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Foreword

Health expenditure Australia 2007–08 is the latest in the Australian Institute of Health and Welfare's long-running series of reports on Australia's National Health Accounts, which began in 1985 with an analysis of expenditure to 1981–82.

In the financial year 2007–08, Australia's health expenditure totalled \$103.6 billion, representing 9.1% of gross domestic product (GDP) – the same percentage as the previous year and an increase of 1.3 percentage points from the 7.8% of GDP in 1997–98. Given the calls for more resources across the different components of the health system, it is important to understand what is currently spent for there to be informed discussion about where the money can be best directed, and to give an indication of the affordability of the nation's health system.

Health expenditure Australia 2007–08 presents health expenditure data for the years 1997–98 to 2007–08, with detailed matrices at the national level and for each of the states and territories for the years 2005–06 to 2007–08.

The new federal/state funding arrangements for healthcare that commenced in 2009 included a requirement for performance indicators that inform as to the sustainability of the health care system, with particular information being required on the allocation of health and aged care expenditure. The data in this report will contribute to this evaluation of health care system sustainability.

Over time the Institute has developed a comprehensive database of health expenditure statistics for Australia, which extends back to the early 1960s. Our task now is to continue to push the boundaries to ensure that the statistics we publish are as useful and timely as possible. My aim is that these health expenditure statistics continue to be refined with stakeholder input and become even more timely and relevant.

Penny Allbon
Director
Australian Institute of Health and Welfare

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The collection and analysis of the data and the writing of this publication was done by Rebecca Bennetts, Kate Ridgway, Richard Webb, Tony Hynes and John Goss, with assistance from Jenny Hargreaves.

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Abbreviations

ABS	Australian Bureau of Statistics
AHCAs	Australian Health Care Agreements
AIHW	Australian Institute of Health and Welfare
COAG	Council of Australian Governments
CPI	consumer price index
DoHA	Australian Government Department of Health and Ageing
DVA	Australian Government Department of Veterans' Affairs
GDP	gross domestic product
GFCE	government final consumption expenditure
GFS	government finance statistics
GHE	government health expenditure
GP	general practitioner
HEAC	Health Expenditure Advisory Committee
HFCE	household final consumption expenditure
HPV	human papillomavirus vaccination
ICHA	International Classification for Health Accounts
IPD	implicit price deflator
IVF	in-vitro fertilisation
LHC	Lifetime Health Cover
MBS	Medicare Benefits Schedule
NHA	National Health Accounts
NHPC	National Health Performance Committee
NICNAS	National Industrial Chemicals Notification and Assessment Scheme
NMDS	national minimum data set
OECD	Organisation for Economic Co-operation and Development
OGTR	Office of Gene Technology Regulator
PBS	Pharmaceutical Benefits Scheme
PET	positron emission tomography
PHE	public hospital establishments
PHIAC	Private Health Insurance Administration Council
PHIIS	Private Health Insurance Incentives Scheme
PHOFAs	Public Health Outcome Funding Agreements
PPP	purchasing power parity

RPBS	Repatriation Pharmaceutical Benefits Scheme
SHA	System of Health Accounts
SPPs	specific purpose payments
TGA	Therapeutic Goods Administration
THPI	total health price index
WHO	World Health Organization

Symbols

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

Summary

Expenditure on health in Australia has increased from \$10.8 billion in 1981–82 to \$103.6 billion in 2007–08. At the same time Australia's gross domestic product (GDP) increased from \$172.3 billion to \$1,132 billion, so health expenditure as a proportion of GDP has gone from 6.3% in 1981–82 to 9.1% of GDP in 2007–08.

This report looks at the period from 1997–98 to 2007–08 and includes important information about how much health care costs Australia, in terms of both the total number of dollars spent and the proportion of Australia's national income that is spent on health. It also looks at the types of health goods and services that attracted funding and where that funding came from. The report also examines Australia's health spending from an international perspective – how it compares with the region and with other developed economies.

The \$103.6 billion spent on health goods and services during 2007–08 represented 9.1% of GDP and averaged out at \$4,874 per Australian.

In 2006–07 the proportion of GDP spent on health was also 9.1% and totalled \$94.9 billion.

Of the total spent in 2007–08, 95% (\$98.0 billion) was recurrent expenditure on health goods and services. The remaining 5% was capital expenditure (\$5.5 billion).

Spending on public hospital services in 2007–08 was estimated at \$30.8 billion or 31.4% of total recurrent health expenditure. Expenditure on medical services at \$18.3 billion, or 18.7% of recurrent expenditure and medications at \$13.7 billion (14.0%) were other major contributors to total recurrent health spending.

Total health expenditure grew by 6.0% in real terms in 2007–08. The area of expenditure with the highest growth was public health which grew by 20.7% in real terms. A large part of this growth in public health expenditure was in respect of organised immunisation programs, which grew by 55.9% in that year (Table 4.19), mostly due to the costs associated with the implementation of the national human papillomavirus vaccination (HPV) program.

Health research had the second highest growth in 2007–08 – up 12.0%.

Increased spending on public hospital services of \$2.1 billion was the largest component of the overall increase in spending in 2007–08, accounting for almost one-third (32.5%) of the \$8.6 billion increase in that year.

Governments funded 68.7% of total health expenditure during 2007–08 compared to 67.4% of expenditure in 1997–98.

The Australian Government's share of public hospital funding was 42.5% in 1997–98 and decreased to 38.6% in 2006–07 (Table 4.6). Its share of public hospital funding then increased to 39.2% in 2007–08. This was largely due to an extra \$0.5 billion of general funding provided by the Australian Government. The Australian Government also provided specific additional funding to public hospitals via the Elective Surgery Waiting List Reduction Plan (\$75 million), funding of the Mersey Community Hospital (\$36 million) and other programs.

Australia's health expenditure as a proportion of GDP according to OECD definitions was 8.9% which was the same as the median in 2007 for member states of the OECD. United States health expenditure as a proportion of GDP in 2007 was 16.0%.

Government funding of health expenditure as a proportion of total health expenditure was 68% for Australia in 2007 as compared to the median for OECD countries of 75%.

Between 1997-98 and 2007-08, Australia's expenditure on health in real terms (after adjustment for inflation), grew at an average of 5.2% per year, compared with average growth in real GDP of 3.5% per year. Health prices moved at a slower rate than prices in the general economy in the 3 years from 2004-05 to 2007-08. This resulted in 3 years of negative excess health inflation. Up to 2004-05 health prices had generally increased more rapidly than other prices.

1 Background

Regular reporting of national health expenditure statistics is vital to understanding the characteristics of Australia's health system and how it has changed over time. This publication reports health expenditure in Australia, by area of expenditure and source of funds, for the period 1997–98 to 2007–08. These statistics show the proportion of economic resources allocated through the health care system. They also show the rates of growth in the use of those resources over the period. Expenditure is analysed in terms of who provides the funding for health care and the types of services that attract that funding.

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

In more recent times, the OECD has developed a new international reporting framework, known as the System of Health Accounts (SHA). This, in turn is being adopted by WHO as its international health expenditure reporting standard. The Institute has incorporated the SHA framework into its database and reports to Organisation for Economic Co-operation and Development (OECD) each year using that framework. It is also moving to develop a new Australian system of health accounts, which will comply with those international standards.

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

Box 1.1: Defining health expenditure and health funding

Health expenditure

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

Health funding

Health funding is reported in terms of who provides the funds that are used to pay for health expenditure. In the case of public hospitals, for example, the Australian Government funded 39.2% in 2007–08 and the states and territories funded 52.8%, together providing over 90% of the funding; these funds are derived ultimately from taxation and other sources of government revenue. Some other funding comes from private health insurers and from individuals who incur an out-of-pocket cost when they choose to be treated as private patients.

The tables and figures in this publication provide expenditure in terms of current and constant prices. Constant price expenditure adjusts for the effects of inflation using either the annually re-weighted chain price indexes produced by the Australian Bureau of Statistics (ABS), or either ABS or AIHW implicit price deflators (IPDs). Because the reference year for both the chain price indexes and the IPDs is 2007–08, the constant price estimates indicate what expenditure would have been had 2007–08 prices applied in all years.

Throughout this publication there are references to the general rate of inflation. These refer to changes in economy-wide prices, not just consumer prices. The general rate of inflation is calculated by the ABS using the IPD for gross domestic product (GDP).

Box 1.2: Expenditure at current and constant prices

Current price estimates

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

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

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

Price changes vitiate comparisons in expenditure at current prices over longer time periods. This is because the value of the currencies that purchased those goods and services might be very different in different years.

Deflation and constant price estimates

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

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

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

Deflators

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

Growth in expenditures

Changes in constant price estimates from year to year are referred to throughout this report as either 'growth in expenditure at constant prices' or 'real growth' or simply as 'growth'. These terms are used interchangeably and reflect only the changes in the quantities of health goods and services; they do not include changes that are due to variations in prices of these goods and services from year to year. The reference year used in this report is 2007–08.

