

# Health **Expenditure**

HEALTH EXPENDITURE BULLETIN • NUMBER 8 • APRIL 1993

## Australian health expenditure to 1991–92

This bulletin is the eighth in a series and provides estimates of total Australian health expenditure by area of expenditure to 1989–90, together with estimates of total expenditure for 1990–91 and 1991–92. It also gives information on movements in price levels in the health sector compared with that of the rest of the economy.

### Health expenditure highlights

- Total health expenditure includes recurrent and capital expenditure by Australian governments and individuals. In 1991–92 it was \$33.2 billion or \$1,904 per person.
- Health expenditure increased in constant prices at an average annual rate of 3.9 per cent from 1984–85 to 1991–92 giving a total increase in the period of 30.8 per cent.
- Health expenditure per person increased at an average annual rate of 2.4 per cent in constant prices between 1984–85 and 1991–92.
- Health expenditure as a proportion of gross domestic product (GDP) was estimated to be 8.6 per cent in 1991–92. The increase from the previous year's ratio of 8.2 per cent is largely the result of the low growth in real GDP of 0.2 per cent in 1991–92.
- The private sector's share of health expenditure increased from 28.2 per cent in 1984–85 to 32.0 per cent in 1991–92. This increase in

the private sector's share was reflected in the fall in the public sector's share, from 46.0 per cent to 42.6 per cent for the Commonwealth Government and from 25.8 per cent to 25.4 per cent for State and local governments between 1984–85 and 1991–92.

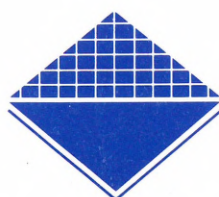
- Tax rebates on medical expenditure, paid by the Commonwealth Government, represented 0.2% to 0.3% of the Commonwealth's health expenditure over the 1984–85 to 1991–92 period.
- The health services subgroup of the CPI increased, on average, twice as fast as the CPI and health price index in the period 1984–85 to 1991–92. The health services CPI subgroup only covers the privately funded portion (health insurance funds and individuals) of health expenditure, which was 26.5 per cent of total health expenditure in 1989–90 (see page 27).
- From 1984–85 to 1989–90 health prices increased at a similar rate to Average Weekly Earnings (AWE) but slower than the Consumer Price Index (CPI). From 1989–90 to 1991–92, health prices increased by 8.6 per cent, somewhat faster than the 7.3 per cent increase in the CPI.

### General overview of the eight years 1984–85 to 1991–92

In the eight years since the introduction of Medicare in February 1984, total health expenditure in current prices grew at an average annual rate of 10.4 per cent compared with 16.8 per cent from 1970–71 to 1983–84. The growth rate fluctuated between 10.5 per cent and 13.6 per cent between 1984–85 to 1988–89, after which it declined steadily from 12.1 per cent in 1988–89 to 6.6 per cent in 1991–92. This decline was mainly due to a fall in the inflation rate.

The average annual growth rate for total health expenditure in constant prices was 3.9 per cent for the period 1984–85 to 1991–92. Constant price growth rates fluctuated between 3.6 and 5.4 per cent between 1984–85 and 1988–89, after which they declined to a low of 2.4 per cent in 1990–91, increasing to 4.0 per cent in 1991–92 (see Table 1). The average annual growth rate in 1990–91 and 1991–92, a period of low GDP growth, was 3.2 per cent, which is lower than the average annual growth rate of 4.2 per cent from 1984–85 to 1989–90.

In 1991–92 it is estimated that health expenditure grew by 6.6 per cent in current prices, and by 4.0 per cent in constant prices.



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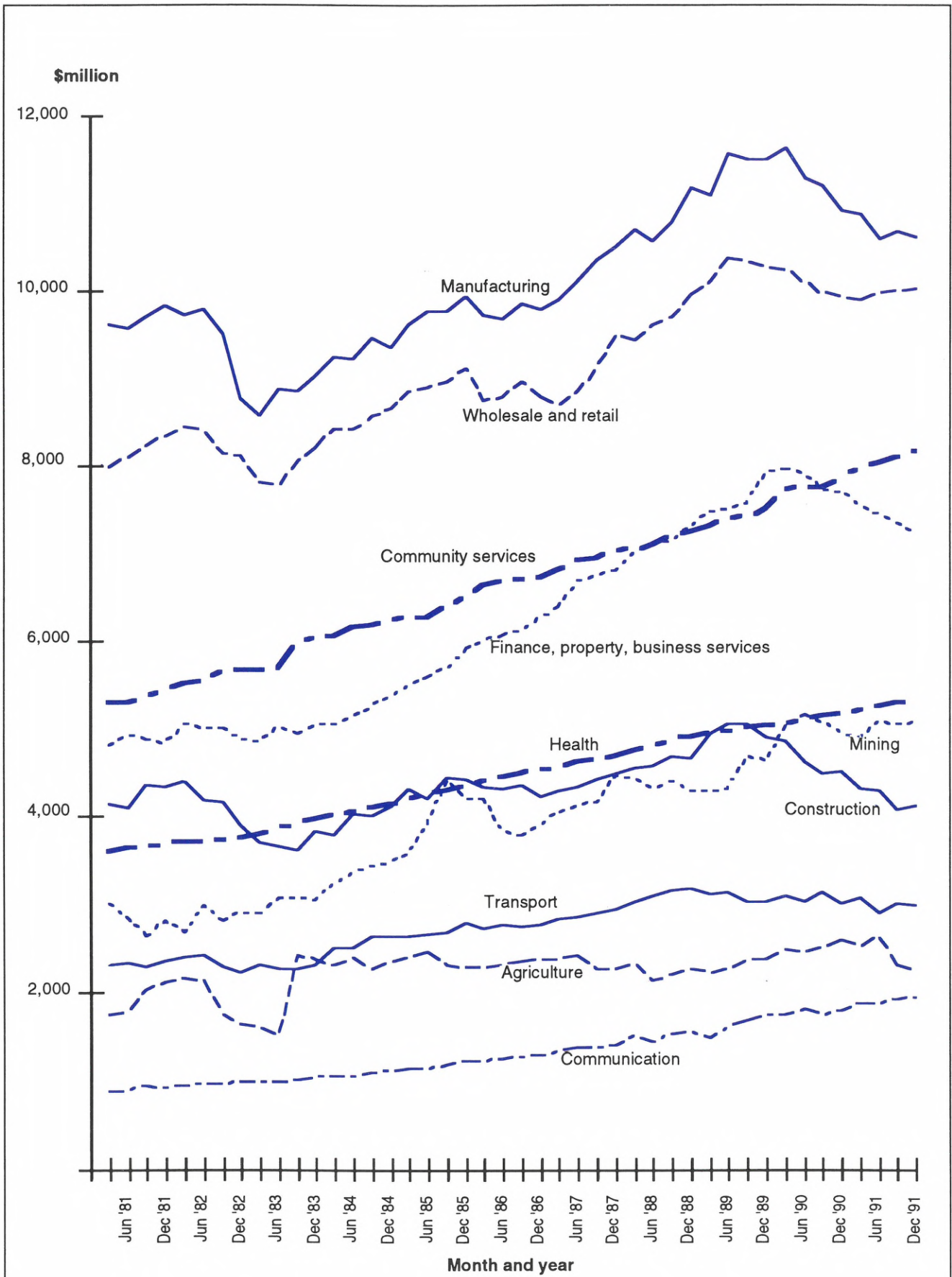


Figure 1: GDP by industry, Australia, constant 1984-85 prices, seasonally adjusted, quarterly

The growth of health expenditure in 1991–92 was higher than may have been expected given what were seen as severe constraints on State Government budgets. An examination of the growth in the Commonwealth, State and Local government and private sector expenditure gives some understanding of the factors behind the 6.6 per cent increase in health expenditure (current prices) in 1991–92.

In 1991–92 Commonwealth expenditure in the health area grew by 7.0 per cent overall. This reflected a growth of 8.2 per cent in funding of Medicare benefits, 3.9 per cent in the funding of hospital services, 9.0 per cent in the funding of pharmaceuticals, and 4.8 per cent in the funding of nursing homes and domiciliary care.

The large increase in Medicare benefits was due to a 6.9 per cent increase in number of services and a 1.3 per cent increase in the cost per service. Part of the increase was due

## Health Expenditure

to severe respiratory illnesses in the winter of 1992.

State and local government health expenditure is estimated to have increased by 5.1 per cent in 1991–92 as against 7.3 per cent in the privately funded sector. Of the \$10.6 billion funded by the private sector, about \$3.3 billion was funded by private health insurance funds. Benefits paid by these funds increased by 8 per cent in 1991–92.

Areas showing comparatively low growth rates in 1991–92 included public hospital and nursing home funding, where budgets are largely controlled by government. Areas with higher growth rates included medical and pharmaceutical services and other areas where funding is not capped, either by government or by private insurers. Since recurrent expenditure accounts for around 95 per cent of total expenditure, its growth pattern and growth rates are similar

to those for total health expenditure. Growth rates in current prices of recurrent health expenditure fluctuated between 10.3 and 13.6 per cent during the 1984–85 to 1988–89 period, and declined from 12.4 per cent in 1988–89 to 6.8 per cent in 1991–92. In constant price terms, the growth rate was as low as 2.7 per cent in 1990–91, increasing to 3.9 per cent in 1991–92. Average annual growth rates in current and constant prices between 1984–85 and 1991–92 were 10.5 per cent and 3.8 per cent respectively (Table 2).

Average health expenditure per person in 1991–92 was \$1,904. The average annual growth in current and constant prices between 1984–85 and 1991–92 were 8.8 per cent and 2.4 per cent respectively. From 1988–89 on, growth rates in current prices declined from 10.2 per cent to 5.1 per cent in 1991–92. In constant prices, growth rates declined from 3.0 per cent in 1988–89 to 0.9 per cent in 1990–91 after which they increased to 2.5 per cent in 1991–92 (Table 3, overleaf).

**Table 1: Total health expenditure and rate of growth 1984–85 to 1991–92 (current and constant 1984–85 prices)**

Year	Amount (\$m)		Rate of growth (%)	
	Current prices	Constant 1984–85 prices <sup>(a)</sup>	Current prices	Constant 1984–85 prices <sup>(a)</sup>
1984–85	16,546	16,546	–	–
1985–86	18,586	17,438	12.3	5.4
1986–87	21,115	18,145	13.6	4.1
1987–88	23,328	18,796	10.5	3.6
1988–89	26,154	19,694	12.1	4.8
1989–90	28,673	20,309	9.6	3.1
1990–91 <sup>(b)</sup>	31,122	20,800	8.5	2.4
1991–92 <sup>(b)</sup>	33,178	21,641	6.6	4.0

(a) Health expenditure 1984–85 to 1991–92 deflated to constant prices using specific health deflators (Table 18).

(b) Based on preliminary ABS estimates (see Table 17).

**Table 2: Recurrent health expenditure and rate of growth 1984–85 to 1991–92 (current and constant 1984–85 prices<sup>(a)</sup>)**

Year	Amount (\$m)		Rate of growth (%)	
	Current prices	Constant 84–85 prices <sup>(b)</sup>	Current prices	Constant 84–85 prices <sup>(b)</sup>
1984–85	15,777	15,777	–	–
1985–86	17,588	16,526	11.5	4.7
1986–87	19,982	17,177	13.6	3.9
1987–88	22,045	17,761	10.3	3.4
1988–89	24,789	18,655	12.4	5.0
1989–90	27,217	19,261	9.8	3.2
1990–91 <sup>(c)</sup>	29,671	19,773	9.0	2.7
1991–92 <sup>(c)</sup>	31,682	20,546	6.8	3.9

(a) Government capital consumption included in recurrent expenditure.

(b) Health expenditure 1984–85 to 1991–92 deflated to constant prices using specific health deflators (Table 18).

