622	4,336	2,970
1993	2,082	2,639	2,444	2,535	1,839	2,129	1,466	2,093	1,631	4,532	3,078
1994	2,183	2,669	2,467	2,743	1,956	2,192	1,550	2,080	1,703	4,690	3,208
1995	2,313	2,728	2,559	2,919	2,039	2,305	1,597	2,167	1,716	4,714	3,279
1996	2,458	2,721	2,583	3,042	2,192	2,363	1,639	2,313	1,872	4,930	3,437
1997	2,591	2,843	2,642	3,205	2,254	2,545	1,764	2,412	1,971	5,121	3,580
1998	2,741	2,997	2,746	3,301	2,266	2,851	1,875	2,493	2,048	5,364	3,733
1999	2,929	3,163	2,874	3,400	2,408	3,003	1,985	2,669	2,215	5,573	3,907
2000	3,147	3,406	3,151	3,670	2,619	3,099	2,127	2,897	2,393	5,993	4,217
2001	3,397	3,741	3,432	3,763	n.a.	3,519	2,322	3,042	2,669	6,549	4,062

(a) See definition of 'OECD financial year' in Chapter 6.

(b) Mean weighted by population.

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

Sources: AIHW health expenditure database; OECD Health Data 2003.

Health expenditure per person allows for comparisons between countries and within a country over time without the distorting effect of movements in GDP and population size differences. In calculating it, allowance was made for the different purchasing powers of currencies in the various countries. This has been done by using purchasing power parities (PPPs) to convert expenditures in each of the countries first into US dollars and then into Australian dollars. The PPPs used are for the whole of the GDP because of the poor reliability of health-specific ones, particularly in the early part of the period.

- Australia's per person health expenditure in 2000 (that is, 2000–01) of \$3,397 was below the 10-country mean of \$4,062.

- In each year since 1995, except for 2000, Australia had the fifth-highest per person expenditure on health, above that of the Netherlands, Japan, Sweden, the United Kingdom and New Zealand.
- Health expenditure per person by the United States was more than double that by Australia throughout the period 1991 to 1997.

Table 34: Components of growth in health expenditure, Australia and selected OECD countries, 1991 to 2001^(a) (per cent)

	Aust	Can	Fra	Ger ^(b)	Jpn ^(c)	Neth ^(d)	NZ ^(e)	Swe	UK ^(d)	US
Nominal growth in health expenditure	7.2	5.5	5.0	4.9	7.2	5.9	7.1	4.8	7.2	6.4
Health inflation	2.5	1.6	1.4	n.a.	2.9	1.8	3.0	n.a.	4.3	3.5
General inflation	1.8	1.5	1.4	1.4	0.3	1.9	1.9	1.7	2.7	2.0
Excess health inflation	0.7	0.1	0.0	n.a.	2.7	-0.1	1.1	n.a.	1.5	1.4
Real growth in health expenditure	4.6	3.8	3.6	n.a.	4.1	4.0	4.0	n.a.	2.8	2.9
Population growth	1.2	1.0	0.4	0.2	0.3	0.6	1.2	0.3	0.2	1.2
Per person real growth	3.4	2.8	3.2	n.a.	3.8	3.3	2.7	n.a.	2.6	1.6

(a) See definition of 'OECD financial year' in Chapter 6.

(b) From 1992.

(c) To 1997.

(d) To 1996.

(e) To 1995.

Sources: AIHW health expenditure database; OECD Health Data 2003.

Factors contributing to the growth in the ratio of health expenditure to GDP are inflation (both general inflation and excess health inflation) and changes in the level of goods and services used, either from population growth or from more intensive per person use of goods and services. The general rate of inflation is an indication of price pressures that apply throughout the economy, and the rate of excess health inflation indicates additional price rises specific to the health sector. The ability of a nation's health financing system to influence health prices is an important factor in controlling growth in total expenditure on health.

- For the years 1991 to 2001 Australia had an excess health inflation rate of 0.7%, the fifth-highest of the group (Table 34).
- Rates of excess health inflation ranged from -0.1% for the Netherlands to 2.7% for Japan.

In order to compare the level of expenditure without the complication of different rates of population growth, it is useful to examine real growth in average per person expenditure on health. For the decade to 2001, Australia had the second-highest average real growth in per person expenditure (3.4%), behind Japan.

Table 35: Government health expenditure as a proportion of total health expenditure, Australia and other selected OECD countries, 1991 to 2001 (per cent)

Year ^(a)	Aust	Can	Fra	Ger	Jpn	Neth	NZ	Swe	UK	USA	Ten country mean ^(b)
1991	67.3	74.6	76.3	n.a.	78.3	69.0	82.2	88.2	83.3	41.2	73.4
1992	66.9	74.1	76.6	77.3	78.1	72.8	79.0	87.2	84.6	42.4	73.9
1993	66.4	72.7	76.5	76.4	79.2	73.6	76.6	87.4	85.1	43.1	73.7
1994	66.3	72.1	76.0	76.5	78.6	72.9	77.5	87.1	83.9	44.8	73.6
1995	67.1	71.4	76.3	76.7	79.1	71.0	77.2	86.7	83.9	45.4	73.6
1996	66.7	70.8	76.1	76.8	78.7	66.2	76.7	86.9	82.9	45.6	72.7
1997	68.5	70.0	76.2	75.3	77.7	67.8	77.3	85.8	80.1	45.3	72.4
1998	69.0	70.7	76.0	74.8	77.4	64.4	77.0	85.8	80.2	44.5	72.0
1999	69.9	70.4	76.0	74.8	78.1	63.3	77.5	85.7	80.5	44.2	72.0
2000	69.4	70.9	75.8	75.0	78.3	63.4	78.0	85.0	80.9	44.2	72.0
2001	68.3	70.8	76.0	74.9	n.a.	63.3	76.7	85.2	82.2	44.4	71.3
Mean^(c)	67.8	71.7	76.2	75.9	78.4	68.0	77.8	86.5	82.5	44.1	72.8

(a) See definition of 'OECD financial year' in Chapter 6.

(b) Mean weighted by total health expenditure.

(c) Unweighted means for Australia, Canada, France, Netherlands, New Zealand, Sweden, the UK and the US, and the group mean are based on an 11-year average; Germany and Japan are based on a 10-year average.

Sources: AIHW health expenditure database; OECD Health Data 2003.

It is interesting to compare how much the government sector spends on health compared with the private sector. For the decade to 2001, Australia's three tiers of government contributed an average of 67.8% to total health expenditure, which was the second-lowest of the 10 selected countries.