Nominal change in expenditures

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

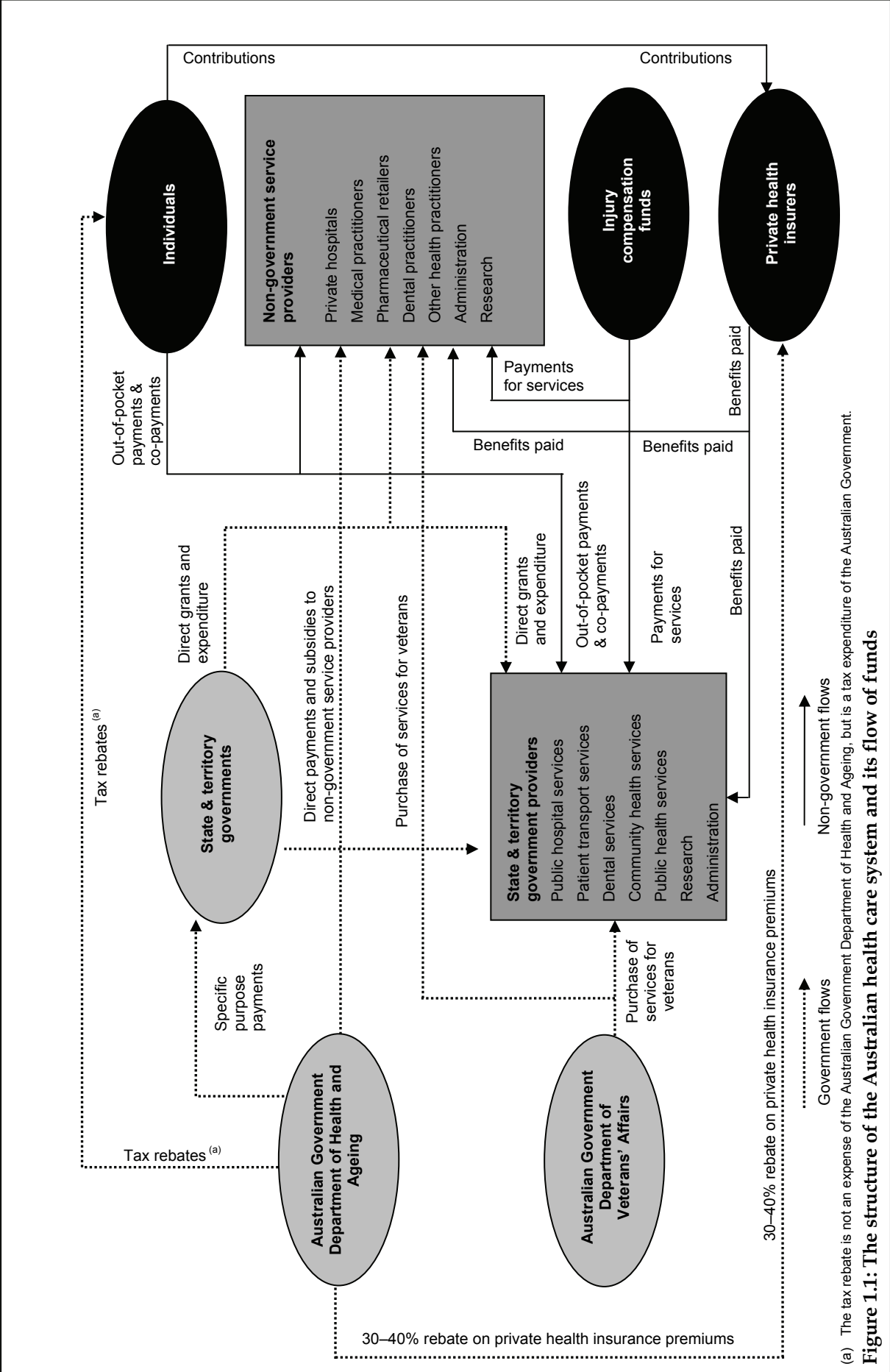
1.1 The structure of the health sector and its flow of funds

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

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

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

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



(a) The tax rebate is not an expense of the Australian Government Department of Health and Ageing, but is a tax expenditure of the Australian Government.

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

1.2 Changes to AIHW estimates

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

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

Revisions and other changes to estimates for previous years that have occurred since the publication of *Health expenditure Australia 2006–07* (AIHW 2008a) are detailed in Section 6.5.

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

1.3 Revisions to ABS estimates

Revisions to ABS estimates of GDP and capital expenditure have affected the estimates in this publication, as in previous issues.

GDP estimates for this publication are sourced from the ABS (ABS 2009a). The current price GDP estimates in that ABS publication are the same as those published in *Health expenditure Australia 2006–07* (AIHW 2008a), for all years except 2006–07, which is slightly lower due to ABS revisions.

ABS estimates of capital consumption have also been revised for 1998–99 onwards since *Health expenditure Australia 2006–07* was published. Refer to Section 6.5 for the effects of these revisions.

1.4 Structure of report

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

A broad picture of total national health expenditure in 2007–08 (and back to 1997–98) is presented in Chapter 2.

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

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

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

Technical information on the definitions, methods and data is provided in Chapter 6 along with information on revisions to previous estimates.

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

2 Total health expenditure

Total expenditure on health goods and services in Australia in 2007–08 was estimated at \$103.6 billion (Table 2.1). Of this, 94.6% was recurrent expenditure and 5.4% was capital expenditure (Table A3). Expenditure in 2007–08 was 9.1% higher than in the previous year (an increase of \$8.6 billion). This was, due to a 6.0% growth in real health expenditure and a health inflation rate of 2.9% during the year (see tables 2.1 and 2.4).

Real growth in expenditure between 2006–07 and 2007–08 was 6.0%. This was just under one (0.8) percentage point above the average for the decade 1997–98 to 2007–08 (5.2%).

Table 2.1: Total health expenditure, current and constant prices^(a), and annual rates of change, 1997–98 to 2007–08

Year	Amount (\$ million)		Change from previous year (%)	
	Current	Constant	Nominal change ^(b)	Real growth ^(b)
1997–98	44,802	62,305	..	..
1998–99	48,428	65,679	8.1	5.4
1999–00	52,570	69,637	8.6	6.0
2000–01	58,269	74,321	10.8	6.7
2001–02	63,099	77,886	8.3	4.8
2002–03	68,798	82,020	9.0	5.3
2003–04	73,509	84,657	6.8	3.2
2004–05	81,060	89,634	10.3	5.9
2005–06	86,685	92,191	6.9	2.9
2006–07	94,938	97,720	9.5	6.0
2007–08	103,563	103,563	9.1	6.0
			Average annual change	
1997–98 to 2002–03			9.0	5.7
2002–03 to 2007–08			8.5	4.8
1997–98 to 2007–08			8.7	5.2

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

(b) Nominal changes in expenditure from year to year refer to the change in current price estimates. Real growth is the growth in expenditure at constant prices.

Source: AIHW health expenditure database.

2.1 Sources of nominal change in health expenditure

The current price expenditure on any good or service during any year can be calculated by multiplying the quantity of the goods or services provided by the average prices of those goods and services in that year. A change in expenditure, at current prices, from one year to another can result from either changes in prices (inflation) or growth in volume; or a combination of both (see Box 1.2).

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

Box 2.1: Inflation

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

General inflation

General inflation refers to the average rate of change in prices throughout the economy over time. The indicator used for the general rate of inflation is the implicit price deflator for GDP.

Health inflation

Health inflation is a measure of the average rate of change in prices within the health goods and services sector of the economy. It is measured by changes in the total health prices index (see Appendix E).

Excess health inflation

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

Total health expenditure increased in nominal terms from \$44.8 billion in 1997–98 to \$103.6 billion in 2007–08 (Table 2.1). Of the \$58.8 billion increase, \$23.4 billion was due to inflation, \$9.4 billion to population growth, and \$25.9 billion resulted from an increase in real expenditure per person.

2.2 Health expenditure and the GDP

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

Spending on health accounted for 9.1% of GDP in 2007–08. This was the same percentage as in 2006–07 and an increase of 1.3% from the 7.8% of GDP in 1997–98 (Table 2.2). The largest annual increase in the ratio between 1997–98 and 2007–08 occurred in 2000–01 when it increased by almost one-half of a percentage point (0.4%) from 8.1% to 8.5%.

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

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

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

Table 2.2: Total health expenditure and GDP, current prices, and annual health to GDP ratios, 1997–98 to 2007–08

Year	Total health expenditure (\$ million)	GDP	Ratio of health expenditure to GDP (%)
1997–98	44,802	577,373	7.8
1998–99	48,428	607,759	8.0
1999–00	52,570	645,058	8.1
2000–01	58,269	689,262	8.5
2001–02	63,099	735,714	8.6
2002–03	68,798	781,675	8.8
2003–04	73,509	841,351	8.7
2004–05	81,060	897,642	9.0
2005–06	86,685	967,454	9.0
2006–07	94,938	1,045,674	9.1
2007–08	103,563	1,131,918	9.1

Sources: AIHW health expenditure database and ABS 2009a.

Differential growth in health expenditure and GDP

Over the decade from 1997–98 to 2007–08, expenditure on health grew at an average of 5.2% per year, compared with an average annual real growth in GDP of 3.5% (Table 2.3). Both GDP and health expenditure grew in every year from 1997–98 to 2007–08.

Apart from 2 years, 2003–04 and 2005–06, health expenditure grew more strongly than GDP after 1997–98. The greatest single year's difference was in 2000–01 when the health expenditure and GDP growth rates were 6.7% and 1.9%, respectively. The actual change in the rate of growth from year to year for health expenditure and GDP moved in opposite directions in most years. That is, when the rate of growth in GDP accelerated, growth in health expenditure generally decelerated (Figure 2.1).

Growth rates for both health expenditure and GDP were generally higher in the years up to 2002–03 (averaging 5.7% and 3.6% per year, respectively) compared with the period from 2002–03 to 2007–08 (4.8% and 3.4%, respectively).

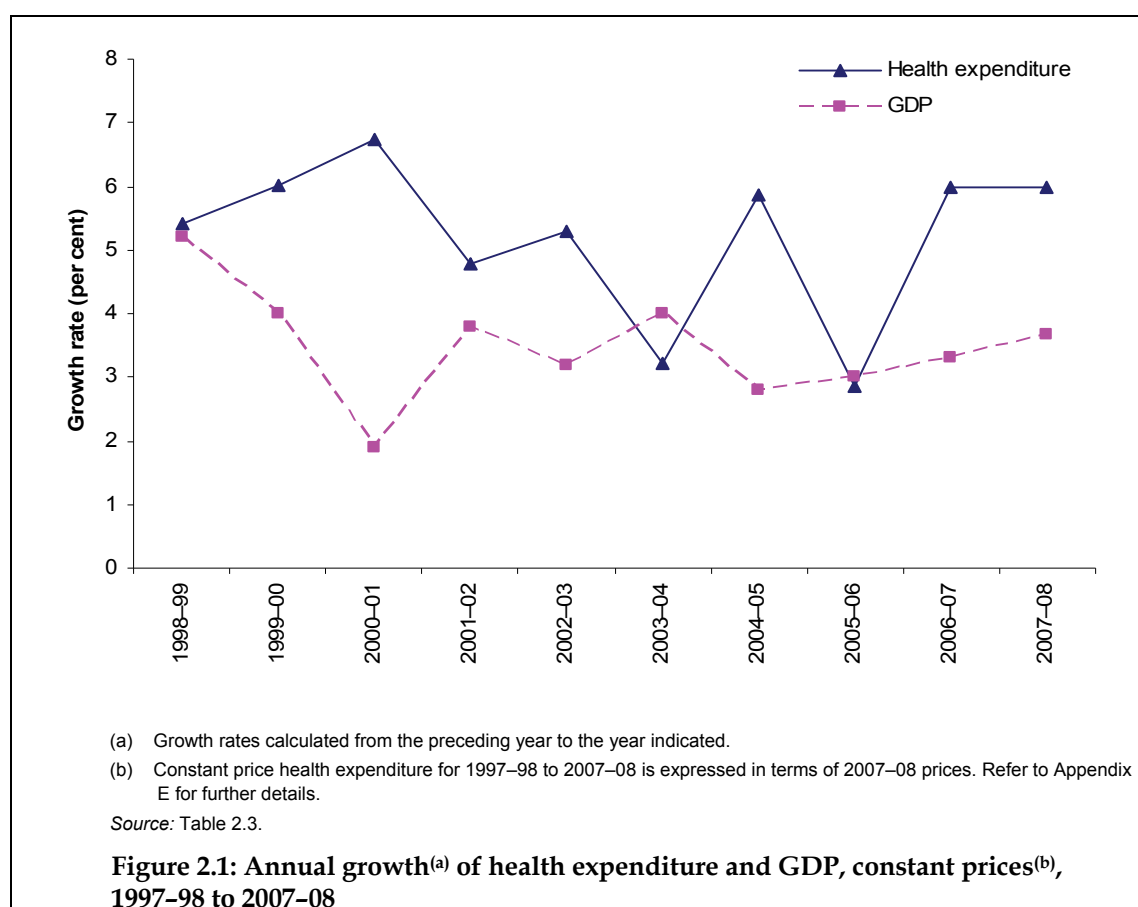
In 2007–08, health expenditure and GDP increased by 6.0% and 3.7% respectively. The real health expenditure growth rate for 2007–08 (6.0%) was the same as it was in the previous year and 0.8 percentage points higher than the average annual growth rate (5.2%) over the decade.