(c) Based on preliminary ABS estimates (see Table 17).

**Table 3: Health expenditure per person and rate of growth 1984–85 to 1991–92 (current and constant 1984–85 prices)**

Year	Per person (\$)		Rate of growth (%)	
	Current prices	Constant 1984–85 prices <sup>(a)</sup>	Current prices	Constant 1984–85 prices <sup>(a)</sup>
1984–85	1,055	1,055	–	–
1985–86	1,169	1,097	10.8	3.9
1986–87	1,309	1,125	12.0	2.5
1987–88	1,424	1,147	8.8	2.0
1988–89	1,569	1,181	10.2	3.0
1989–90	1,694	1,200	8.0	1.6
1990–91 <sup>(b)</sup>	1,812	1,211	7.0	0.9
1991–92 <sup>(b)</sup>	1,904	1,242	5.1	2.5

(a) Health expenditure 1984–85 to 1991–92 deflated to constant prices using specific health deflators (Table 18).

(b) Based on preliminary ABS estimates (see Table 17).

Sources: Health expenditure—AIHW estimates

Population—1984–85: ABS. Australian demographic statistics, December quarter 1990. Cat. no. 3101.0.

1985–86 to 1990–91: ABS. Australian demographic statistics, December quarter 1991. Cat. no. 3101.0.

1991–92 estimated applying 1.5 per cent growth rate to 1990–91 population figure.

## Health expenditure as a proportion of GDP 1984–85 to 1991–92

During the eight-year period under study, in current prices, health expenditure as a proportion of GDP was fairly constant at around 7.7 to 7.8 per cent for the first six years. AIHW preliminary estimates of health expenditure show health expenditure as a proportion of GDP in 1990–91 and 1991–92 to be greater than 8 per cent with an all-time high of 8.6 per cent in 1991–92 (Table 4).

If both health expenditure and GDP are adjusted for inflation, the health expenditure to GDP ratio moves from 7.9 per cent in 1989–90 to 8.4 per cent in 1991–92 (Table 5). The increase in the health expenditure to GDP ratio is mainly due to the decline in or low growth of GDP in this period. GDP fell 0.5 per cent in 1990–91 and only grew 0.2 per cent in 1991–92. If GDP had grown in these two years at the average annual growth rate of GDP of 3.4 per cent for the previous eight years (1981–82 to 1989–90), then the health expenditure to GDP ratio in

1991–92 would have been 7.9 per cent.

Figure 1 shows that health expenditure grows at a relatively steady rate and is much less dependent on the business cycle than other sectors of the economy. Manufacturing, construction, and wholesale and retail, for example, show marked fluctuations which are not seen in the health industry.

In the last two years although the health expenditure to GDP ratio has gone up significantly, there has not been a significant change in the growth rate of health expenditure. The constant price increases in health expenditure of 2.4 per cent in 1990–91 and 4.0 per cent in 1991–92 have not been higher than average increases in the period 1975–76 to 1989–90. The 2.4 per cent growth in 1990–91 is lower than average. The 1991–92 growth of 4.0 per cent is about average. Revisions may change these numbers somewhat, but the data to date indicates that while the health expenditure to GDP ratio has increased in the last two years, this has not been due to an increase in the rate of growth of health expenditure.

Figure 3 plots 1975–76 to 1991–92 constant price GDP and health expenditure with a base year of

1975–76 set equal to 100. This shows that health expenditure grew somewhat faster than GDP in the overall period. GDP sometimes falls, as in 1982–83 and 1990–91, but health expenditure never falls in constant price terms. Health expenditure growth is on average higher when GDP growth is higher, and is on average somewhat lower when GDP growth is lower than normal. However, there appears to be a significant resistance to an actual reduction in health expenditure.

In the period 1982–83 to 1989–90 health expenditure growth fairly closely paralleled GDP growth, but health expenditure did not fall or flatten out in 1990–91 and 1991–92 as GDP did. Figure 3 shows that the gap between the health expenditure growth index line and the GDP growth index line is now quite significant. Previous experience indicates that the gap will not reduce to any large extent. Whether it will stay constant or whether it will increase is the question that will be answered over the next few years.

Table 4: Total health expenditure and GDP 1984–85 to 1991–92 (current prices)

Year	Total health expenditure		GDP		Total health expenditure as % of GDP
	Amount (\$m)	Growth rate (%)	Amount (\$m)	Growth rate (%)	
1984–85	16,546	—	216,176	—	7.7
1985–86	18,586	12.3	240,317	11.2	7.7
1986–87	21,115	13.6	264,383	10.0	8.0
1987–88	23,328	10.5	298,291	12.8	7.8
1988–89	26,154	12.1	339,723	13.9	7.7
1989–90	28,673	9.6	369,749	8.8	7.8
1990–91 <sup>(a)</sup>	31,122	8.5	378,413	2.3	8.2
1991–92 <sup>(a)</sup>	33,178	6.6	384,871	1.7	8.6

(a) Total health expenditure figures are based on preliminary ABS estimates (see Table 17).

Source: GDP figures: ABS. Australian national accounts-national income and expenditure, June quarter 1992. 5206.0. This is GDP (I)—the income-based measure.

Table 5: Total health expenditure and GDP 1984–85 to 1991–92 (constant 1984–85 prices)

Year	Total health expenditure		GDP		Total health expenditure as % of GDP
	Amount (\$m)	Growth rate (%)	Amount (\$m)	Growth rate (%)	
1984–85	16,546	–	216,177	–	7.7
1985–86	17,438	5.4	224,816	4.0	7.8
1986–87	18,145	4.1	230,229	2.4	7.9
1987–88	18,796	3.6	240,567	4.5	7.8
1988–89	19,694	4.8	250,650	4.2	7.9
1989–90	20,309	3.1	257,857	2.9	7.9
1990–91 <sup>(a)</sup>	20,800	2.4	256,595	-0.5	8.1
1991–92 <sup>(a)</sup>	21,641	4.0	257,204	0.2	8.4

(a) Total health expenditure figures for these years are based on preliminary ABS estimates (see Table 17).

Source: GDP figures: ABS. Australian national accounts—national income and expenditure, June quarter 1992, 5206.0. This is GDP (I)—the income-based measure.

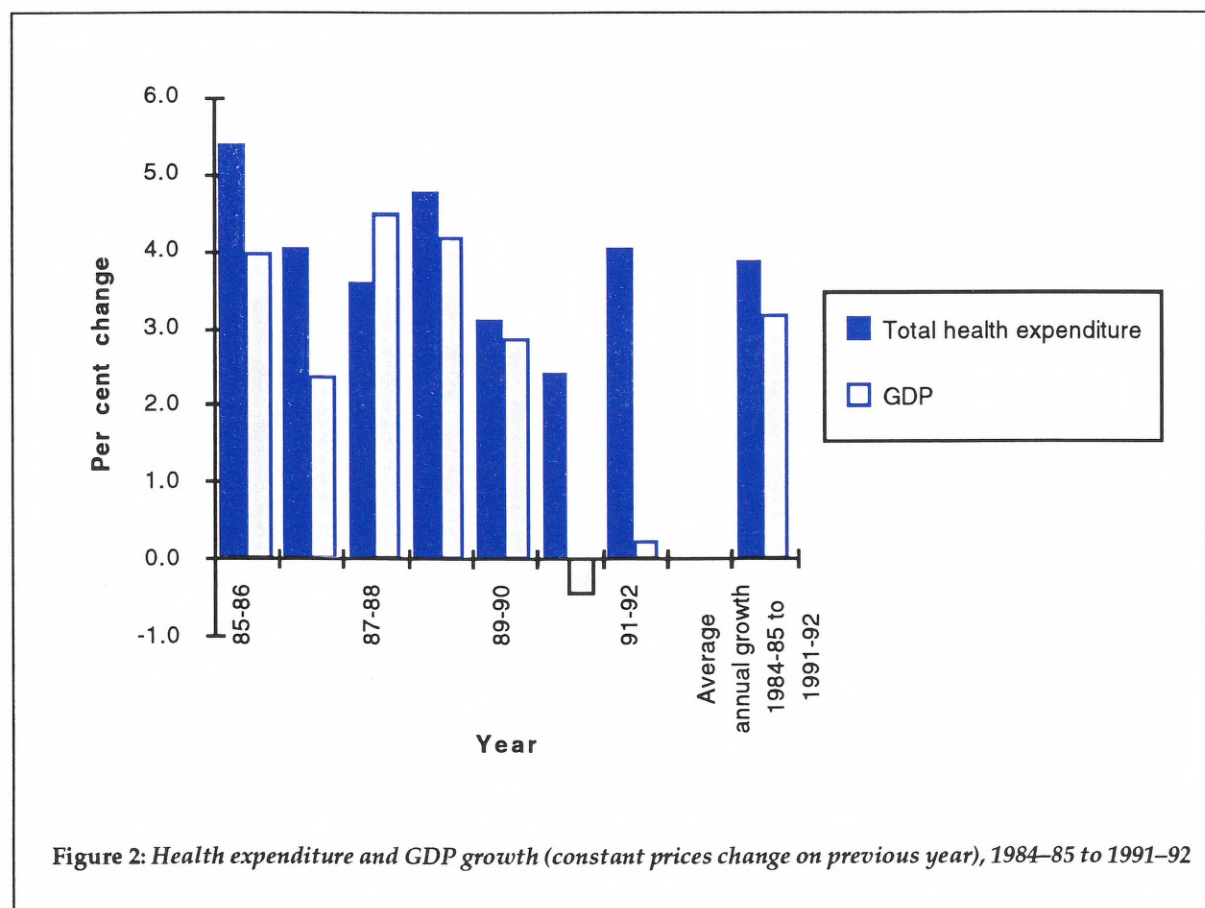
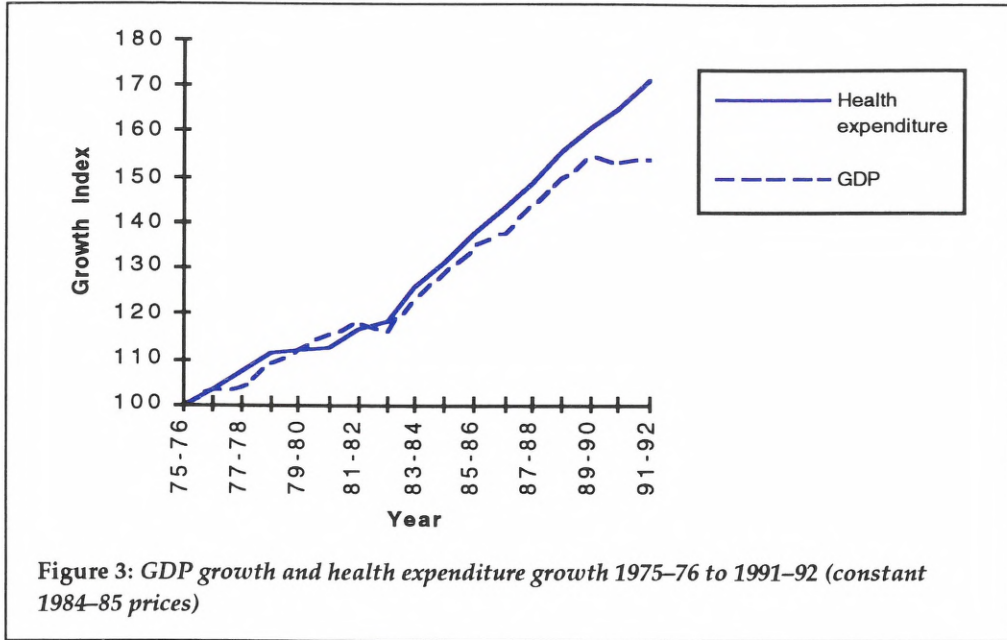


Figure 2: Health expenditure and GDP growth (constant prices change on previous year), 1984–85 to 1991–92



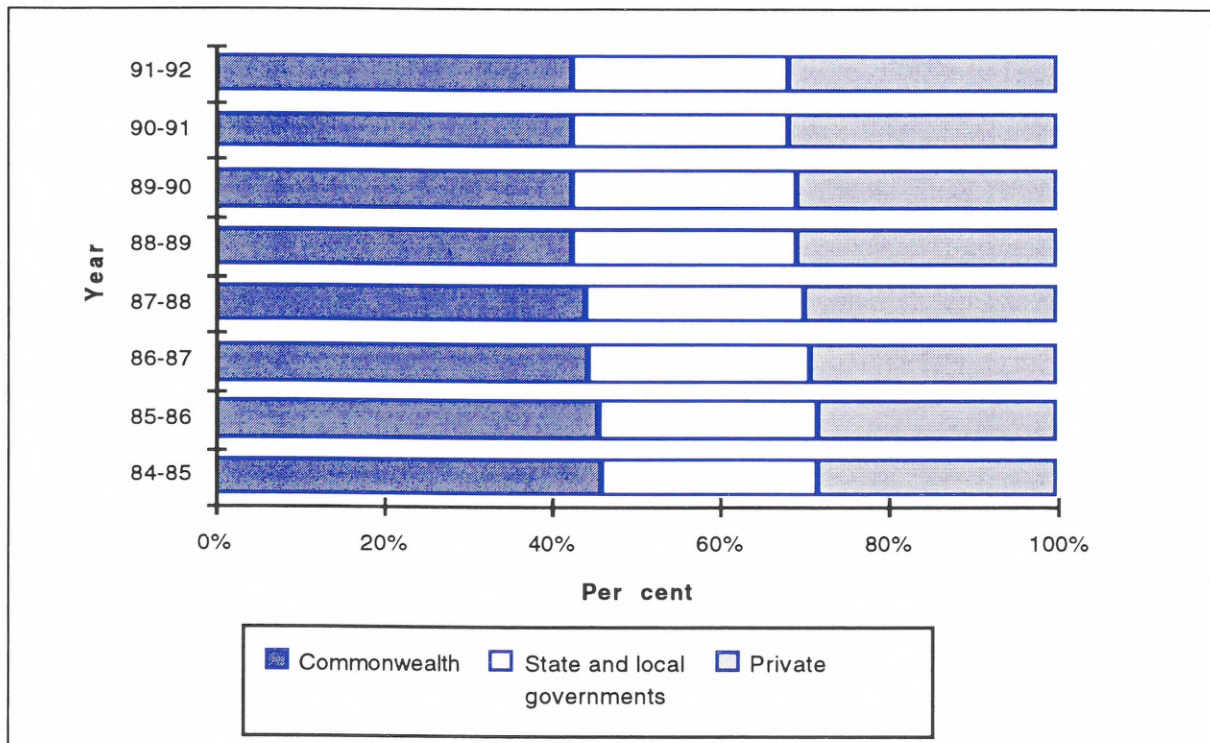
### Health expenditure by source of funds

The proportion of health expenditure funded by the public sector decreased from 71.8 per cent in 1984-85 to 68.0 per cent in 1991-92, which was reflected in the

increase in the private share (Table 6). From 1984-85 to 1989-90, this fall was due to a fall in the Commonwealth proportion, not to a fall in the State/Territory and local government proportion (see page 8 of *Health expenditure bulletin no. 7* for factors contributing to the

fall in the Commonwealth share). From 1984-85 to 1989-90 the State/Territory and local government share fluctuated between 25.8 per cent and 26.6 per cent. From 1989-90, the State and local government share fell from 26.6 per cent to 25.4 per cent in 1991-92 (Table 7).

(continued page 11)



**Figure 4: Proportion of total health expenditure by source of funds, 1984-85 to 1991-92 (current prices)**

**Table 6: Health expenditure by source of funds adjusted for tax rebates on medical expenditure, 1984–85 to 1991–92 (current prices)**

Year	Source of funds				Total
	Commonwealth government	State and local governments	Total government	Private	
<b>Amount (\$m)</b>					
1984–85	7,619	4,267	11,886	4,660	16,546
1985–86	8,507	4,815	13,322	5,264	18,586
1986–87	9,369	5,577	14,946	6,169	21,115
1987–88	10,280	6,077	16,357	6,971	23,328
1988–89	11,137	6,925	18,062	8,092	26,154
1989–90 <sup>(a)</sup>	12,159	7,635	19,794	8,879	28,673
1990–91	13,217	8,007	21,224	9,898	31,122
1991–92	14,139	8,418	22,557	10,621	33,178
<b>Percentage</b>					
1984–85 <sup>(b)</sup>	46.0	25.8	71.8	28.2	100.0
1985–86 <sup>(c)</sup>	45.8	25.9	71.7	28.3	100.0
1986–87 <sup>(c)</sup>	44.4	26.4	70.8	29.2	100.0
1987–88 <sup>(c)</sup>	44.1	26.1	70.1	29.9	100.0
1988–89 <sup>(c)</sup>	42.6	26.5	69.1	30.9	100.0
1989–90 <sup>(d)</sup>	42.4	26.6	69.0	31.0	100.0
1990–91 <sup>(d)</sup>	42.5	25.7	68.2	31.8	100.0
1991–92 <sup>(d)</sup>	42.6	25.4	68.0	32.0	100.0
<b>Change in the proportion of funding (%)</b>					
1984–85 to 85–86	-0.6	0.5	-0.2	0.6	–
1985–86 to 86–87	-3.1	2.0	-1.2	3.2	–
1986–87 to 87–88	-0.7	-1.4	-0.9	2.3	–
1987–88 to 88–89	-3.4	1.6	-1.5	3.5	–
1988–89 to 89–90	-0.4	0.6	0.0	0.1	–
1989–90 to 90–91	0.1	-3.4	-1.2	2.7	–
1990–91 to 91–92	0.3	-1.4	-0.3	0.7	–

(a) ACT became self-governing since 1989–90 and therefore is included in the State and local Governments column from 1989–90 on.

(b) The estimated medical expenditure tax rebate of \$21 million for 1984–85 is from table 3 of the Treasury's December 1987 Tax Expenditure Statement.

(c) The 1985–86 to 1988–89 medical tax rebate statistics come from the Australian Taxation Office, Taxation statistics, AGPS, Canberra table 1.17. The rebates for 1985–86 to 1988–89 were \$28 million, \$41 million, \$47 million and \$50 million respectively.

(d) The medical expenditure tax rebates for 1989–90 to 1991–92 have been estimated by applying the growth rate in total private expenditure to the 1988–89 level of medical expenditure rebate. The 1989–90, 1990–91 and 1991–92 medical expenditure rebates estimates are \$55 million, \$62 million and \$66 million respectively.



**Table 7: Health expenditure by source of funds unadjusted for tax rebates on medical expenditure, 1984–85 to 1991–92 (current prices)**

Year	Source of funds				Total
	Commonwealth government	State and local government	Total government	Private	
<b>Amount (\$m)</b>					
1984–85	7,598	4,267	11,865	4,681	16,546
1985–86	8,479	4,815	13,294	5,292	18,586
1986–87	9,328	5,577	14,905	6,210	21,115
1987–88	10,233	6,077	16,309	7,018	23,328
1988–89	11,087	6,925	18,012	8,142	26,154
1989–90	12,104	7,635	19,739	8,934	28,673
1990–91	13,155	8,007	21,162	9,960	31,122
1991–92	14,073	8,418	22,491	10,687	33,178
<b>Percentage</b>					
1984–85	45.9	25.8	71.7	28.3	100
1985–86	45.6	25.9	71.5	28.5	100
1986–87	44.2	26.4	70.6	29.4	100
1987–88	43.9	26.0	69.9	30.1	100
1988–89	42.4	26.5	68.9	31.1	100
1989–90 (a)	42.2	26.6	68.8	31.2	100
1990–91	42.3	25.7	68.0	32.0	100
1991–92	42.4	25.4	67.8	32.2	100
<b>Change in the proportion of funding (%)</b>					
1984–85 to 85–86	-0.7	0.5	-0.3	0.6	–
1985–86 to 86–87	-3.2	2.0	-1.3	3.3	–
1986–87 to 87–88	-0.7	-1.4	-1.0	2.3	–
1987–88 to 88–89	-3.4	1.6	-1.5	3.5	–
1988–89 to 89–90	-0.4	0.6	0.0	0.1	–
1989–90 to 90–91	0.1	-3.4	-1.2	2.7	–
1990–91 to 91–92	0.3	-1.4	-0.3	0.6	–

(a) ACT became self-governing since 1989–90 and therefore is included in the State and local governments column from 1989–90 on.

**Table 8: Rate of growth of recurrent, capital and total health expenditure by source of funds 1984–85 to 1991–92 adjusted for tax rebates on medical expenses, (current prices)**

Year	Source of funds				Total
	Commonwealth government	State and local governments	Total government	Private	
<b>Recurrent expenditure<sup>(a)</sup></b>	<b>(Per cent)</b>				
1984–85 to 85–86	11.2	12.7	11.5	11.4	11.5
1985–86 to 86–87	10.0	16.2	12.0	17.8	13.6
1986–87 to 87–88	9.4	10.3	9.7	11.9	10.3
1987–88 to 88–89	9.2	13.4	10.6	16.9	12.4
1988–89 to 89–90	8.9	9.7	9.2	11.3	9.8
1989–90 to 90–91	9.2	3.6	7.1	13.3	9.0
1990–91 to 91–92	6.9	5.3	6.3	8.0	6.9
1984–85 to 91–92	9.2	10.1	9.5	12.9	10.5
<b>Capital expenditure</b>					
1984–85 to 85–86	166.8	14.2	26.4	34.0	29.7
1985–86 to 86–87	25.2	12.7	14.8	12.2	13.6
1986–87 to 87–88	34.8	-4.1	3.0	26.1	13.2
1987–88 to 88–89	-41.6	20.1	5.7	7.2	6.4
1988–89 to 89–90	50.3	15.8	20.4	-7.4	6.7
1989–90 to 90–91	-34.2	17.8	9.1	-12.9	-0.3
1990–91 to 91–92	19.8	3.3	5.0	-4.8	1.3
1984–85 to 91–92	17.6	11.2	11.8	6.5	9.7
<b>Total health expenditure</b>					
1984–85 to 85–86	11.9	12.9	12.0	13.0	12.3
1985–86 to 86–87	10.1	15.8	12.1	17.3	13.6
1986–87 to 87–88	9.7	9.0	9.4	13.0	10.1
1987–88 to 88–89	8.4	14.0	10.4	16.0	12.1
1988–89 to 89–90	9.3	10.2	9.6	9.7	9.6
1989–90 to 90–91	8.8	4.9	7.2	11.5	8.5
1990–91 to 91–92	7.0	5.1	6.3	7.3	6.6
1984–85 to 91–92	9.3	10.2	9.6	12.5	10.4

(a) Includes Government capital consumption

From 1985–86 on, individuals could claim a tax rebate from the Commonwealth Government for net medical expenses exceeding \$1,000. This and other arrangements replaced a general tax rebate which covered expenses such as health services, funeral expenses, and education expenses. The tax rebate rate was 30 per cent in 1985–86 but reduced to 29 per cent in 1991–92. Amounts claimed by individuals are a loss for Commonwealth Government revenue and so are a 'tax expenditure' by the Commonwealth Government. Adjustment is thus made to include tax rebates on medical expenditure as part of the Commonwealth Government outlays and to reduce the expenditure funded by the private sector accordingly.

Tax rebates on medical expenditure were published as a separate item from other rebates from 1985–86 to 1988–89 by the Australian Taxation Office. However, from 1989–90 on, tax rebates on medical expenditure are aggregated into 'Other rebates' and cannot be separated out. AIHW estimated the tax rebates on medical expenditure for 1989–90 to 1991–92. These amounts were then added to the Commonwealth expenditure and subtracted from the private sector.