Table 2.3: Total health expenditure and GDP, constant prices^(a), and annual growth rates, 1997–98 to 2007–08

Year	Total health expenditure		GDP	
	Amount (\$ million)	Growth rate (%)	Amount (\$ million)	Growth rate (%)
1997–98	62,305	..	803,636	..
1998–99	65,679	5.4	845,425	5.2
1999–00	69,637	6.0	879,242	4.0
2000–01	74,321	6.7	895,947	1.9
2001–02	77,886	4.8	929,993	3.8
2002–03	82,020	5.3	959,753	3.2
2003–04	84,657	3.2	998,143	4.0
2004–05	89,634	5.9	1,026,092	2.8
2005–06	92,191	2.9	1,056,874	3.0
2006–07	97,720	6.0	1,091,751	3.3
2007–08	103,563	6.0	1,131,918	3.7
Average annual growth rate				
1997–98 to 2002–03		5.7		3.6
2002–03 to 2007–08		4.8		3.4
1997–98 to 2007–08		5.2		3.5

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

Sources: AIHW health expenditure database and ABS 2009a.



Health inflation

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

In order to gauge differences between health inflation and general inflation, it is necessary to have agreed measures of both. In Australia, general inflation is usually measured by changes in the ABS implicit price deflator for GDP and health inflation by changes in the AIHW total health price index (THPI). These two inflation measures moved at different rates for most years since 1997–98 (Table 2.4). In some years they moved in the same direction, but at different rates; in others they have moved in different directions. Over the whole period, however, inflation for both the health sector and the total economy averaged 3.4% per year.

In the latest 3 years – from 2004–05 to 2007–08 – Australia’s health inflation rate was lower than the general level of inflation. Previously health prices had tended to increase at a faster rate than prices generally.

Because general inflation and health inflation moved at the same overall average rate (3.4% per year) over the whole period 1997–98 to 2007–08, Australia had a zero ‘excess health inflation’ rate for that period. When viewed in the shorter term, however, it could be said that after 2004–05, Australia moved from a period of positive excess health inflation (that is, where health inflation was greater than general inflation) into a negative excess health inflation period. Some of this was due to rapid movements in the general level of prices.

The GDP deflator is the generally accepted measure of inflation for the economy and gives a good indication of the ‘opportunity cost’ of health spending to the economy as a whole. However as the GDP deflator includes the price received for exports, during times of large increases in export prices, the GDP deflator shows increases which are not due to goods and services that consumers themselves consume. If the desire was to measure the impact of health spending on consumers, the price change related to total final consumption expenditure may be a better indicator of general inflation. This would have given an inflation rate of 3.6% in 2007–08 (ABS 2009a) rather than 4.4%, and a less negative excess health inflation rate for that year.

Table 2.4: Annual rates of health inflation, 1997–98 to 2007–08 (per cent)

Period	Health inflation ^(a)	General inflation ^(b)	Excess health inflation
1997–98 to 1998–99	2.5	0.1	2.5
1998–99 to 1999–00	2.4	2.1	0.3
1999–00 to 2000–01	3.9	4.9	-1.0
2000–01 to 2001–02	3.3	2.8	0.5
2001–02 to 2002–03	3.5	3.0	0.6
2002–03 to 2003–04	3.5	3.5	—
2003–04 to 2004–05	4.2	3.8	0.4
2004–05 to 2005–06	4.0	4.6	-0.6
2005–06 to 2006–07	3.3	4.6	-1.2
2006–07 to 2007–08	2.9	4.4	-1.4
Average annual growth rate			
1997–98 to 2002–03	3.1	2.5	0.6
2002–03 to 2007–08	3.6	4.2	-0.6
1997–98 to 2007–08	3.4	3.4	—

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

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

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

Sources: AIHW health expenditure database and ABS 2009a.

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

In 2007–08, the ratio of health expenditure to GDP was 9.1%, the same as it was the previous year (Table 2.5). This comprised a 2.2% increase in the volume of health goods and services, relative to the increase in GDP volume, and a 1.4% deficit in the health inflation rate compared with price changes in the general economy.

During 2005–06 the change in the health to GDP ratio was -0.8% (Table 2.5). This comprised a decrease in the volume of health goods and services relative to the increase in GDP volume (-0.1%) and a greater decrease (-0.6%) in health prices relative to general inflation.

Table 2.5: Components of the annual change in the health expenditure to GDP ratio, 1997–98 to 2007–08 (per cent)

Year	Ratio of health expenditure to GDP	Change in ratio	Components of change in ratio	
			Difference in relative growth rates—health expenditure and GDP ^(a)	Excess health inflation
1997–98	7.8	..	..	..
1998–99	8.0	2.7	0.2	2.5
1999–00	8.1	2.3	1.9	0.3
2000–01	8.5	3.7	4.7	-1.0
2001–02	8.6	1.5	1.0	0.5
2002–03	8.8	2.6	2.0	0.6
2003–04	8.7	-0.7	-0.8	—
2004–05	9.0	3.4	3.0	0.4
2005–06	9.0	-0.8	-0.1	-0.6
2006–07	9.1	1.3	2.6	-1.2
2007–08	9.1	0.8	2.2	-1.4

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

Sources: AIHW health expenditure database and ABS 2009a.

2.3 Health expenditure per person

In the absence of a measurable indication of changes in the cost-effectiveness of the existing mix of health goods and services, it would be anticipated that health expenditure would need to grow at the same rate as the population in order to maintain the average level of health goods and services available to each person in the community. Similarly, it would be expected that larger populations should incur higher total expenditures just to provide their members with the same average levels of health goods and services as smaller populations (ignoring the impact of economies of scale). Therefore, it is important to examine health expenditure on an average per person basis, in order to remove these population differences from the analysis.

During 2007–08, estimated per person expenditure on health averaged \$4,874, which was \$328 more per person than in the previous year (Table 2.6). Real growth in per person health expenditure between 1997–98 and 2007–08 averaged 3.8% per year, compared with 5.2% for total national health expenditure (tables 2.6 and 2.1). The difference between these two growth rates is attributable to growth in the overall size of the Australian population.

Table 2.6: Average health expenditure per person^(a), current and constant prices^(b), and annual growth rates, 1997–98 to 2007–08

Year	Amount (\$)		Annual change in expenditure (%)	
	Current	Constant	Nominal change	Real growth
1997–98	2,407	3,347	..	..
1998–99	2,573	3,490	6.9	4.3
1999–00	2,760	3,657	7.3	4.8
2000–01	3,022	3,854	9.5	5.4
2001–02	3,230	3,987	6.9	3.4
2002–03	3,479	4,147	7.7	4.0
2003–04	3,672	4,229	5.6	2.0
2004–05	4,001	4,424	8.9	4.6
2005–06	4,218	4,486	5.4	1.4
2006–07	4,546	4,679	7.8	4.3
2007–08	4,874	4,874	7.2	4.2
Average annual growth rate				
1997–98 to 2002–03			7.6	4.4
2002–03 to 2007–08			7.0	3.3
1997–98 to 2007–08			7.3	3.8

(a) Based on annual mean resident population. Refer to Appendix F for further details.

(b) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

Source: AIHW health expenditure database.

2.4 Recurrent health expenditure

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

Recurrent expenditure usually accounts for around 95% of all expenditure on health goods and services in a year (Table 2.7). In 2007–08 recurrent expenditure was \$98.0 billion (94.6% of total expenditure). The remainder is incremental change in the health-related capital stock – capital expenditure.

Total health expenditure and recurrent expenditure grew at 5.2% and 5.1% per year, respectively, between 1997–98 and 2007–08. In both cases, growth was more rapid during the first half of the period to 2002–03 (5.7% and 5.5%, respectively). After 2002–03 annual growth averaged 4.8% per year for both (Table 2.8).

Table 2.7: Total and recurrent health expenditure, current prices, and recurrent expenditure as a proportion of total health expenditure, 1997–98 to 2007–08

Year	Total health expenditure (\$ million)	Recurrent expenditure (\$ million)	Recurrent as a proportion of total health expenditure (%)
1997–98	44,802	42,339	94.5
1998–99	48,428	45,863	94.7
1999–00	52,570	49,564	94.3
2000–01	58,269	54,978	94.4
2001–02	63,099	59,522	94.3
2002–03	68,798	64,822	94.2
2003–04	73,509	69,901	95.1
2004–05	81,060	76,781	94.7
2005–06	86,685	81,933	94.5
2006–07	94,938	89,449	94.2
2007–08	103,563	98,017	94.6

Source: AIHW health expenditure database.

Table 2.8: Total and recurrent health expenditure, constant prices^(a) and annual growth rates, 1997–98 to 2007–08

Year	Total health expenditure		Recurrent expenditure	
	(\$ million)	Annual growth (%)	(\$ million)	Annual growth (%)
1997–98	62,305	..	59,419	..
1998–99	65,679	5.4	62,694	5.5
1999–00	69,637	6.0	66,092	5.4
2000–01	74,321	6.7	70,595	6.8
2001–02	77,886	4.8	73,867	4.6
2002–03	82,020	5.3	77,656	5.1
2003–04	84,657	3.2	80,661	3.9
2004–05	89,634	5.9	85,004	5.4
2005–06	92,191	2.9	87,169	2.5
2006–07	97,720	6.0	92,080	5.6
2007–08	103,563	6.0	98,017	6.4
Average annual growth (%)				
1997–98 to 2002–03		5.7		5.5
2002–03 to 2007–08		4.8		4.8
1997–98 to 2007–08		5.2		5.1

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

Source: AIHW health expenditure database.

Recurrent expenditure, by state and territory

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

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

Of the \$98 billion in national recurrent health expenditure in 2007–08, over half (57%) was spent in the two most populous states, New South Wales (\$32 billion) and Victoria (\$24 billion) (Table 2.9).

Queensland had the highest average annual growth in recurrent health expenditure between 2002–03 and 2007–08 (6.7%) (Table 2.10). This was, in part, due to Queensland having a higher than average rate of population growth over that period (see Appendix Table F3, page 164). In contrast, New South Wales had an average annual growth rate of 4.4% over the period which was 0.4 percentage points below the national average.

Table 2.9: Total recurrent health expenditure, current prices, for each state and territory, all sources of funds, 1997–98 to 2007–08 (\$ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1997–98	14,462	10,598	7,631	4,020	3,229	1,122	764	512	42,339
1998–99	16,071	11,291	8,145	4,214	3,584	1,150	875	535	45,863
1999–00	16,896	12,382	8,863	4,605	3,920	1,254	1,037	606	49,564
2000–01	18,440	14,086	10,035	5,186	4,233	1,363	974	663	54,978
2001–02	19,913	15,468	10,595	5,611	4,539	1,586	1,103	709	59,522
2002–03	21,424	16,962	11,532	6,335	5,052	1,513	1,222	782	64,822
2003–04	23,643	17,590	12,451	6,936	5,501	1,575	1,336	868	69,901
2004–05	26,110	19,120	13,734	7,620	6,075	1,704	1,477	941	76,781
2005–06	27,390	20,401	15,199	8,035	6,446	1,851	1,564	1,047	81,933
2006–07	29,644	22,005	17,124	8,925	6,882	2,016	1,712	1,142	89,449
2007–08	32,033	23,765	19,058	10,013	7,718	2,294	1,837	1,300	98,017

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

Source: AIHW health expenditure database.

Table 2.10: Total recurrent health expenditure, constant prices^(a), for each state and territory, all sources of funds, and per cent change, 1997–98 to 2007–08

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
	\$ million								
1997–98	20,562	14,850	10,632	5,582	4,441	1,556	1,061	735	59,419
1998–99	22,191	15,408	11,078	5,719	4,809	1,543	1,200	746	62,694
1999–00	22,673	16,483	11,788	6,138	5,161	1,645	1,386	818	66,092
2000–01	23,821	18,000	12,906	6,642	5,377	1,730	1,256	863	70,595
2001–02	24,863	19,087	13,140	6,970	5,583	1,965	1,370	891	73,867
2002–03	25,801	20,224	13,810	7,588	6,017	1,808	1,457	950	77,656
2003–04	27,396	20,226	14,350	8,014	6,307	1,813	1,538	1,016	80,661
2004–05	28,937	21,102	15,201	8,456	6,726	1,887	1,635	1,059	85,004
2005–06	29,139	21,650	16,186	8,581	6,848	1,975	1,660	1,130	87,169
2006–07	30,523	22,632	17,623	9,206	7,078	2,078	1,756	1,184	92,080
2007–08	32,033	23,765	19,058	10,013	7,718	2,294	1,837	1,300	98,017
Average annual growth rate (%)									
1997–98 to 2002–03	4.6	6.4	5.4	6.3	6.3	3.0	6.6	5.3	5.5
2002–03 to 2007–08	4.4	4.1 ^(b)	6.7	5.7	5.1	4.9	4.7	6.5	4.8
1997–98 to 2007–08	4.5	4.8	6.0	6.0	5.7	4.0	5.6	5.9	5.1

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

(b) Average annual growth rate for 2003–04 to 2007–08 was used due to differences in the methodologies used by the Victorian Department of Human Services in their calculation of 2002–03 and 2003–04 data.

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

Source: AIHW health expenditure database.

Average recurrent expenditure per person

Average recurrent health expenditure per person varies from state to state, for example because of different socioeconomic and demographic profiles. In addition, health expenditure in a particular state or territory is influenced by health policy initiatives pursued by the state or territory government and the Australian Government.

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

On a per person basis, in 2007–08, the estimated national average level of recurrent expenditure on health was \$4,613 per person (Table 2.11 and Figure 2.2). In that year, expenditure in Queensland (\$4,492 per person) was 2.6% below the national average, while the Northern Territory's average spending (\$5,981 per person) was 29.6% higher than the national average. New South Wales and Tasmania were within 1% of the national average. Table 2.12 shows the average recurrent health expenditure per person after adjusting for the

effects of inflation. The average annual real growth per person over the period 2002–03 to 2007–08 was highest in the Northern Territory (4.6%). The national average for that period was 3.3% (Table 2.13).

Table 2.11: Average recurrent health expenditure per person^(a), current prices, for each state and territory^(b), all sources of funds, 1997–98 to 2007–08 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	NT	Australia ^(c)
1997–98	2,292	2,295	2,230	2,223	2,174	2,374	2,718	2,274
1998–99	2,520	2,421	2,344	2,294	2,399	2,437	2,796	2,437
1999–00	2,620	2,626	2,510	2,472	2,610	2,658	3,121	2,603
2000–01	2,823	2,950	2,792	2,746	2,806	2,890	3,372	2,851
2001–02	3,014	3,199	2,886	2,931	2,993	3,358	3,569	3,047
2002–03	3,221	3,466	3,064	3,268	3,310	3,185	3,922	3,278
2003–04	3,534	3,551	3,229	3,524	3,581	3,277	4,324	3,492
2004–05	3,879	3,811	3,480	3,810	3,929	3,515	4,610	3,789
2005–06	4,035	4,009	3,759	3,942	4,131	3,791	5,023	3,987
2006–07	4,320	4,253	4,134	4,278	4,363	4,100	5,370	4,283
2007–08	4,613	4,513	4,492	4,677	4,840	4,630	5,981	4,613
Percentage variation from the national average								
1997–98	0.8	0.9	-1.9	-2.3	-4.4	4.4	19.5	
1998–99	3.4	-0.6	-3.8	-5.9	-1.5	—	14.7	
1999–00	0.7	0.9	-3.6	-5.0	0.3	2.1	19.9	
2000–01	-1.0	3.5	-2.1	-3.7	-1.6	1.4	18.3	
2001–02	-1.1	5.0	-5.3	-3.8	-1.8	10.2	17.2	
2002–03	-1.7	5.7	-6.5	-0.3	1.0	-2.8	19.7	
2003–04	1.2	1.7	-7.5	0.9	2.5	-6.2	23.8	
2004–05	2.3	0.6	-8.2	0.5	3.7	-7.2	21.6	
2005–06	1.2	0.6	-5.7	-1.1	3.6	-4.9	26.0	
2006–07	0.9	-0.7	-3.5	-0.1	1.9	-4.3	25.4	
2007–08	—	-2.2	-2.6	1.4	4.9	0.4	29.6	

(a) Based on annual mean resident population. Refer to Appendix F for further details.

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

(c) Australian average includes ACT.

Source: AIHW health expenditure database.



- (a) Based on annual mean resident population. Refer to Appendix F for further details.
- (b) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.
- (c) Average for Australia includes ACT.

Source: Table 2.11.

Figure 2.2: Average recurrent health expenditure per person^(a), current prices, for each state and territory^(b) and Australia^(c), 2007-08 (\$)

Table 2.12: Average recurrent health expenditure per person^(a), constant prices^(b), for each state and territory^(c), all sources of funds, 1997-98 to 2007-08 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	NT	Australia ^(d)
1997-98	3,259	3,216	3,107	3,086	2,989	3,291	3,902	3,192
1998-99	3,480	3,304	3,189	3,113	3,220	3,271	3,900	3,331
1999-00	3,515	3,496	3,338	3,294	3,436	3,488	4,215	3,471
2000-01	3,647	3,770	3,591	3,517	3,564	3,669	4,393	3,661
2001-02	3,764	3,948	3,579	3,641	3,682	4,160	4,490	3,781
2002-03	3,879	4,132	3,669	3,914	3,942	3,806	4,765	3,927
2003-04	4,094	4,083	3,721	4,071	4,106	3,773	5,062	4,030
2004-05	4,298	4,207	3,851	4,228	4,350	3,893	5,188	4,195
2005-06	4,292	4,255	4,003	4,210	4,389	4,045	5,417	4,242
2006-07	4,448	4,374	4,255	4,413	4,488	4,225	5,571	4,409
2007-08	4,613	4,513	4,492	4,677	4,840	4,630	5,981	4,613

- (a) Based on annual mean resident population. Refer to Appendix F for further details.
- (b) Constant price health expenditure for 1997-98 to 2007-08 is expressed in terms of 2007-08 prices. Refer to Appendix E for further details.
- (c) ACT per person averages are not separately calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.
- (d) National average includes ACT.

Source: AIHW health expenditure database.

Table 2.13: Annual growth in recurrent health expenditure per person^(a), constant prices^(b), all sources of funding, by state and territory^(c), 1997–98 to 2007–08 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	NT	Australia ^(d)
1997–98 to 1998–99	6.8	2.8	2.6	0.9	7.7	–0.6	—	4.4
1998–99 to 1999–00	1.0	5.8	4.7	5.8	6.7	6.6	8.1	4.2
1999–00 to 2000–01	3.8	7.9	7.6	6.8	3.7	5.2	4.2	5.5
2000–01 to 2001–02	3.2	4.7	–0.3	3.5	3.3	13.4	2.2	3.3
2001–02 to 2002–03	3.1	4.7	2.5	7.5	7.1	–8.5	6.1	3.9
2002–03 to 2003–04	5.6	–1.2	1.4	4.0	4.1	–0.9	6.2	2.6
2003–04 to 2004–05	5.0	3.0	3.5	3.9	5.9	3.2	2.5	4.1
2004–05 to 2005–06	–0.1	1.1	3.9	–0.4	0.9	3.9	4.4	1.1
2005–06 to 2006–07	3.6	2.8	6.3	4.8	2.3	4.5	2.8	3.9
2006–07 to 2007–08	3.7	3.2	5.6	6.0	7.9	9.6	7.4	4.6
Average annual growth rate								
1997–98 to 2002–03	3.5	5.1	3.4	4.9	5.7	3.0	4.1	4.2
2002–03 to 2007–08	3.5	2.5 ^(e)	4.1	3.6	4.2	4.0	4.6	3.3
1997–98 to 2007–08	3.5	3.4	3.8	4.2	4.9	3.5	4.4	3.8

(a) Based on annual mean resident population. Refer to Appendix F for further details.

(b) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

(d) Australian average includes ACT.

(e) Average annual growth rate for 2003–04 to 2007–08 was used due to differences in the methodologies used by the Victorian Department of Human Services in their calculation of 2002–03 and 2003–04 data.

Source: AIHW health expenditure database.

3 Funding of health expenditure

3.1 Broad trends

In 2007–08, governments provided \$71.2 billion or 68.7% of the total to fund health expenditure in Australia. The contribution of the Australian Government was \$44.8 billion (43.2% of total funding) and state, territory and local governments contributed \$26.4 billion (25.5%) (tables 3.1 and 3.2).

Non-government funding sources (individuals, private health insurance and other non-government sources) provided the remaining \$32.4 billion (31.3%).

Funding by the Australian Government increased between 2006–07 and 2007–08 by \$4.9 billion; state, territory and local governments' funding by \$1.9 billion; and non-government funding by \$1.8 billion.