The estimated cost of the rebates in 1989–90 was \$55m; in 1990–91, \$62m and in 1991–92, \$66m. The final effect of the tax rebate is to increase the Commonwealth share while reducing the private share. Table 6 shows the proportion of health expenditure funded by the Commonwealth Government, State/Territory and local governments, and private sector, when tax rebates for medical expenses are included as part of Commonwealth expenditure. From 1985–86, the Commonwealth share increased 0.25 percentage points on

average and the private share was reduced accordingly (Table 6).

During the period 1985–86 to 1991–92, the average annual growth rate of total Commonwealth Government health expenditure was 9.3 per cent, which was 3.1 per cent lower than the private sector growth rate and 0.9 per cent lower than the State/Territory and local government growth rate. For recurrent health expenditure, the growth pattern and rates were similar to those for total health expenditure. For capital expenditure, it was the public sector that increased its spending in contrast to the negative growth in the private sector over the three most recent years (Table 8).

## Changes in distribution of recurrent health expenditure from 1984–85 to 1989–90

### Institutional health services

Over the 1984–85 to 1989–90 period slightly more than half of total recurrent health expenditure has been on institutional health services. In 1984–85 it was 55 per cent but declined to 52 per cent in 1989–90. The fall in the proportion of recurrent expenditure on institutional services was mainly due to a fall in the expenditure share of hospitals from 44 per cent in 1984–85 to 41.4 per cent in 1989–90. Specifically, the decreases were 1.8 per cent in recognised public hospitals, and 1.1 per cent in public psychiatric hospitals (see Tables 9–14).

From 1987–88, a new method has been applied for estimating expenditure on nursing homes. Nursing home expenditure prior to 1987–88, and from 1987–88 on are not directly comparable. From

1987–88 on, the proportion of expenditure on nursing homes declined slightly from 8.7 per cent in 1987–88 to 8.6 per cent in 1988–89 and 1989–90. This fall may be attributable to an increasing proportion of the aged being cared for in hostels and in the community, which can be observed in the decline in number of nursing home beds per 1,000 population, from 60.5 in 1988–89 to 58.6 in 1989–90 and to 56.8 in 1990–91.

### Non-institutional health services

The fall in the proportion of expenditure on institutional services is reflected in the increase in the proportion spent on non-institutional services. Areas where proportions of recurrent expenditure increased significantly over the five-year period were medical services— from 17.4 per cent to 18.3 per cent, dental services— from 4.6 per cent to 5.1 per cent, other professional services— from 3.1 per cent to 4.0 per cent, and pharmaceuticals— from 8.6 per cent to 9.4 per cent.

### Pharmaceuticals

For pharmaceuticals, the increase was attributable mainly to the increase in the category of pharmaceuticals for which Government benefits are not paid. (This is labelled as 'all other items'). This category includes not only over-the-counter, (OTC) drugs, but also prescribed drugs for which no subsidies are paid through the Pharmaceutical Benefits Scheme (PBS). The higher rate of growth of the item was largely due to the delisting from the PBS of a range of OTC drugs, the move by most public hospitals to reduce the supply of drugs provided to non-inpatients and to inpatients on discharge from hospital, and the increase in the patients' copayment.

The de-listing of the drugs from the PBS meant that prescriptions were no longer required for their use, and PBS subsidies were no longer payable, thus increasing the number of OTC items sold and their costs. The reduction of drugs supplied by public hospitals effectively transferred costs from the public hospitals to patients and the Commonwealth Government (through subsidies provided by PBS). The increase in the patients' copayment on PBS prescribed drugs means that some PBS scripts do not attract a Government subsidy and that patients bear all the costs of these drugs. In former years the cost of these scripts would have been included in the 'benefits paid pharmaceuticals' row. Now it is in the 'all other pharmaceutical items' row. General beneficiaries now pay (as of 1 April 1992) the first \$15.70 of the cost of a PBS prescription.

### Average annual growth rates

Average annual growth rate of recurrent expenditure on institutional services (in current prices) for the 1984-85 to 1989-90 five-year period was 8.7 per cent, which was 1.9 per cent lower than that of non-institutional services (Table 15).

Within institutional services, private hospitals grew at a faster average annual rate than recognised public hospitals by 0.3 percentage points.

Within non-institutional services, the first three of seven areas with higher average annual growth than that of total recurrent expenditure were 'other professional services' (14.7 per cent), 'pharmaceuticals—all other items' (13.8 per cent), and 'dental services' (11.9 per cent).

When inflation is taken into account, the difference in growth rate between institutional and non-

institutional services was less (1.3 per cent). This is because the inflation rate was higher in the non-institutional sector, with pharmaceuticals and other professional services showing the highest inflation rates (Table 16).

### Where the dollar was spent in 1989-90

For each \$100 of recurrent health expenditure in 1989-90, \$41 was spent on hospitals, and \$9 on nursing homes (Figure 5 and Table 14). The remainder was spent on non-institutional services, the five largest spending areas being \$18 for medical services, \$9 for pharmaceuticals, \$5 for dental services, \$4 for other health professionals such as physiotherapists and chiropractors, and \$4 for community and public health.

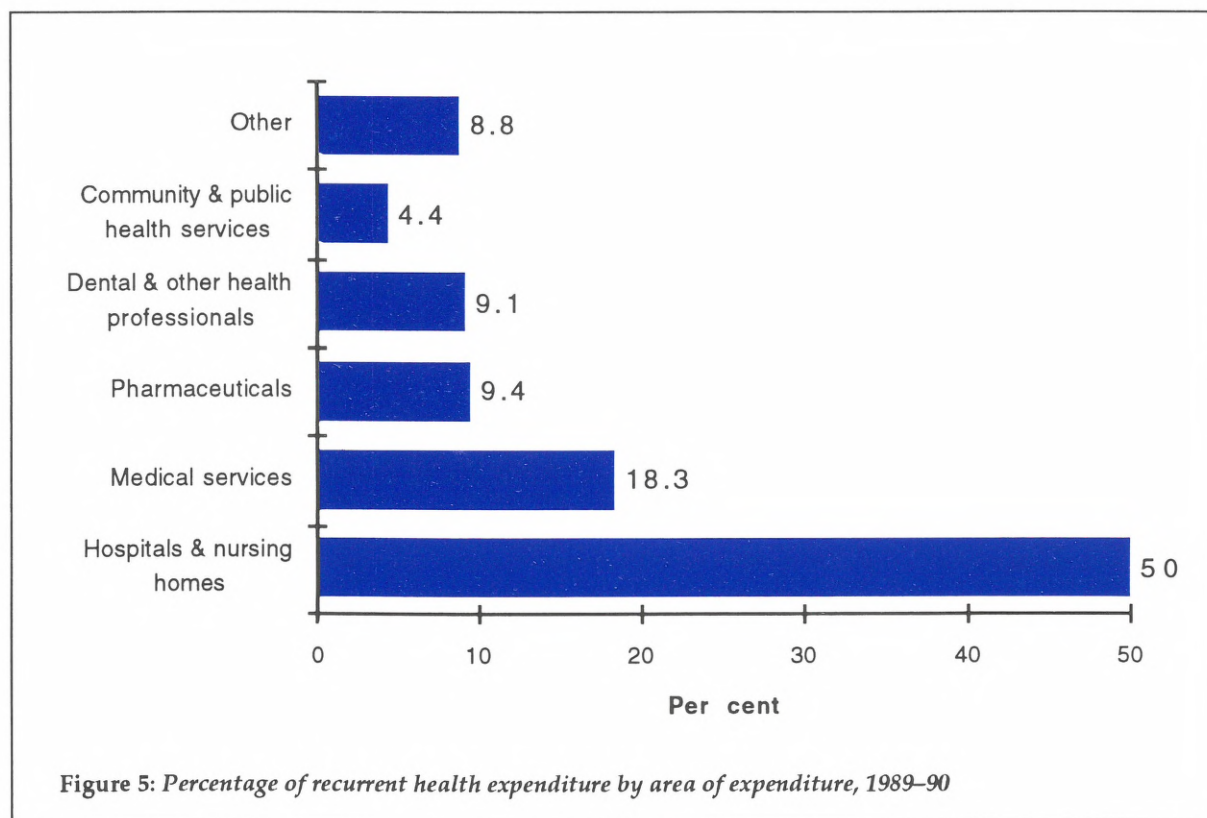


Table 9: Total health expenditure by area of expenditure and source of funds<sup>(a)</sup> 1984–85<sup>(b)</sup> (current prices)

Area of expenditure	Public sector			Private sector			Total (\$m)	Percentage of recurrent expenditure	
	Commonwealth government (\$m)	State and local governments (\$m)	Total government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other <sup>(c)</sup> (\$m)			Total private (\$m)
<b>Total health expenditure</b>	7,598	4,267	11,865	na	na	na	4,681	16,546	–
Capital expenditure	35	403	437	na	na	na	<sup>(d)</sup> 332	769	–
Capital consumption	30	350	380	(e)	(e)	(e)	(e)	380	–
<b>Total recurrent expenditure</b>	7,533	3,514	11,048	1,456	2,323	571	4,349	15,397	100.0
<i>Total institutional</i>	3,937	2,803	6,740	862	508	349	1,719	8,459	54.9
Total hospitals	2,866	2,566	5,432	828	178	337	1,343	6,775	44.0
Recognised public <sup>(f)</sup>	2,444	2,026	4,470	291	–	293	584	5,054	32.8
Private	166	–	166	533	136	33	703	869	5.6
Repatriation	231	6	237	4	–	3	6	243	1.6
Public psychiatric	25	534	559	–	42	8	50	609	4.0
Total nursing homes	1,005	126	1,131	–	270	3	273	1,404	9.1
Government and other	722	126	848	–	188	2	190	1,038	6.7
Deficit financed	283	–	283	–	83	1	83	367	2.4
Other institutional services	66	111	176	34	60	8	103	279	1.8
Ambulance	39	111	150	34	60	8	103	253	1.6
Other institutional (nec)	26	–	26	–	–	–	–	26	0.2
<i>Total non-institutional</i>	3,596	712	4,308	593	1,814	223	2,630	6,938	45.1
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	3.1
Community and public health <sup>(g)</sup>	138	461	599	1	3	3	7	606	3.9
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
Administration	231	113	344	204	–	–	204	548	3.6
Research	157	22	179	–	39	–	39	219	1.4
Other non-institutional	9	50	59	–	–	–	–	59	0.4

See footnotes (a)–(g) next page

- (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 bulletin no.7* are provided on pages 34–35.
- (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) From *Health expenditure bulletin no. 7* onwards, identified health grants (IHGs) of \$1,401 million have been included as part of Commonwealth outlays on health, even though they are classified as part of general revenue grants from the Commonwealth to the States by the Department of Finance. State and local government outlays on health have consequently been reduced by the amount of IHGs. (*Payments to or for the States, the Northern Territory and Local Government authorities 1986–87*. 1986–87 Budget Paper No.7. AGPS, Canberra: 29, and *Payments to or for the States, the Northern Territory and Local Government authorities 1984–85*. 1984–85 Budget Paper No.7. AGPS, Canberra: 234.)
- (g) This includes the old categories of community health services and health promotion and illness prevention (see definition in 'Technical notes'). Health promotion and illness prevention accounted for 18 per cent of the combined category in 1984–85.