Table 3.1: Total funding for health expenditure, current prices, by source of funds, 1997–98 to 2007–08 (\$ million)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1997–98	18,852	11,332	30,184	14,618	44,802
1998–99	20,959	11,501	32,460	15,968	48,428
1999–00	23,304	13,076	36,380	16,189	52,570
2000–01	25,864	13,601	39,465	18,803	58,269
2001–02	27,752	14,661	42,413	20,686	63,099
2002–03	30,005	16,780	46,785	22,013	68,798
2003–04	32,033	17,349	49,382	24,127	73,509
2004–05	35,493	19,426	54,918	26,142	81,060
2005–06	37,074	21,907	58,981	27,704	86,685
2006–07	39,872	24,485	64,358	30,581	94,938
2007–08	44,773	26,379	71,152	32,411	103,563

(a) Funding of expenditure has been adjusted for non-specific tax expenditures (see page 28).

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

Source: AIHW health expenditure database.

At the broad level, the relative shares of funding by the different funding sources altered little between 1997–98 and 2007–08. The Australian Government contribution ranged from a low of 42.0% in 2006–07 to a high of 44.4% in 2000–01, while the state, territory and local governments contribution ranged from a low of 23.2% in 2001–02 to a high of 25.8% in 2006–07. Funding by the non-government sector ranged from 6.8% to 7.8% (Table 3.2 and Figure 3.1). Part of the reason for the increase in the Australian Government's share was the way the private health insurance incentives introduced in the late 1990s were treated. They were regarded as a form of subsidy and were allocated across the areas of expenditure in accordance with the health insurance funds' expenditure ratios. The result was a substantial

shift of funding responsibility from the private health insurance funds to the Australian Government.

Table 3.2: Total funding for health expenditure, by source of funds as a proportion of total health expenditure, 1997–98 to 2007–08 (per cent)

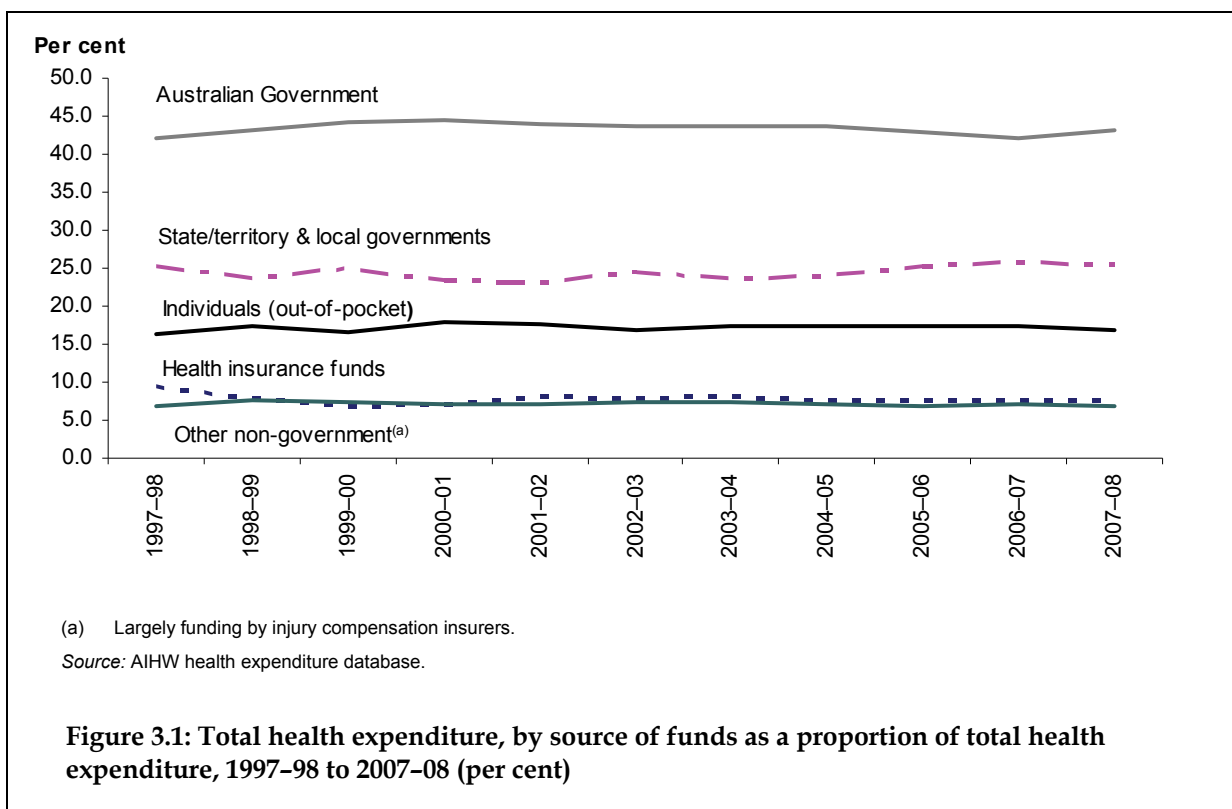
Year	Government			Non-government			Total
	Australian Government ^(a)	State/territory and local	Total	Health insurance funds	Individuals ^(a)	Other	
1997–98	42.1	25.3	67.4	9.5	16.3	6.8	32.6
1998–99	43.3	23.7	67.0	8.0	17.3	7.8	33.0
1999–00	44.3	24.9	69.2	6.9	16.7	7.3	30.8
2000–01	44.4	23.3	67.7	7.1	18.0	7.2	32.3
2001–02	44.0	23.2	67.2	8.0	17.5	7.2	32.8
2002–03	43.6	24.4	68.0	8.0	16.7	7.3	32.0
2003–04	43.6	23.6	67.2	8.1	17.4	7.3	32.8
2004–05	43.8	24.0	67.7	7.7	17.4	7.1	32.3
2005–06	42.8	25.3	68.0	7.6	17.4	6.9	32.0
2006–07	42.0	25.8	67.8	7.6	17.4	7.2	32.2
2007–08	43.2	25.5	68.7	7.6	16.8	6.9	31.3

(a) Funding of expenditure has been adjusted for non-specific tax expenditures (see page 28).

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

Source: AIHW health expenditure database.

The Australian Government's contribution in 2007–08 was 43.2%, which was 1.1 percentage points higher than in 1997–98, while the contribution of the state, territory and local governments in 2007–08 was 25.5%, 0.2 of a percentage point higher than in 1997–98 (Table 3.2).



Health funding can also be expressed as a proportion of GDP. Over the decade from 1997-98 to 2007-08, funding by governments increased, as a proportion of GDP, from 5.2% to 6.3%. Most of this was the result of increases in funding by the Australian Government, from 3.3% to 4.0% of GDP (Table 3.3). Funding by state, territory and local governments increased from 2.0% to 2.3%. Non-government sources increased from 2.5% to 2.9%.

Table 3.3: Total health expenditure, current prices, by source of funds as a proportion of GDP, 1997-98 to 2007-08 (per cent)

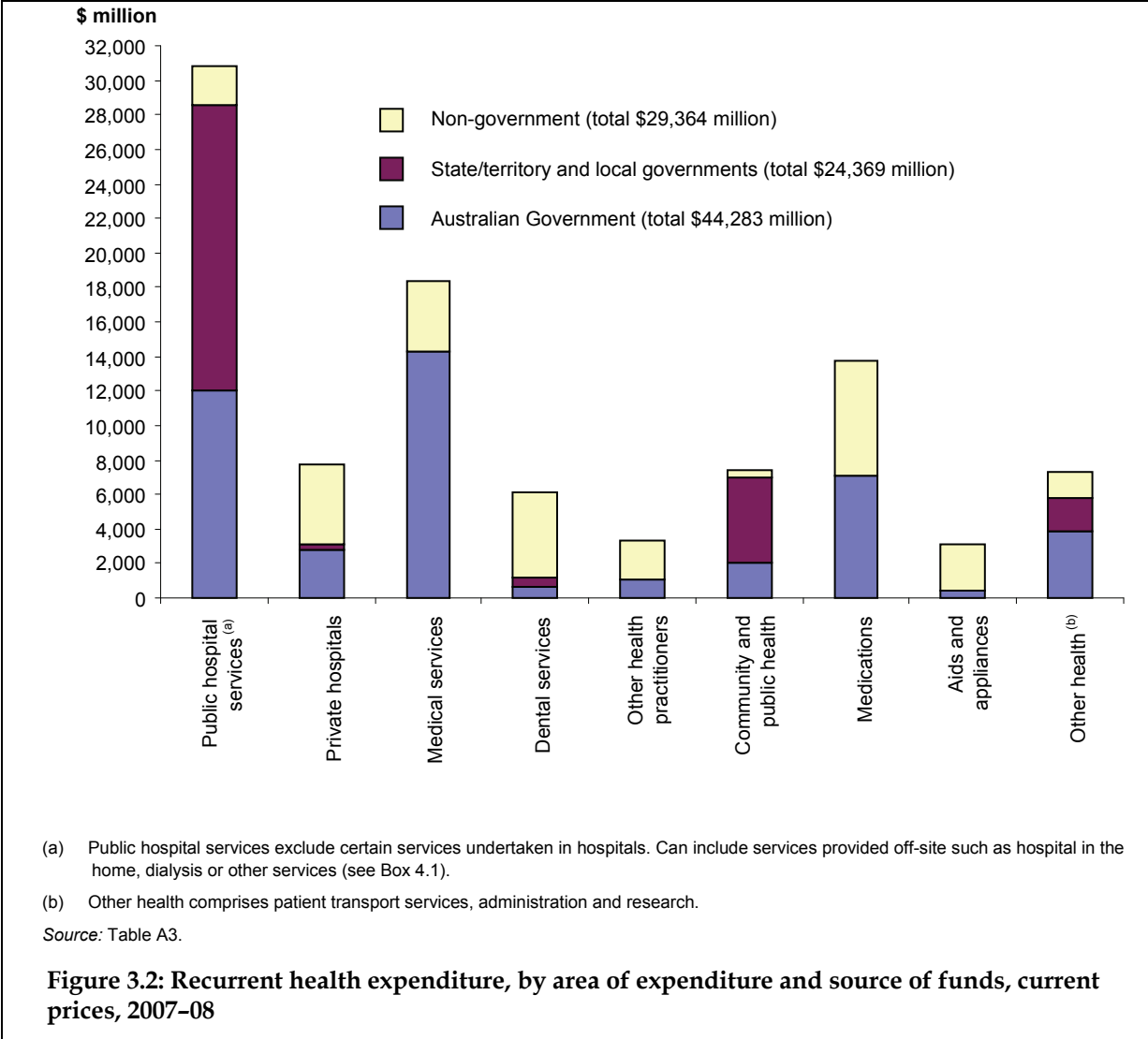
Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1997-98	3.3	2.0	5.2	2.5	7.8
1998-99	3.4	1.9	5.3	2.6	8.0
1999-00	3.6	2.0	5.6	2.5	8.1
2000-01	3.8	2.0	5.7	2.7	8.5
2001-02	3.8	2.0	5.8	2.8	8.6
2002-03	3.8	2.1	6.0	2.8	8.8
2003-04	3.8	2.1	5.9	2.9	8.7
2004-05	4.0	2.2	6.1	2.9	9.0
2005-06	3.8	2.3	6.1	2.9	9.0
2006-07	3.8	2.3	6.2	2.9	9.1
2007-08	4.0	2.3	6.3	2.9	9.1

(a) Funding of expenditure has been adjusted for non-specific tax expenditures (see page 28).

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

Sources: AIHW health expenditure database and ABS 2009a.

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



After allowing for inflation, real growth in the Australian Government’s funding for health averaged 5.4% a year from 1997-98 to 2007-08. At the same time, funding by the state, territory and local governments also grew at an average of 5.4% per year and non-government funding by 4.8% a year (Table 3.4).

In 2007-08, the Australian Government’s funding grew by 9.3%, while funding by state, territory and local governments and by non-government sources grew by 4.0% and 3.2%, respectively.

3.2 Australian Government funding

The Australian Government provided \$44.8 billion to fund health expenditure in 2007–08. This represented 62.9% of total government health funding (calculated from Table 3.1, page 21). This was made up of:

- funding by the Australian Government Department of Veterans' Affairs (DVA) of goods and services provided to eligible veterans and their dependants (\$3.4 billion or 7.7%)
- specific purpose payments (SPPs) to the states and territories for health purposes (\$11.3 billion or 25.3%)
- rebates and subsidies for privately insured persons under the *Private Health Insurance Act 2007* (\$3.6 billion or 8.0%)
- direct expenditure by the Australian Government on health programs – mostly administered through the Australian Government Department of Health and Ageing (DoHA) – for which it has primary responsibility (such as MBS and PBS) (\$26.1 billion or 58.2%)
- non-specific tax expenditure (\$0.4 billion or 0.9%).

Table 3.5: Funding of health expenditure by the Australian Government, current prices, by type of expenditure, 1997–98 to 2007–08 (\$ million)

Year	DVA	Grants to states (SPPs)	Health insurance premium rebates ^(a)	Own program expenditure	Non-specific tax expenditure	Total
1997–98	1,619	5,651	407	11,047	128	18,852
1998–99	1,904	6,201	963	11,745	145	20,959
1999–00	2,180	6,440	1,576	12,947	162	23,304
2000–01	2,371	6,874	2,031	14,415	173	25,864
2001–02	2,593	7,391	2,118	15,447	203	27,752
2002–03	2,836	8,095	2,250	16,599	225	30,005
2003–04	3,013	8,219	2,387	18,162	250	32,033
2004–05	3,162	8,840	2,645	20,554	291	35,493
2005–06	3,126	9,233	2,883	21,501	332	37,074
2006–07	3,302	9,894	3,073	23,228	376	39,872
2007–08	3,437	11,316	3,587	26,052	382	44,773

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

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

Source: AIHW health expenditure database.

The Department of Veterans' Affairs

DVA funding of health is largely through its purchase of health goods and services on behalf of eligible veterans and their dependants. In 2007–08, its funding totalled \$3.4 billion (Table 3.6). Almost half of this (47.5%) was for hospitals – public hospital services (21.5%) and private hospitals (26.0%).

Table 3.6: Department of Veterans' Affairs health expenditure, by area of expenditure, 2007–08

Area of expenditure	Amount (\$m)	Proportion (%)
Public hospital services ^(a)	738	21.5
Private hospitals	895	26.0
Patient transport services	133	3.9
Medical services	871	25.3
Dental services	108	3.1
Other health practitioners	172	5.0
Community health	2	—
Medications	461	13.4
Aids and appliances	2	—
Administration	56	1.6
Research	1	—
Total	3,437	100.0

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

Source: AIHW health expenditure database.

Grants to states and territories

Most of the SPPs by the Australian Government to state and territory governments were provided under the series of five-year Australian Health Care Agreements (AHCAs) between the Commonwealth and each state and territory government (see Box 4.2, page 48). The ACHA payments were primarily to fund expenditure on public hospital services. The SPPs for highly specialised drugs were also categorised as funding for public hospitals services for these estimates.

Another 'health' SPP that provides substantial Commonwealth funding to the states and territories arises from the five-year funding agreements – the Public Health Outcome Funding Agreements (PHOFAs). These funding agreements between the Australian Government and each state and territory provided both broad-banded and targeted funding that aimed to achieve agreed public health outcomes.

Rebates of private health insurance contributions

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

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

During 2007–08, the total value of the rebate that related to health goods and services was estimated at \$3.6 billion (Table 3.5). The majority of this (\$3.4 billion) was in the form of reimbursement of reduced premiums charged by private health insurance funds, with the balance provided in the form of rebates to individuals' payable through the taxation system (Table 3.12).

Australian Government funding of its own expenditures

The Australian Government funds health programs that are regarded as being its own expenditures. These include both the MBS and the PBS, public health, research, the Aboriginal community-controlled health and substance use services, and health-related capital consumption and capital expenditure. In 2007–08, the Australian Government provided \$26.1 billion in funding for its own program expenditures (Table 3.5).

Non-specific tax expenditure

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

Taxpayers who spend large amounts of money on health-related goods and services for themselves and/or their dependants in a tax year are able to claim a tax rebate. The rebate in 2007–08 was set at 20 cents in the dollar and applied only to the amount by which those expenditures exceed the prescribed threshold of \$1,500.

The individual expenditures that are subject to this form of rebate cannot be separately identified. Therefore it is not possible to allocate this form of funding to particular area(s) of health expenditure. The related expenditures are assumed to have been included in the estimates of health expenditure and they would be shown as being funding by individuals in the various health expenditure matrices. A broad adjustment is made to redistribute the total funding through these tax expenditures to funding by the Australian Government. In 2007–08, the total value of these tax expenditures was estimated at \$382 million (Table 3.5).

3.3 State and territory governments and local government authorities

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

More than two-thirds (67.9 %) of recurrent funding by state/territory and local governments was for public hospital services. The state and territory governments provided a total of \$16.5 billion to fund public hospital services in 2007–08 (calculated from Table A3).

Funding for health by state, territory and local governments grew at an average of 5.4% per year between 1997–98 and 2007–08 (Table 3.4).

3.4 Non-government funding

Non-government funding for health was estimated at \$32.4 billion, or 31.3% of total funding in 2007–08 (Table 3.7).

In the 2 years before the introduction of the health insurance premium rebates – 1997–98 and 1998–99 – the non-government sector’s share of funding was 32.6% and 33.0%, respectively. The fall in the non-government share in 1999–00 was due, almost entirely, to the introduction of the premium rebates, which are treated as Australian Government funding in the estimates.

From 2001–02, the non-government share of total funding averaged around 32% with an average annual real growth in funding from 2002–03 to 2007–08 of 4.4% (tables 3.7 and 3.8).

Most non-government funding for health goods and services in Australia comes from out-of-pocket payments by individuals. This includes where people meet the full cost of goods and services and where they share the funding of goods and services with third-party payers – for example, private health insurance funds or the Australian Government. Funding by individuals accounted for 53.7% (\$17.4 billion) of estimated non-government funding of health goods and services during 2007–08 (calculated from Table 3.7). This was 16.8% of total funding of health expenditure (government and non-government). Private health insurance funds provided 7.6% of total funding (\$7.9 billion) in 2007–08, with the balance – 6.9% (\$7.1 billion) – coming from other non-government sources (mainly in the form of payments by compulsory motor vehicle third-party and workers compensation insurers).

Over the decade to 2007–08, the proportion of total health funding provided by private health insurance funds decreased almost two percentage points from 9.5% to 7.6%, funding by individuals increased by half a percentage point from 16.3% to 16.8%, and other non-government sources funding increased marginally from 6.8% to 6.9% (Table 3.7).

Table 3.7: Non-government sector funding of total health expenditure, by source of funds, current prices, 1997–98 to 2007–08

Year	Private health insurance funds ^(a)		Individuals ^(b)		Other non-government ^(c)		All non-government sources	
	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
1997–98	4,271	9.5	7,321	16.3	3,026	6.8	14,618	32.6
1998–99	3,855	8.0	8,355	17.3	3,758	7.8	15,968	33.0
1999–00	3,601	6.9	8,777	16.7	3,811	7.3	16,189	30.8
2000–01	4,123	7.1	10,499	18.0	4,181	7.2	18,803	32.3
2001–02	5,075	8.0	11,050	17.5	4,562	7.2	20,686	32.8
2002–03	5,472	8.0	11,514	16.7	5,027	7.3	22,013	32.0
2003–04	5,919	8.1	12,827	17.4	5,381	7.3	24,127	32.8
2004–05	6,220	7.7	14,131	17.4	5,792	7.1	26,142	32.3
2005–06	6,578	7.6	15,108	17.4	6,018	6.9	27,704	32.0
2006–07	7,216	7.6	16,553	17.4	6,811	7.2	30,581	32.2
2007–08	7,862	7.6	17,416	16.8	7,133	6.9	32,411	31.3

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

(b) Individuals' expenditure has been adjusted for non-specific tax expenditures (see page 28).

(c) All non-government sector capital expenditure is included here, as the details of funding of non-government capital expenditure is not known. If funding was known, this capital expenditure would be spread across all funding columns.

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

Source: AIHW health expenditure database.

Growth in funding by private health insurance funds averaged 2.5% per year between 1997–98 and 2007–08. The other two non-government funding sources – individuals and other non-government – both had average growth rates of 5.6% per year over the same period (Table 3.8). The lower average growth rate for private health insurance funds was due to the introduction of the private health insurance premium rebates.

Table 3.8: Non-government sector funding of total health expenditure, by source of funds, constant prices^(a), and annual growth rates, 1997–98 to 2007–08

Year	Private health insurance funds ^(b)		Individuals ^(c)		Other non-government ^(d)		All non-government sources ^{(b)(c)}	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1997–98	6,120	..	10,102	..	4,118	..	20,340	..
1998–99	5,377	-12.1	11,302	11.9	4,960	20.4	21,639	6.4
1999–00	4,891	-9.0	11,544	2.1	4,952	-0.2	21,388	-1.2
2000–01	5,402	10.4	13,241	14.7	5,167	4.3	23,810	11.3
2001–02	6,409	18.6	13,513	2.1	5,478	6.0	25,400	6.7
2002–03	6,654	3.8	13,639	0.9	5,841	6.6	26,134	2.9
2003–04	6,916	3.9	14,632	7.3	6,134	5.0	27,681	5.9
2004–05	6,965	0.7	15,438	5.5	6,363	3.7	28,766	3.9
2005–06	7,058	1.3	15,920	3.1	6,383	0.3	29,362	2.1
2006–07	7,455	5.6	16,943	6.4	6,996	9.6	31,394	6.9
2007–08	7,862	5.5	17,416	2.8	7,133	2.0	32,411	3.2
Average annual growth rate								
1997–98 to 2002–03		1.7		6.2		7.2		5.1
2002–03 to 2007–08		3.4		5.0		4.1		4.4
1997–98 to 2007–08		2.5		5.6		5.6		4.8

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

(c) Individuals' funding has been adjusted for non-specific tax expenditures (see page 28).