Table 10: Total health expenditure by area of expenditure and source of funds<sup>(a)</sup> 1985–86<sup>(b)</sup> (current prices)

Area of expenditure	Public sector			Private sector				Total (\$m)	Percentage of recurrent expenditure
	Commonwealth government (\$m)	State and local governments (\$m)	Total government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other <sup>(c)</sup> (\$m)	Total private (\$m)		
<b>Total health expenditure</b>	8,479	4,815	13,294	na	na	na	5,292	18,586	–
Capital expenditure	93	460	553	na	na	na	445 <sup>(d)</sup>	998	–
Capital consumption	35	381	416	(e)	(e)	(e)	(e)	416	–
<b>Total recurrent expenditure</b>	8,350	3,975	12,325	1,767	2,665	415	4,847	17,172	100.0
<i>Total institutional</i>	4,249	3,209	7,458	1,017	542	205	1,764	9,221	53.7
Total hospitals	3,093	2,936	6,028	977	176	191	1,344	7,372	42.9
Recognised public <sup>(f)</sup>	2,651	2,373	5,024	340	–	153	493	5,518	32.1
Private	168	–	168	634	132	34	800	969	5.6
Repatriation	254	6	260	4	–	2	6	266	1.6
Public psychiatric	18	557	575	–	44	1	44	619	3.6
Total nursing homes	1,081	158	1,240	–	303	3	306	1,546	9.0
Government and other	775	158	933	–	209	2	211	1,144	6.7
Deficit financed	307	–	307	–	94	1	95	402	2.3
Other institutional services	75	114	190	40	63	11	114	304	1.8
Ambulance	45	114	159	40	63	11	114	273	1.6
Other institutional (nec)	31	–	31	–	–	–	–	31	0.2
<i>Total non-institutional</i>	4,101	766	4,868	750	2,124	210	3,083	7,951	46.3
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 and public health <sup>(g)</sup>	152	536	688	1	–	–	1	689	4.0
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
Administration	258	73	332	233	–	–	233	565	3.3
Research	166	25	191	–	43	–	43	234	1.4
Other non-institutional	9	60	69	–	–	–	–	69	0.4

See footnotes (a)–(g) next page

- (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 bulletin no.7* are provided on pages 34–35.
- (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) From *Health expenditure bulletin no. 7* onwards, identified health grants (IHGs) of \$1,483 million have been included as part of Commonwealth outlays on health, even though they are classified as part of general revenue grants from the Commonwealth to the States by the Department of Finance. State and local government outlays on health have consequently been reduced by the amount of IHGs. (*Budget Statement 1987–88*. Budget Paper No.1. AGPS, Canberra: 279.)
- (g) It includes the old categories of community health services and health promotion and illness prevention (see definition in 'Technical notes'). Health promotion and illness prevention accounted for 22 per cent of the combined category in 1985–86.



Table 11: Total health expenditure by area of expenditure and source of funds<sup>(a)</sup> 1986–87<sup>(b)</sup> (current prices)

Area of expenditure	Public sector			Private sector				Total (\$m)	Percentage of recurrent expenditure
	Commonwealth government (\$m)	State and local governments (\$m)	Total government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other <sup>(c)</sup> (\$m)	Total private (\$m)		
<b>Total health expenditure</b>	9,328	5,577	14,905	na	na	na	6,210	21,115	–
Capital expenditure	117	518	635	na	na	na	<sup>(d)</sup> 499	1,133	–
Capital consumption	41	413	4,554	<sup>(e)</sup>	<sup>(e)</sup>	<sup>(e)</sup>	<sup>(e)</sup>	454	–
<b>Total recurrent expenditure</b>	9,170	4,646	13,817	2,178	3,012	521	5,711	19,528	100.0
<i>Total institutional</i>	4,557	3,853	8,409	1,278	630	271	2,179	10,588	54.2
Total hospitals	3,245	3,521	6,766	1,234	225	256	1,716	8,482	43.4
Recognised public <sup>(f)</sup>	2,857	2,829	5,686	414	–	202	616	6,302	32.3
Private	90	–	90	816	172	50	1,037	1,127	5.8
Repatriation	278	6	284	4	–	3	7	291	1.5
Public psychiatric	20	686	706	–	54	2	55	761	3.9
Total nursing homes	1,214	195	1,410	–	338	4	342	1,752	9.0
Government and other	858	195	1,054	–	233	3	235	1,289	6.6
Deficit financed	356	–	356	–	106	1	107	463	2.4
Other institutional services	97	137	234	45	66	11	121	355	1.8
Ambulance	46	137	183	45	66	11	121	304	1.6
Other institutional (nec)	51	–	51	–	–	–	–	51	0.3
<i>Total non-institutional</i>	4,614	794	5,407	900	2,382	251	3,533	8,940	45.8
Medical services	2,971	–	2,971	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 and public health <sup>(g)</sup>	192	531	723	2	0	0	3	725	3.7
Total pharmaceuticals	833	0	833	30	823	7	860	1,693	8.7
Benefits paid items	833	–	833	–	189	–	189	1,022	5.2
All other items	0	–	0	30	634	7	671	671	3.4
Aids and appliances	40	1	41	98	266	2	365	406	2.1
Administration	246	83	329	282	–	–	282	611	3.1
Research	215	29	243	–	44	–	44	287	1.5
Other non-institutional	10	78	87	–	–	–	–	87	0.4

See footnotes (a)–(g) next page

- (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 bulletin no.7* are provided on pages 34–35.
- (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) From *Health expenditure bulletin no. 7* onwards, identified health grants (IHGs) of \$1,651 million have been included as part of Commonwealth outlays on health, even though they are classified as part of general revenue grants from the Commonwealth to the States by the Department of Finance. State and local government outlays on health have consequently been reduced by the amount of IHGs. (*Budget Statement 1987–88*. Budget Paper No.1. AGPS, Canberra: 279.)
- (g) It includes the old categories of community health services and health promotion and illness prevention (see definition in 'Technical notes'). Health promotion and illness prevention accounted for 26 per cent of the combined category in 1986–87.

Table 12: Total health expenditure by area of expenditure and source of funds<sup>(a)</sup> 1987–88<sup>(b)</sup> (current prices)

Area of expenditure	Public sector			Private sector				Total (\$m)	Percentage of recurrent expenditure
	Commonwealth government (\$m)	State and local governments (\$m)	Total government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other <sup>(c)</sup> (\$m)	Total private (\$m)		
<b>Total health expenditure</b>	10,233	6,077	16,309	na	na	na	7,018	23,328	–
Capital expenditure	157	496	654	na	na	na	<sup>(e)</sup> 629	1,282	–
Capital consumption	46	430	476	<sup>(e)</sup>	<sup>(e)</sup>	<sup>(e)</sup>	<sup>(e)</sup>	476	–
<b>Total recurrent expenditure</b>	10,029	5,150	15,180	2,537	3,389	464	6,389	21,569	100.0
<i>Total institutional</i>	4,866	4,320	9,186	1,487	699	207	2,393	11,579	53.7
Total hospitals	3,520	3,945	7,465	1,436	212	193	1,840	9,306	43.1
Recognised public <sup>(f)</sup>	3,123	3,180	6,302	469	–	136	605	6,908	32.0
Private	49	–	49	962	152	53	1,167	1,216	5.6
Repatriation	327	6	333	5	–	3	8	341	1.6
Public psychiatric	21	760	780	–	59	1	60	841	3.9
Total nursing homes <sup>(g)</sup>	1,271	213	1,485	–	416	4	420	1,905	8.8
Other institutional services	75	161	236	51	71	10	132	368	1.7
Ambulance	34	161	195	51	71	10	132	327	1.5
Other institutional (nec)	41	–	41	–	–	–	–	41	0.2
<i>Total non-institutional</i>	5,163	831	5,994	1,050	2,690	257	3,997	9,990	46.3
Medical services	3,187	–	3,187	104	440	156	700	3,887	18.0
Dental services	26	74	101	378	627	2	1,006	1,107	5.1
Other professional services	84	–	84	118	481	79	679	763	3.5
Community and public health <sup>(h)</sup>	248	571	819	1	–	5	6	825	3.8
Total pharmaceuticals	1,021	–	1,021	27	806	11	843	1,864	8.6
Benefits paid items	1,021	–	1,021	–	137	–	137	1,158	5.4
All other items	–	–	–	27	669	11	707	707	3.3
Aids and appliances	45	2	47	108	291	5	403	450	2.1
Administration	307	73	381	314	–	–	314	695	3.2
Research	233	35	268	–	45	–	45	313	1.5
Other non-institutional	11	75	86	–	–	–	–	86	0.4

See footnotes (a)–(h) next page

- (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.
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- (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) From *Health expenditure bulletin no. 7* onwards, identified health grants (IHGs) of \$1,820 million have been included as part of Commonwealth outlays on health, even though they are classified as part of general revenue grants from the Commonwealth to the States by the Department of Finance. State and local government outlays on health have consequently been reduced by the amount of IHGs. (*Commonwealth Financial Relations With Other Levels of Government 1988–89*. 1988–89 Budget Paper No.4. AGPS, Canberra:672).
- (g) 1987–88 nursing home expenditure is not comparable with earlier years because, from 1987–88, non-aged nursing homes expenditure was not included and the methodology for calculating individual contributions changed (see 'Technical notes' of *Health expenditure information bulletin no. 6* for further details).
- (h) It includes the old categories of community health services and health promotion and illness prevention (see definition in 'Technical notes'). Health promotion and illness prevention accounted for 27 per cent of the combined category in 1987–88.

Table 13: Total health expenditure by area of expenditure and source of funds<sup>(a)</sup> 1988–89 (current prices)

Area of expenditure	Public sector			Private sector			Total private (\$m)	Total (\$m)	Percentage of recurrent expenditure
	Commonwealth government (\$m)	State and local governments (\$m)	Total government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other <sup>(b)</sup> (\$m)			
<b>Total health expenditure</b>	11,087	6,925	18,012	na	na	na	8,142	26,154	–
Capital expenditure	92	599	691	na	na	na	<sup>(c)</sup> 674	1,365	–
Capital consumption	44	443	487	<sup>(d)</sup>	<sup>(d)</sup>	<sup>(d)</sup>	<sup>(d)</sup>	487	–
<b>Total recurrent expenditure</b>	10,951	5,883	16,834	2,770	4,017	682	7,468	24,302	100.0
<i>Total institutional</i>	5,228	4,904	10,132	1,591	739	352	2,681	12,813	52.7
Total hospitals	3,742	4,484	8,226	1,537	226	337	2,100	10,326	42.5
Recognised public	3,280	3,662	6,942	484	–	257	741	7,683	31.6
Private	52	–	52	1,046	162	75	1,283	1,335	5.5
Repatriation	400	6	406	7	–	4	11	417	1.7
Public psychiatric	10	816	826	–	64	1	65	891	3.7
Total nursing homes <sup>(e)</sup>	1,390	254	1,644	–	437	4	441	2,085	8.6
Other institutional services	95	167	262	54	76	11	140	402	1.7
Ambulance	36	167	203	54	76	11	140	343	1.4
Other institutional (nec)	59	–	59	–	–	–	–	59	0.2
<i>Total non-institutional</i>	5,723	979	6,702	1,179	3,278	330	4,787	11,489	47.3
Medical services	3,516	–	3,516	136	516	192	844	4,359	17.9
Dental services	27	75	103	418	730	3	1,151	1,253	5.2
Other professional services	93	–	93	126	658	84	868	961	4.0
Community and public health <sup>(f)</sup>	269	668	937	1	–	19	20	957	3.9
Total pharmaceuticals	1,104	–	1,104	30	1,025	9	1,064	2,169	8.9
Benefits paid items	1,104	–	1,104	–	168	–	168	1,273	5.2
All other items	–	–	–	30	857	9	896	896	3.7
Aids and appliances	46	2	48	120	304	24	448	495	2.0
Administration	409	99	508	348	–	–	348	856	3.5
Research	248	44	292	–	45	–	45	337	1.4
Other non-institutional	12	90	102	–	–	–	–	102	0.4

See footnotes (a)–(f) next page

- (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) The 'Other' column includes the health costs paid by workers' compensation and motor vehicle third party insurance funds.
- (c) Capital expenditure for the private sector cannot be broken down by source of funds.
- (d) Capital consumption (depreciation) for the private sector is included in recurrent expenditure.
- (e) 1988-89 and 1987-88 nursing home expenditure is not comparable with earlier years because, from 1987-88, non-aged nursing homes expenditure was not included and the methodology for calculating individual contributions changed (see 'Technical notes' of *Health expenditure information bulletin no. 6* for further details).
- (f) It includes the old categories of community health services and health promotion and illness prevention (see definition in 'Technical notes'). Health promotion and illness prevention accounted for 28 per cent of the combined category in 1988-89.

Table 14: Total health expenditure by area of expenditure and source of funds<sup>(a)</sup> 1989–90 (current prices)

Area of expenditure	Public sector			Private sector			Total private (\$m)	Total (\$m)	Percentage of recurrent expenditure
	Commonwealth government (\$m)	State and local governments (\$m)	Total government (\$m)	Health insurance funds (\$m)	Individuals (\$m)	Other <sup>(b)</sup> (\$m)			
<b>Total health expenditure</b>	12,104	7,635	19,739	na	na	na	8,934	28,673	–
Capital expenditure	138	694	832	na	na	na	<sup>(c)</sup> 624	1,456	–
Capital consumption	46	464	510	<sup>(d)</sup>	<sup>(d)</sup>	<sup>(d)</sup>	<sup>(d)</sup>	510	–
<b>Total recurrent expenditure</b>	11,920	6,477	18,397	3,134	4,453	723	8,310	26,707	100.0
<i>Total institutional</i>	5,587	5,294	10,882	1,817	724	356	2,897	13,779	51.6
Total hospitals	3,966	4,806	8,772	1,761	187	338	2,287	11,059	41.4
Recognised public	3,439	4,091	7,529	518	–	228	746	8,276	31.0
Private	69	–	69	1,235	132	104	1,471	1,540	5.8
Repatriation	445	3	448	8	–	5	12	460	1.7
Public psychiatric	14	712	726	–	56	1	57	783	2.9
Total nursing homes <sup>(e)</sup>	1,530	296	1,826	0	456	3	459	2,285	8.6
Other institutional services	92	192	283	55	81	15	152	435	1.6
Ambulance	35	190	225	55	81	15	152	377	1.4
Other institutional (nec)	57	1	58	–	–	–	–	58	0.2
<i>Total non-institutional</i>	6,332	1,183	7,515	1,318	3,729	367	5,413	12,928	48.4
Medical services	3,934	8	3,942	151	585	199	936	4,878	18.3
Dental services	29	63	91	463	808	3	1,273	1,365	5.1
Other professional services	104	0	104	141	727	105	973	1,077	4.0
Community and public health <sup>(f)</sup>	272	852	1,124	1	–	40	41	1,165	4.4
Total pharmaceuticals	1,264	–	1,264	35	1,194	17	1,246	2,510	9.4
Benefits paid items	1,264	–	1,264	–	185	–	185	1,448	5.4
All other items	–	–	–	35	1,009	17	1,061	1,062	4.0
Aids and appliances	51	2	53	136	370	3	509	562	2.1
Administration	377	128	505	390	–	–	390	896	3.4
Research	289	51	341	0	45	–	45	385	1.4
Other non-institutional	12	78	90	–	–	–	–	90	0.3

See footnotes (a)–(f) next page

- (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) The 'Other' column includes the health costs paid by workers compensation and motor vehicle third party insurance funds.
- (c) Capital expenditure for the private sector cannot be broken down by source of funds.
- (d) Capital consumption (depreciation) for the private sector is included in recurrent expenditure.
- (e) Nursing home expenditure for 1987–88 to 1989–90 is not comparable with earlier years because, from 1987–88, non-aged nursing homes expenditure was not included and the methodology for calculating individual contributions changed (see 'Technical notes' of *Health expenditure information bulletin no. 6* for further details).
- (f) This includes the old categories of community health services and health promotion and illness prevention (see definition in 'Technical notes'). Health promotion and illness prevention accounted for 32 per cent of the combined category in 1989–90.



Table 15: Changes in health expenditure (current prices) 1984–85 to 1989–90

Area of expenditure	Annual change (per cent)					Average
	1984–85 to 1985–86	1985–86 to 1986–87	1986–87 to 1987–88	1987–88 to 1988–89	1988–89 to 1989–90	1984–85 to 1989–90
<b>Total health expenditure</b>	12.3	13.6	10.5	12.1	9.6	9.6
Capital expenditure	29.7	13.6	13.2	6.4	6.7	12.2
Capital consumption	9.5	9.1	4.8	2.3	4.7	5.1
<b>Total recurrent expenditure</b>	11.5	13.7	10.5	12.7	9.9	9.6
<i>Total institutional</i>	9.0	14.8	9.4	10.7	7.5	8.7
Total hospitals	8.8	15.0	9.7	11.0	7.1	8.8
Recognised public	9.2	14.2	9.6	11.2	7.7	8.7
Private	11.5	16.4	7.9	9.8	15.4	9.0
Repatriation	9.7	9.1	17.4	22.2	10.3	11.4
Public psychiatric	1.6	22.9	10.4	6.0	-12.1	7.9
Total nursing homes	10.1	13.3	8.8	9.5	9.6	8.2
Other institutional services	8.7	16.9	3.7	9.1	8.4	7.5
Ambulance	7.9	11.3	7.6	4.9	10.1	6.3
Other institutional (nec)	16.6	66.6	-19.2	42.8	-1.2	17.5
<i>Total non-institutional</i>	15.4	12.3	11.5	14.5	12.4	10.6
Medical services	15.1	12.3	12.0	12.1	11.9	10.2
Dental services	22.8	13.3	11.1	13.2	8.9	11.9
Other professional services	17.9	15.9	15.1	26.0	12.1	14.7
Community and public health <sup>(a)</sup>	13.7	5.3	13.7	16.0	21.8	9.6
Total pharmaceuticals	13.0	13.5	10.1	16.3	15.7	10.4
Benefits paid items	10.1	9.2	13.2	9.9	13.8	8.4
All other items	18.2	20.8	5.4	26.8	18.5	13.8
Aids and appliances	19.9	12.5	10.9	10.0	13.4	10.5
Administration	3.1	8.2	13.7	23.2	4.6	9.3
Research	6.9	22.7	9.0	7.6	14.4	9.0
Other non-institutional	18.0	26.1	-1.5	18.5	-11.4	11.7

(a) Includes the old categories of community health services and health promotion and illness prevention (see definition in 'Technical notes').

Table 16: *Changes in real health expenditure (constant 1984–85 prices) 1984–85 to 1989–90<sup>(a)</sup>*

Area of expenditure	Annual change (per cent)					Average
	1984–85 to 1985–86	1985–86 to 1986–87	1986–87 to 1987–88	1987–88 to 1988–89	1988–89 to 1989–90	1984–85 to 1989–90
<b>Total health expenditure</b>	5.4	4.1	3.6	4.8	3.1	4.2
Capital expenditure	18.5	6.2	7.0	0.3	0.9	6.4
Capital consumption	1.2	2.5	0.3	-2.5	-0.7	0.1
<b>Total recurrent expenditure</b>	4.8	4.0	3.5	5.2	3.3	4.2
<i>Total institutional</i>	3.0	4.6	3.7	4.0	1.8	3.4
Total hospitals	2.8	4.8	4.0	4.3	1.4	3.5
Recognised public	3.2	4.1	3.9	4.5	2.0	3.5
Private	5.4	6.1	2.3	3.2	9.2	5.2
Repatriation	3.6	-0.5	11.4	14.8	4.5	6.6
Public psychiatric	-4.0	12.0	4.7	-0.4	-16.8	-1.4
Total nursing homes	4.0	3.3	3.1	2.8	3.7	3.4
Other institutional services	2.7	6.5	-1.6	2.5	2.6	2.5
Ambulance	1.9	1.5	2.0	-1.5	4.2	1.6
Other institutional (nec)	10.2	51.9	-23.4	34.2	-6.5	10.0
<i>Total non-institutional</i>	7.7	2.8	2.5	5.9	4.8	4.7
Medical services	6.9	2.4	2.2	2.0	1.7	3.0
Dental services	11.3	1.9	0.9	3.1	-0.4	3.3
Other professional services	11.8	5.7	9.1	18.5	6.2	10.2
Community and public health <sup>(b)</sup>	7.4	-2.7	8.0	9.2	15.3	7.3
Total pharmaceuticals	6.7	5.5	1.2	9.7	11.1	6.8
Benefits paid items	4.0	1.5	4.0	3.6	9.3	4.5
All other items	11.7	12.2	-3.2	19.5	13.8	10.5
Aids and appliances	13.2	4.5	1.9	3.7	8.9	6.4
Administration	-2.7	0.6	8.0	16.3	-0.9	4.0
Research	0.7	15.4	3.5	1.6	8.7	5.8
Other non-institutional	11.5	16.0	-6.5	11.4	-16.6	2.3

(a) Health expenditure 1984–85 to 1989–90 deflated to constant prices using specific health deflators.

(b) It includes the old categories of community health services and health promotion and illness prevention (see definition in 'Technical notes').

## Total health expenditure, 1990–91 to 1991–92

The latest and the most complete total health expenditure figure estimated by the AIHW is for 1989–90. A preliminary estimate for total health expenditure in 1990–91 of \$31.1 billion was obtained by multiplying the AIHW expenditure figure for 1989–90 by the ABS health expenditure growth rate for 1989–90 to 1990–91. This figure is further multiplied by the ABS health expenditure growth rate for 1990–91 to 1991–92 to obtain a preliminary estimate for total health expenditure in 1991–92 of \$33.2 billion. These estimates, as stated, are preliminary and will be revised when more data are available (Table 17).

Total health expenditure, as estimated by AIHW, has always been higher than the ABS estimate. This is partly due to the AIHW policy of including health research funded by universities as health expenditure, whereas ABS classifies it in the 'education' sector. The difference is also partly due to methodological differences.

## Health prices

Table 18 shows various deflators for health and non-health sectors. Deflators shown in the first part of Table 18 are used in the estimate of recurrent health expenditure in constant prices. To obtain constant prices expenditure by individual area of expenditure, specific types of deflator are applied to each expenditure area. For example, to obtain constant price estimates of expenditure on medical services the current price estimate of

expenditure on medical services is deflated by the 'Doctor' price index from the Private Final Consumption Expenditure (PFCE) deflators produced by the ABS. Implicit Price Deflator 2 (IPD2) which is the implicit price deflator for general government public gross fixed capital expenditure is used to deflate government capital health expenditure and government capital consumption.

Implicit Price Deflator 3 (IPD3) which is the implicit price deflator for private capital expenditure on non-dwelling construction is used to deflate private capital health expenditure. The total health expenditure in constant prices therefore is obtained by adding up these individual expenditures in constant prices. The total health expenditure deflator (health price index) is the ratio of total health expenditure in current prices to total health expenditure in constant prices for its corresponding year. The health price index therefore reflects the growth of various health deflators shown in Table 19.

Time-series data of health-related deflators are compared with a number of economy-wide deflators in Tables 18 and 19. The CPI (unadjusted for the Medicare effect) has moved slightly faster than health prices in the period 1984–85 to 1989–90, after which the reverse was true. Inflation in the health sector as measured by the health price index was 6.0 per cent and 2.5 per cent in 1990–91 and 1991–92 respectively. General inflation as measured by the CPI was 5.3 per cent and 1.9 per cent in 1990–91 and 1991–92 respectively.

On average, Average Weekly Earnings (AWE) growth rates were higher than the health price index growth rates in the period 1970–71

to 1991–92. The only period with AWE having a lower growth rate was from 1984–85 to 1991–92.

In the long term the health services subgroup of the CPI showed a much higher growth rate than the health price index. The health services subgroup CPI is affected by changes in health financing arrangements which can be observed in the fluctuation of the index.