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

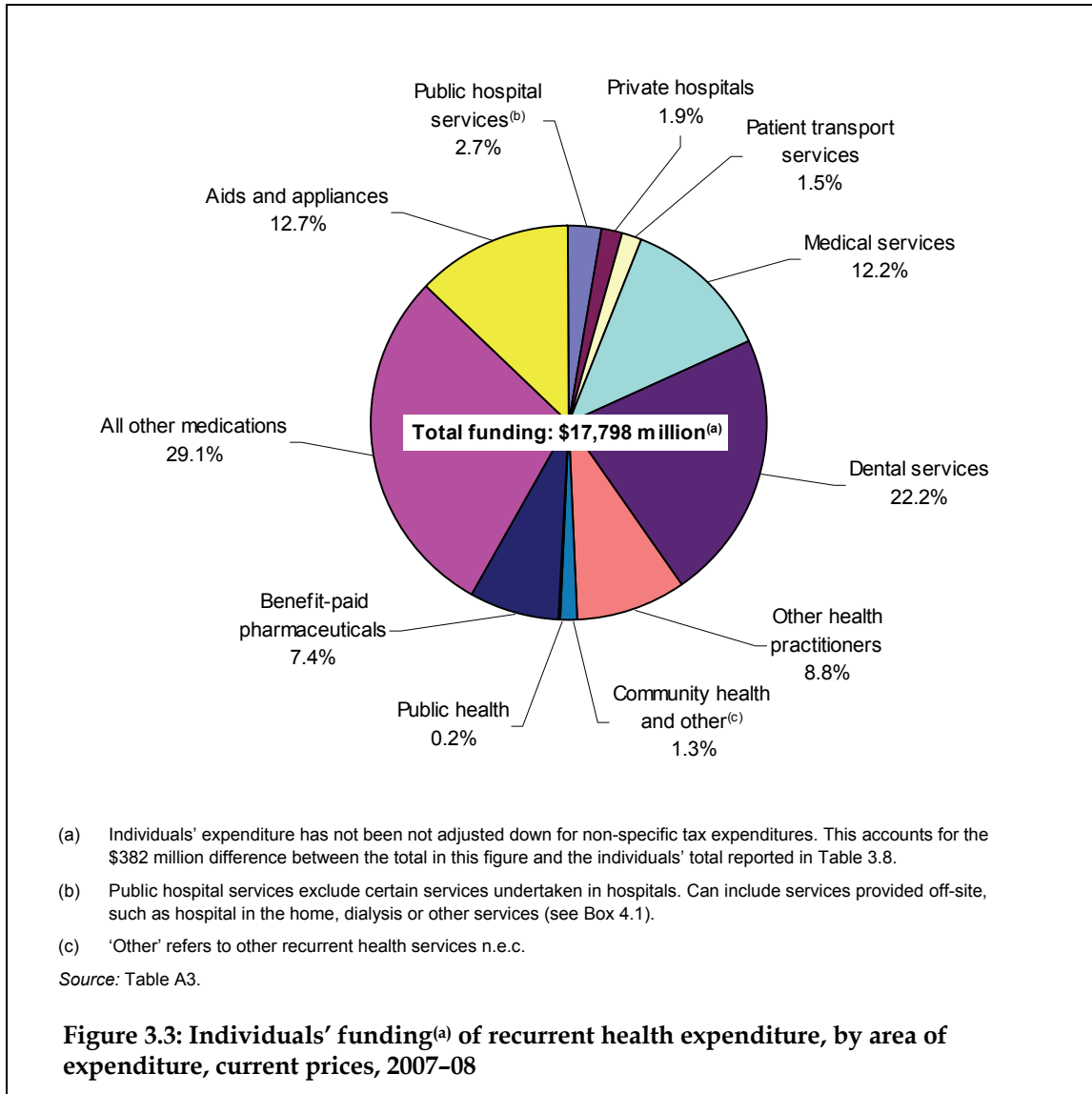
Note: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

Individuals

Real growth in funding by individuals between 1997–98 and 2007–08 was 5.6% per year, 0.4 percentage points above the real growth in total funding for health expenditure (5.2%) (tables 3.8 and 2.1).

In 2007–08, individuals spent an estimated \$17.8 billion in recurrent funding for health goods and services (Figure 3.3). More than one-third (36.5%) of this was for medications (7.4% being by way of copayments on PBS and RPBS benefit-paid items and 29.1% for other medications). A further 22.2% of funding by individuals was for dental services; 12.7% for health aids and appliances; and 12.2% for medical services. A further 8.8% was spent on services by other health practitioners.



Per person health funding by individuals (that is, averaged over the whole population) grew at an average of 4.2% per year from 1997-98 to 2007-08 (Table 3.9). Over this period, funding for benefit-paid pharmaceuticals grew at 6.7% per year compared to 5.7% for all other medications. In contrast, average per person out-of-pocket expenditure on medical services grew at 3.0% per year.

Refer to Chapter 5 of *Health expenditure Australia 2006-07* for an analysis of the 2003-04 individual out-of-pocket expenditure on health, from the ABS Household Expenditure Survey.

Table 3.9: Average out-of-pocket funding of recurrent health expenditure per person, constant prices^(a), and annual growth rates, by area of expenditure, 1997–98 to 2007–08

Year	Hospitals ^{(b)(c)}		Patient transport ^(b)		Medical services		Dental services ^(b)		Other health practitioners		Community and public health ^{(b)(d)}		Benefit-paid pharmaceuticals		All other medications		Aids and appliances		Total recurrent expenditure		
	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	
1997–98	27	..	11	..	76	..	138	..	72	..	—	..	33	..	140	..	57	..	553	..	
1998–99	50	85.6	10	-1.5	78	3.2	139	0.3	67	-6.6	6	..	34	3.8	150	7.5	77	35.9	611	10.6	
1999–00	46	-7.5	11	4.8	78	-0.8	138	-0.8	63	-5.5	2	-56.2	36	7.1	163	8.3	81	4.5	618	1.1	
2000–01	50	7.3	12	8.5	79	2.0	162	17.5	62	-2.0	—	..	41	12.4	174	7.1	119	47.4	698	13.1	
2001–02	43	-12.7	13	10.0	82	3.5	175	8.3	66	6.0	—	..	44	7.0	196	12.7	86	-28.0	705	0.9	
2002–03	28	-35.5	14	3.8	91	11.7	181	3.4	70	6.5	—	..	49	11.6	177	-10.1	95	10.1	704	-0.2	
									<i>Break in series^(b)</i>												
2003–04	25	..	10	..	96	5.4	188	..	75	..	10	..	52	7.6	189	7.3	99	..	746	6.0	
2004–05	30	19.8	10	0.6	90	-7.0	193	2.5	80	7.2	10	-5.5	57	9.6	204	7.9	104	4.6	778	4.4	
2005–06	33	9.5	11	4.6	90	0.4	192	-0.3	82	3.1	12	22.1	61	6.0	204	-0.1	107	2.8	792	1.8	
2006–07	31	-6.7	12	6.0	99	9.7	192	0.0	83	0.1	12	6.1	61	1.1	229	12.2	111	3.9	830	4.8	
2007–08	38	23.3	12	5.1	102	3.5	186	-3.5	74	-10.2	13	2.5	62	1.2	244	6.5	107	-3.8	838	0.9	
Average annual growth rate																					
1997–98 to 2002–03		0.8		5.0		3.8		5.5		-0.5		..		8.3		4.8		10.7		5.0	
2003–04 to 2007–08		10.8		4.1		1.5		-0.3		-0.2		5.8		4.4		6.5		1.8		3.0	
1997–98 to 2007–08		..		..		3.0		..		..		..		6.7		5.7		..		4.2

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

(c) Includes public and private hospitals.

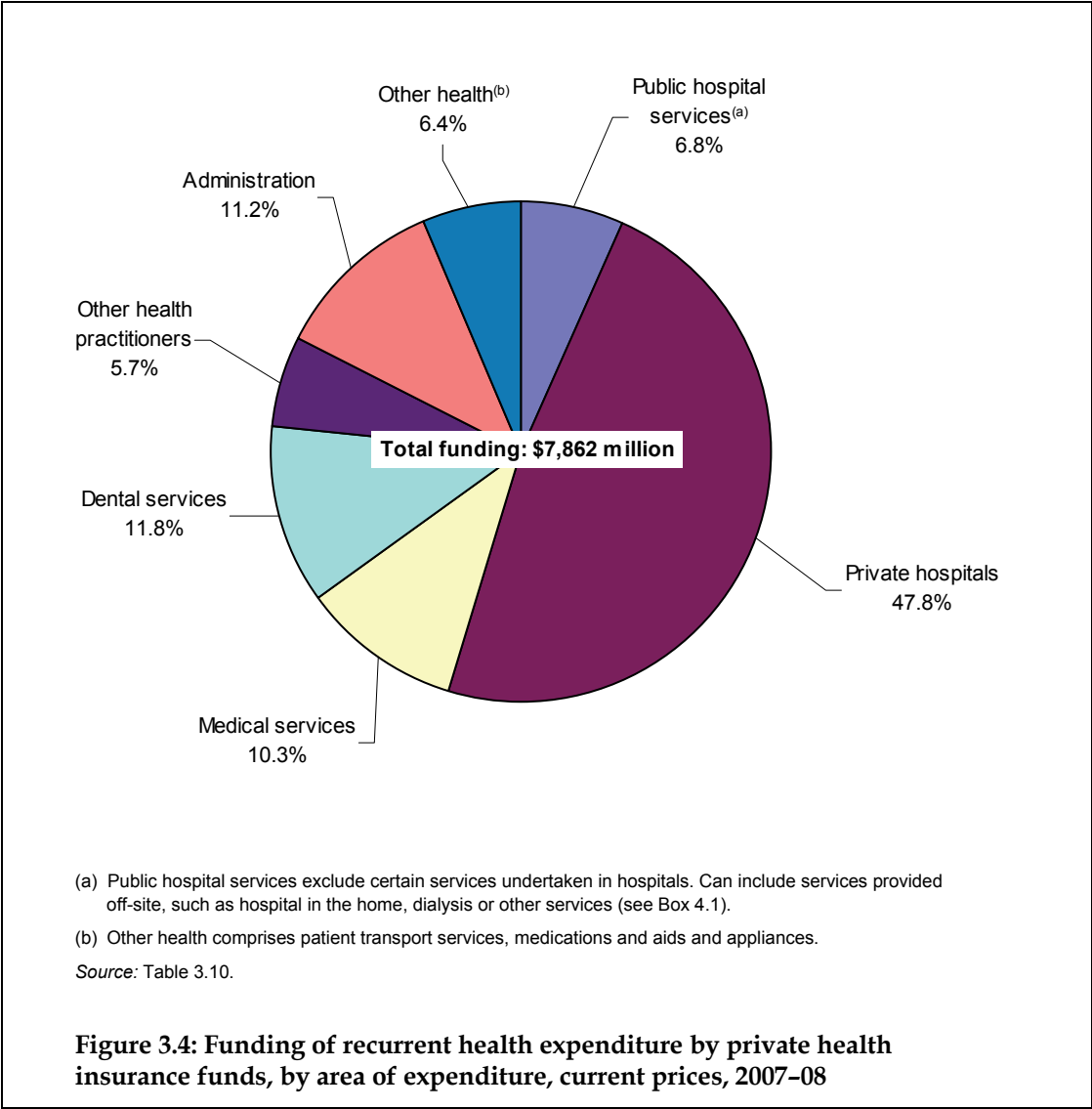
(d) For 1998–99 and 1999–00 this also includes administration expenditure.