From 1984–85 on, the health price index showed a slower increase than that of the health services subgroup of the CPI. The reasons for CPI health services subgroup growth rates being twice as high as health price index and CPI growth rates are complex and will be addressed in future expenditure bulletins.

## Health expenditure in USA and Australia

Table 20 compares health expenditure growth in Australia and the USA between 1980 and 1990. Australia's excess health care inflation, which is the amount health price increases exceeded general economy-wide inflation, was lower than that of the USA by 2.1 per cent. Australia was on par with the USA with regards to increases in volume intensity per person. If Australia had had the same excess health care inflation as the USA in the period 1979–80 to 1989–90 Australia's health expenditure in 1989–90 would have been \$35.3 billion or 9.6 per cent of GDP instead of the 7.8 per cent it actually was. This is an increase of \$6.6 billion or 1.8 per cent of GDP.

Table 17: ABS and AIHW estimates of health expenditure 1984–85 to 1991–92 (current prices)

	Year							
	1984–85	1985–86	1986–87	1987–88	1988–89	1989–90	1990–91	1991–92
<b>ABS estimates of health expenditure</b>								
Commonwealth government final consumption	987	974	1,064	1,162	1,519	1,451	1,603	1,732
State and local government final consumption	6,089	6,772	7,655	8,399	9,219	9,995	10,441	10,993
Private final consumption	8,328	9,250	10,631	12,065	13,558	15,019	16,800	18,074
Total final consumption expenditure	15,404	16,996	19,350	21,626	24,296	26,465	28,844	30,799
Commonwealth government gross fixed capital	37	41	58	71	45	51	91	109
State and local government gross fixed capital	394	497	550	519	591	740	817	844
Total government fixed capital expenditure	431	538	608	590	636	791	908	953
Total health expenditure (excluding private capital)	15,835	17,534	19,958	22,216	24,932	27,256	29,752	31,752
Change (%)	10.7	10.7	13.8	11.3	12.2	9.3	9.2	6.7
<b>AIHW estimates of health expenditure</b>								
Total health expenditure (excluding private capital)	16,204	18,134	20,598	22,669	25,451	28,014	<sup>(a)</sup> 30,579	<sup>(b)</sup> 32,635
Change (%)	10.0	11.9	13.6	10.1	12.3	10.1	9.2	6.7
Total health expenditure (including private capital)	16,546	18,586	21,115	23,328	26,154	28,673	<sup>(c)</sup> 31,122	<sup>(d)</sup> 33,178
Change (%)	10.6	12.3	13.6	10.5	12.1	9.6	8.5	6.6

- (a) The 1990–91 AIHW estimate of total health expenditure (excluding private capital) is obtained by applying the ABS 1989–90 to 1990–91 growth rate of health expenditure (excluding private capital) of 9.2 per cent to the AIHW 1989–90 estimate.
- (b) The 1991–92 AIHW estimate of total health expenditure (excluding private capital) is obtained by applying the ABS 1990–91 to 1991–92 growth rate in an equivalent way to note (a). In this case, the ABS growth rate is 6.7 per cent.
- (c) Estimates of total health expenditure are made by adding unpublished estimates of private capital expenditure to the estimates which exclude private capital.
- (d) Private capital expenditure is estimated to be \$517 m (a decline of 5 per cent on the previous year).

Sources: ABS health expenditure data for 1982–83 to 1986–87 from ABS unpublished data.

ABS health expenditure data for 1987–88: ABS. *Australian National Accounts: National Income and Expenditure March Quarter 1992*. Cat. No. 5206.0.

ABS health expenditure data for 1988–89 to 1991–92: ABS. *Australian National Accounts: National Income and Expenditure June Quarter 1992*. Cat. No. 5206.0.

Table 18: Health expenditure and economy-wide deflators 1970–71 to 1991–92 (1984–85 = 100)

Year	Total health expenditure price index	Private final consumption expenditure				Government final consumption expenditure		
		Doctor	Dentists	Chemists	Other medical	Total health and welfare	Hospital and clinical	Other health and welfare
1970–71	22.3	23.3	18.7	–	–	–	21.4	–
1971–72	24.4	26.4	20.7	–	–	–	23.7	–
1972–73	26.3	28.0	22.6	–	–	–	25.2	–
1973–74	30.4	31.8	25.9	–	–	–	28.9	–
1974–75	38.3	37.0	31.9	45.8	38.9	37.8	38.1	38.6
1975–76	44.7	44.8	38.7	51.7	45.0	44.9	44.2	43.6
1976–77	50.6	50.6	45.2	56.0	51.1	51.1	50.4	52.3
1977–78	54.7	55.2	51.6	60.8	55.3	55.3	54.7	56.3
1978–79	58.4	57.6	57.7	65.3	58.8	58.8	57.9	59.3
1979–80	64.3	64.2	63.5	69.8	63.9	63.9	64.0	64.8
1980–81	71.7	71.5	69.7	77.1	71.5	71.6	71.4	72.5
1981–82	79.9	78.3	76.6	84.9	79.7	79.8	79.8	83.0
1982–83	88.5	86.0	84.5	92.1	88.5	88.5	88.7	90.0
1983–84	94.0	92.2	91.7	95.5	94.1	94.1	94.2	100.0
1984–85	100.0	100.0	100.0	100.0	100.0	100.0	100.0	106.4
1985–86	106.6	107.7	110.3	105.9	105.5	105.8	105.8	112.1
1986–87	116.4	118.1	122.6	114.0	115.6	115.5	116.1	118.0
1987–88	124.1	129.5	135.0	124.1	121.9	121.8	122.5	124.7
1988–89	132.9	142.4	148.2	131.6	129.6	129.6	130.3	131.2
1989–90	141.1	156.7	162.0	137.1	136.8	137.0	137.7	138.0
1990–91	149.6	169.0	175.4	146.7	144.5	144.6	145.5	141.5
1991–92	153.3	173.8	186.1	154.2	148.2	148.0	148.7	

(continued)

Table 18 (continued): Health expenditure and economy-wide deflators 1970-71 to 1991-92 (1984-85 = 100)

Year	Total health expenditure price index	CPI					Government final consumption expenditure				
		Total	Health services subgroup <sup>(a)</sup>	Hospital & medical services subcomponent	Pharmaceutical services subcomponent <sup>(b)</sup>	Dental services subcomponent	GDP-IPD	AWE	IPD1	IPD2	IPD3
1970-71	22.3	26.6	-	-	-	-	24.9	19.8	22.4	21.3	21.8
1971-72	24.4	28.4	-	-	-	-	26.5	22.2	24.6	22.7	23.4
1972-73	26.3	30.1	32.6	-	-	-	28.9	24.3	26.5	24.7	25.2
1973-74	30.4	34.0	38.3	-	-	-	33.2	27.9	30.6	28.4	28.8
1974-75	38.3	39.7	49.0	-	-	-	39.7	35.7	39.1	37.4	36.9
1975-76	44.7	44.9	27.4	-	-	-	45.8	40.3	45.4	43.4	43.0
1976-77	50.6	51.0	75.1	-	-	-	50.9	45.3	51.2	48.0	47.4
1977-78	54.7	55.9	94.7	-	-	-	54.8	50.0	55.4	52.1	51.5
1978-79	58.4	60.5	82.2	-	-	-	59.5	53.7	58.9	55.7	55.2
1979-80	64.3	66.6	89.9	-	-	-	65.9	59.0	64.1	62.4	61.7
1980-81	71.7	72.9	96.4	100.0	66.2	69.7	72.6	67.2	71.7	70.1	69.5
1981-82	79.9	80.5	130.6	141.4	73.5	76.5	80.1	76.0	80.1	79.0	78.6
1982-83	88.5	89.7	168.6	186.4	85.4	84.4	88.5	86.7	88.9	89.9	89.3
1983-84	94.0	95.9	148.9	161.0	94.6	91.3	94.7	92.9	94.3	95.6	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	109.0	108.7	112.8	110.3	106.9	106.3	106.1	108.2	111.0
1986-87	116.4	118.5	134.0	136.6	130.7	122.6	114.8	114.6	115.2	115.2	119.6
1987-88	124.1	127.2	155.8	162.6	135.2	135.1	124.0	120.7	121.6	120.4	127.6
1988-89	132.9	136.5	173.3	182.3	144.7	148.3	135.5	129.7	129.4	126.4	136.9
1989-90	141.1	147.4	187.5	197.3	153.4	162.0	143.4	138.6	136.4	133.3	147.1
1990-91	149.6	155.2	209.6	223.8	163.6	175.4	147.5	148.4	143.4	136.4	149.9
1991-92	153.3	158.2	241.6	246.6	171.7	186.1	149.6	151.4	-	134.5	143.9

(a) For June 1992, the weight of the health services subgroup of the CPI was 4.28.

(b) Pharmaceutical services is a subcomponent of the personal care products subgroups of CPI, not the health services subgroup.

Table 19: Percentage change in health expenditure and economy wide deflators 1970-71 to 1991-92

Year	Private final consumption expenditure					Government final consumption expenditure			
	Total health expenditure price index	Doctors	Dentists	Chemists	Other medical	Total health and welfare	Hospital and clinical	Other health and welfare	
1970-71 to 71-72	9.4	13.3	11.0	-	-	-	10.9	-	
1971-72 to 72-73	7.8	6.1	9.2	-	-	-	6.0	-	
1972-73 to 73-74	15.5	13.6	14.3	-	-	-	15.0	-	
1973-74 to 74-75	26.2	16.1	23.5	-	-	-	31.8	-	
1974-75 to 75-76	16.5	21.2	21.3	12.9	15.8	18.9	15.9	13.0	
1975-76 to 76-77	13.2	13.1	16.8	8.3	13.6	13.6	14.1	20.0	
1976-77 to 77-78	8.2	8.9	14.1	8.7	8.2	8.4	8.5	7.6	
1977-78 to 78-79	6.6	4.4	11.8	7.3	6.4	6.2	5.9	5.5	
1978-79 to 79-80	10.2	11.6	10.1	6.9	8.7	8.8	10.4	9.1	
1979-80 to 80-81	11.5	11.3	9.8	10.5	11.9	12.0	11.6	11.9	
1980-81 to 81-82	11.4	9.5	9.8	10.2	11.5	11.5	11.8	14.5	
1981-82 to 82-83	10.7	9.8	10.3	8.4	11.0	11.0	11.2	8.5	
1982-83 to 83-84	6.2	7.2	8.6	3.8	6.3	6.3	6.2	5.5	
1983-84 to 84-85	6.4	8.5	9.0	4.7	6.3	6.3	6.2	5.4	
1984-85 to 85-86	6.6	7.7	10.3	5.9	5.5	5.8	5.8	6.3	
1985-86 to 86-87	9.2	9.7	11.2	7.7	9.6	9.2	9.7	5.4	
1986-87 to 87-88	6.7	9.7	10.1	8.8	5.5	5.5	5.5	5.3	
1987-88 to 88-89	7.0	9.9	9.8	6.1	6.3	6.4	6.4	5.7	
1988-89 to 89-90	6.2	10.0	9.3	4.2	5.6	5.7	5.6	5.3	
1989-90 to 90-91	6.0	7.9	8.3	7.0	5.6	5.6	5.7	5.1	
1990-91 to 91-92	2.5	2.8	6.1	5.1	2.5	2.3	2.2	2.6	
<b>Average annual growth rate<sup>(a)</sup></b>									
1970-71 to 74-75	13.0	11.1	12.9	-	-	-	13.5	-	
1974-75 to 79-80	9.9	10.3	13.6	8.3	9.6	10.0	9.9	10.3	
1979-80 to 84-85	8.9	8.8	9.1	7.2	9.1	9.0	9.1	8.8	
1984-85 to 91-92	6.3	8.4	9.0	6.3	5.8	5.8	5.9	5.1	
1970-71 to 91-92	9.4	9.6	11.1	<sup>(b)</sup> 7.0	<sup>(b)</sup> 7.8	<sup>(b)</sup> 7.9	9.4	<sup>(b)</sup> 7.5	

(continued)

Table 19 (continued): Percentage change in health expenditure and economy wide deflators 1970–71 to 1991–92

Year	Total health expenditure price index	CPI					Other economy-wide deflators					
		Total	Health services subgroup	Hospital & medical services subcomponent	Pharmaceutical <sup>(a)</sup> services subcomponent	Dental services subcomponent	GDP–IPD	AWE	IPD1	IPD2	IPD3	
1970–71 to 71–72	9.4	6.8	–	–	–	–	6.4	12.3	9.6	6.9	7.4	
1971–72 to 72–73	7.8	6.0	–	–	–	–	9.1	9.1	7.7	8.9	7.4	
1972–73 to 73–74	15.5	12.9	17.4	–	–	–	14.9	14.8	15.5	14.8	14.5	
1973–74 to 74–75	26.2	16.6	28.0	–	–	–	19.6	28.0	28.0	31.6	28.0	
1974–75 to 75–76	16.5	13.0	-44.2	–	–	–	15.4	13.0	16.1	16.0	16.5	
1975–76 to 76–77	13.2	13.8	174.1	–	–	–	11.1	12.3	12.8	10.6	10.2	
1976–77 to 77–78	8.2	9.5	26.1	–	–	–	7.7	10.4	8.2	8.5	8.6	
1977–78 to 78–79	6.6	8.2	-13.1	–	–	–	8.6	7.4	6.2	6.9	7.2	
1978–79 to 79–80	10.2	10.1	9.4	–	–	–	10.8	9.9	8.9	12.0	11.8	
1979–80 to 80–81	11.5	9.4	7.2	–	–	–	10.2	13.8	11.8	12.3	12.6	
1980–81 to 81–82	11.4	10.4	35.4	41.4	10.9	9.8	10.3	13.1	11.7	12.7	13.1	
1981–82 to 82–83	10.7	11.5	29.1	31.8	16.2	10.3	10.5	14.1	10.9	13.8	13.6	
1982–83 to 83–84	6.2	6.9	-11.7	-13.6	10.8	8.2	7.0	7.2	6.2	6.3	5.9	
1983–84 to 84–85	6.4	4.3	-32.8	-37.9	5.7	9.5	5.6	7.6	6.0	4.6	5.7	
1984–85 to 85–86	6.6	8.4	9.0	8.7	12.8	10.3	6.9	6.3	6.1	8.2	11.0	
1985–86 to 86–87	9.2	9.3	23.0	25.6	15.8	11.1	7.4	7.8	8.6	6.5	7.7	
1986–87 to 87–88	6.7	7.3	16.2	19.0	3.4	10.2	8.0	5.3	5.6	4.5	6.7	
1987–88 to 88–89	7.0	7.3	11.3	12.1	7.0	9.8	9.3	7.5	6.4	5.0	7.3	
1988–89 to 89–90	6.2	8.0	8.2	8.3	6.0	9.3	5.8	6.9	5.4	5.5	7.5	
1989–90 to 90–91	6.0	5.3	11.8	13.4	6.6	8.3	2.9	7.1	5.1	2.3	1.9	
1990–91 to 91–92	2.5	1.9	15.3	10.2	5.0	6.1	1.4	2.0	–	-1.4	-4.0	
<b>Average annual growth rate<sup>(b)</sup></b>												
1970–71 to 74–75	13.0	9.8	20.4	–	–	–	11.6	14.0	13.3	13.5	12.6	
1974–75 to 79–80	9.9	10.2	18.8	–	–	–	9.7	9.9	9.5	9.7	9.7	
1979–80 to 84–85	8.9	8.5	6.0	–	–	–	8.5	10.7	9.0	9.8	9.9	
1984–85 to 91–92	6.3	6.8	12.6	13.3	7.4	9.0	6.2	6.2	6.1	4.4	5.6	
1970–71 to 91–92	9.4	8.9	9.5	<sup>(c)</sup> 5.9	<sup>(c)</sup> 8.7	<sup>(c)</sup> 9.2	8.9	9.9	9.4	9.3	9.7	

(a) Pharmaceutical services is a subcomponent of the personal care products subgroup of CPI, not the health services subgroup.

(b) Average annual growth rates are found from log linear regression. (c) Growth rates are for 1980–81 to 1991–92.



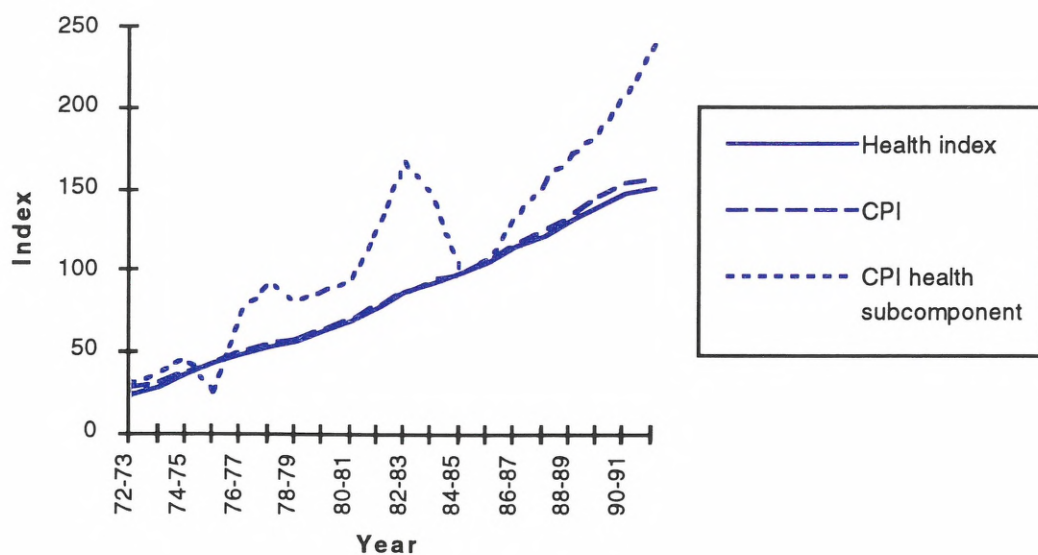


Figure 6: Health prices and CPI index

Table 20: Comparison of health expenditure growth in Australia and USA, 1980 to 1990 (per cent)

Growth components	Australia	USA
(1) Share of health expenditure in GDP 1980 <sup>(a)</sup>	7.4	9.2
(2) Current prices health expenditure growth	12.2	10.3
(3) Health care price deflator	8.2	6.9
(4) of which GDP deflator	8.1	4.6
(5) of which excess health care inflation	0.1	2.2
(6) Constant price expenditure growth	3.7	3.1
(7) of which population growth	1.5	1.0
(8) of which per person volume intensity growth	2.2	2.1
(9) Share in health expenditure in GDP 1990 <sup>(b)</sup>	7.8	12.1

(a) Australian data is for the financial year 1979–80. The USA data is the calendar year 1980.

(b) Australian data is for the financial year 1989–90. The USA data is the calendar year 1990.

Source: Australian figures from Australian health expenditure data base. US figures from *US health expenditure performance an international comparison and update*, Health Care Financing Review, Summer 1992, Vol. 13, No. 4, p. 7.

## Technical notes

### Definitions, sources and notes

AIHW 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 Health, Housing and Community Services (HHCS) and State and Territory health authorities providing most of the basic data.

The 'medical services' category in Tables 9–14 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.

The Commonwealth Government column in Tables 9–14 includes expenditure by the Department of Veterans' Affairs on behalf of veterans, and until 1988–89, expenditure by the ACT Government health services. Thus

the \$69 million spent by the Commonwealth on private hospitals in 1989–90 does not represent subsidies to private hospitals, but payments by the Department of Veterans' Affairs for veterans using private hospitals.

The health expenditure figures shown in Tables 9–14 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 AIHW publication *Australian health expenditure 1970–71 to 1984–85*.

### Revisions of definitions and estimates

Some of the figures included in this Bulletin have been revised since

*Health expenditure bulletin no. 7* was published in July 1992. The major changes are as outlined in the following sections.

### ABS data

#### Gross domestic product (GDP)

There was a large downward revision to constant price GDP for the March quarter 1992. The components with the most extensive downward revisions were private gross fixed capital expenditure on dwellings and on non-dwelling construction, public gross fixed capital expenditure, and increase in private non-farm stocks. Private final consumption expenditure was revised slightly upward, which partly offset the downward revisions in the aforementioned areas. The revisions were due to additional information becoming available. GDP figures published in ABS's *Australian national accounts: national income and expenditure June quarter 1992*, (Cat. No. 5206.0) show an average decrease of 0.18 per cent compared to the figures published in the June quarter 1991 bulletin.

Table 21: Gross domestic product per person (current and constant 1984–85 prices), and population

Year	Gross domestic product per person				Mean resident population year ended 30 June (million)
	Current prices (\$)	Growth rate (%)	Constant 1984–85 prices (\$)	Growth rate (%)	
1984–85	13,785	–	13,785	–	15.68
1985–86	15,113	9.6	14,138	2.6	15.9
1986–87	16,386	8.4	14,269	0.9	16.14
1987–88	18,203	11.1	14,680	2.9	16.39
1988–89	20,378	11.9	15,035	2.4	16.67
1989–90	21,849	7.2	15,237	1.3	16.92
1990–91	22,037	0.9	14,943	-1.9	17.17
1991–92	22,082	0.2	14,757	-1.2	17.43

Source: GDP—ABS. Australian national accounts—national income and expenditure June quarter 1992, 5206.0, March quarter 1989, 3101.0.

Population—1984–85: ABS. Australian demographic statistics, December quarter 1989, 3101.0.

—1985–86 to 1990–91: ABS. Australian demographic statistics, September and December quarter 1991, 3101.0.

—1991–92: an AIHW estimate. A 1.5 per cent population growth rate is applied to the 1990–91 population figure.

### **Private final consumption expenditure (PFCE)**

ABS has revised the figures for 1987-88 and 1988-89 for 'other professional services' upward in the light of more accurate recent information obtained from tax returns. For 1987-88, the expenditure was revised from \$756 million to \$763 million. For 1988-89, it was from \$852 million to \$961 million.

### **State and local government expenditure on health**

The Public Finance Section of ABS revised its estimate of State and local government expenditure generally upward, except for 1988-89 where it was revised downward by 0.6 per cent. The average difference between the earlier version and the December 1991 version for the period 1984-85 to 1988-89 was 0.18 per cent. Areas with substantial revision were administration, ambulance, home nursing and domiciliary care, community and public health, and other non-institutional services.

### **AIHW Data**

Areas which have been revised as more accurate information became

available for 1988-89 were recognised public and repatriation hospitals. For recognised hospitals, expenditure was revised downward from \$7,758 million to \$7,683 million. For repatriation hospitals, it was revised upward from \$392 million to \$417 million.

In this Bulletin, the previous categories of 'community health services' and 'health promotion and illness prevention' are combined into a single category entitled 'community and public health'. Community health services encompassed community health (including Aboriginal health), domiciliary care, home nursing, and infant health. Health promotion and illness prevention included expenditure through the National Diseases Control Program, general (human) quarantine, the National Health Promotion Program, National Drug Education program, TB control, and all prevention services such as immunisation and inoculation, disease detection services, occupational health

services and nutrition services. The two categories have been combined because many services of a preventive nature are rendered by community health centres, and it is practically impossible to disaggregate them.

### **Abbreviations and symbols used in tables**

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

### **Other notes**

Figures in the tables in this Bulletin may not add exactly due to rounding.

Average annual growth rates are calculated as the geometric average, not the arithmetic average, with the exception of Table 19, where the average annual growth rates are calculated using log linear regression.

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