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

Source: AIHW health expenditure database.

Private health insurance

During 2007–08, private hospitals received 47.8% (\$3.8 billion) of the \$7.9 billion in funding provided by private health insurance funds (Figure 3.4 and Table 3.10). Other major areas of expenditure that received funding were dental services (11.8% or \$0.9 billion), administration (11.2% or \$0.9 billion) and medical services (10.3% or \$0.8 billion). The funding for medical services includes some of the fees charged for in-hospital medical services that are provided to private admitted patients in hospitals. Patient transport services and medications received funding of \$128 million and \$46 million, respectively, from health insurance funds in 2007–08 (Table 3.10).



General benefits and administration

Gross health benefits paid through the health insurance funds in 2007–08 amounted to \$10.2 billion – up \$0.9 billion from \$9.2 billion in 2006–07 and up \$1.7 billion since 2005–06 (Table 3.10). A further \$1.3 billion was used to fund administration during 2007–08; this was 20% higher than in 2006–07 (see page 32 of PHIAC 2008 for further details).

The premium rebates paid by the Australian Government through the tax system or directly to private health insurance funds increased from \$2.9 billion in 2005–06 to \$3.6 billion in 2007–08 (Table 3.10). The reserves of the health insurance funds decreased between 2006–07 and 2007–08, largely due to a fall in operating profit (before abnormal and extraordinary items) from \$1.3 billion in 2006–07 to \$0.6 billion in 2007–08 (Table 3.11).

The introduction of the Private Health Insurance Incentives Scheme (PHIIS) subsidy in 1997 resulted in a movement of responsibility for funding expenditures incurred through the private health insurance funds from the funds themselves to the Australian Government. The result was a sharp drop in net funding by health insurance funds in each year up to 1999–00, despite an increase in gross payments through the funds (Table 3.12). There was then 2 years of rapid increase in both gross payments through the funds and net health insurance funding, which followed the introduction of the lifetime health cover arrangements at the beginning of 2000–01.

Net funding by the health insurance funds grew by 7.9% over the 2 years from 2001–02 to 2003–04. This represented an average annual growth rate of 3.9% (calculated from Table 3.12). Its rate of growth then averaged 3.3% per year, taking it to \$7.9 billion in 2007–08. The private health insurance rebates grew at a slower rate of 2.1% per year from 2001–02 to 2003–04 and then by 6.5% per year to 2007–08 (calculated from Table 3.12 and Figure 3.5).

Box 3.1: Treatment of private health insurance premium rebates

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

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

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

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

Table 3.10: Expenditure on health goods and services funded through health insurance funds, current prices, 2005–06 to 2007–08 (\$ million)

Area of expenditure	2005–06			2006–07			2007–08		
	Gross benefits paid	Premium rebates ^(a)	Net benefits paid	Gross benefits paid	Premium rebates ^(a)	Net benefits paid	Gross benefits paid	Premium rebates ^(a)	Net benefits paid
Expenditure									
Hospitals	5,213	1,588	3,624	5,674	1,695	3,980	6,255	1,960	4,295
Public hospital services ^(b)	615	187	428	695	207	487	777	244	534
Private hospitals	4,598	1,401	3,197	4,980	1,487	3,493	5,478	1,716	3,762
Patient transport ^(c)	139	42	97	152	45	107	187	58	128
Medical services	957	292	666	1,047	313	735	1,183	371	813
Dental services	1,144	348	795	1,234	369	865	1,350	423	927
Other health practitioners	578	176	402	615	184	431	649	203	446
Community and public health	1	—	—	1	—	—	2	1	1
Medications	71	22	49	67	20	47	67	21	46
Aids and appliances	397	121	276	431	129	302	473	148	325
Total health benefits and levies	8,499	2,590	5,909	9,221	2,754	6,467	10,167	3,185	6,981
Health administration	962	293	669	1,068	319	749	1,282	402	881
Total expenditure on health goods and services	9,461	2,883	6,578	10,289	3,073	7,216	11,449	3,587	7,862
Items not included in estimates on health goods and services									
Non-health ancillaries	15	5	11	19	6	14	24	7	16
Outstanding claims adjustment	98	30	68	123	37	86	128	40	88

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

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

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

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

Sources: DoHA 2006, 2007, 2008; ATO 2008; PHIAC 2006, 2007, 2008, 2009.

Table 3.11: Health insurance funds' reported expenses and revenues, current prices, 2005–06 to 2007–08 (\$ million)

Operating expenses and revenue of funds	2005–06	2006–07	2007–08
Expenses			
Total cost of benefits ^(a)	8,640	9,306	10,248
State levies (patient transport services)	113	126	137
Management expenses	962	1,068	1,282
Total expenses	9,715	10,500	11,667
Revenues			
Contributions income	10,261	11,127	12,189
Other revenues	446	672	49
Total revenue	10,706	11,799	12,238
Operating profit (loss) before abnormal and extraordinary items	984	1,288	562

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

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

Sources: PHIAC 2006, 2007, 2008.

Table 3.12: Expenditure on health goods and services and administration funded through private health insurance funds, constant prices^(a), and annual growth rates, 1997–98 to 2007–08

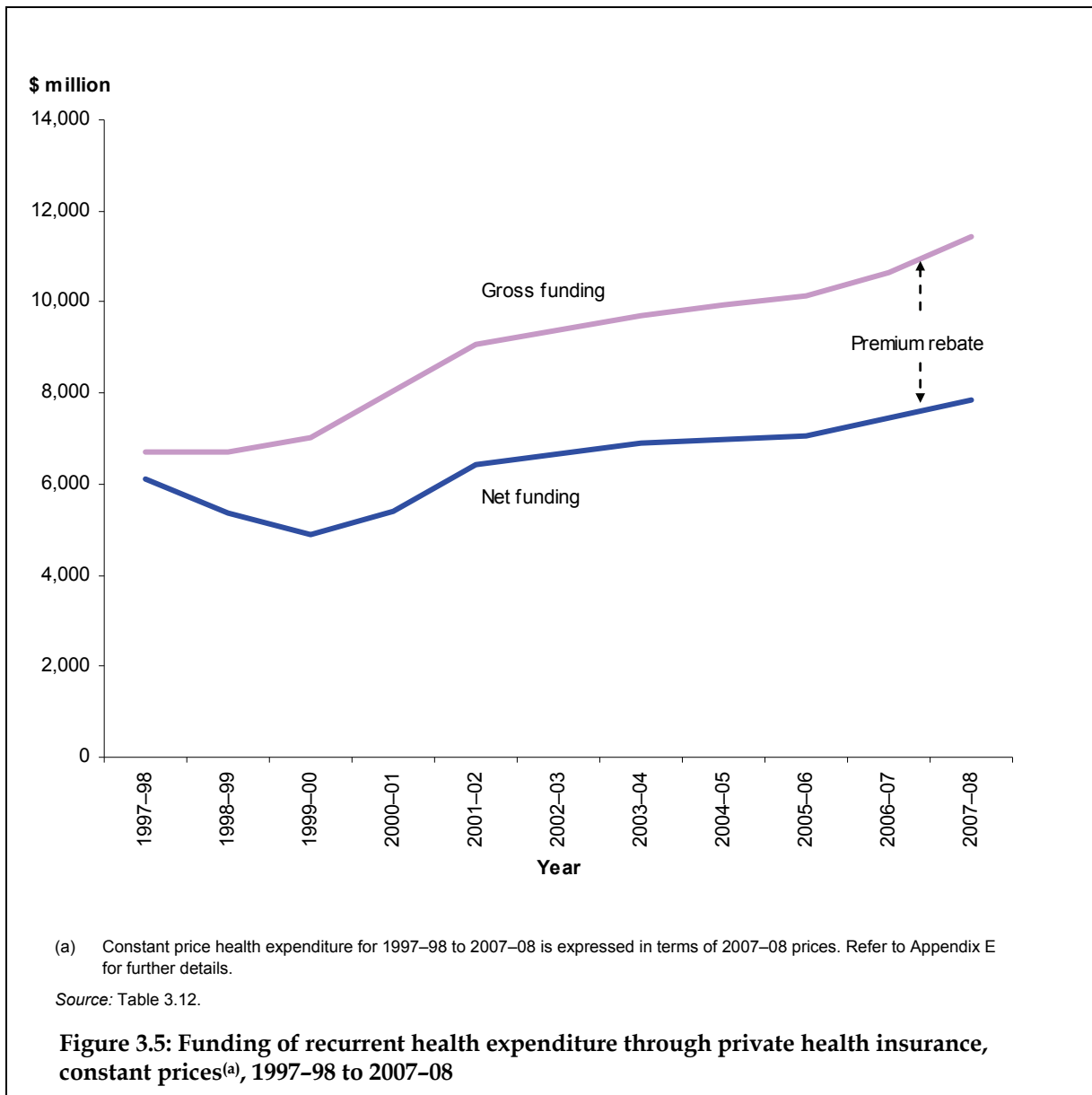
Year	Gross amounts paid through health insurance funds		Premium rebates				Net amounts funded from health insurance funds' own resources ^(b)	
			Through reduced premiums		Through taxation system			
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1997–98	6,703	..	357	..	227	..	6,120	..
1998–99	6,721	0.3	1,094	206.7	250	10.1	5,377	-12.1
1999–00	7,030	4.6	1,880	71.8	259	3.8	4,891	-9.0
2000–01	8,062	14.7	2,432	29.3	229	-11.6	5,402	10.4
2001–02	9,084	12.7	2,458	1.1	216	-5.6	6,409	18.6
2002–03	9,389	3.4	2,546	3.6	189	-12.5	6,654	3.8
2003–04	9,705	3.4	2,618	2.8	172	-9.1	6,916	3.9
2004–05	9,927	2.3	2,799	6.9	163	-5.4	6,965	0.7
2005–06	10,152	2.3	2,935	4.8	159	-2.4	7,058	1.3
2006–07	10,629	4.7	3,012	2.6	162	2.2	7,455	5.6
2007–08	11,449	7.7	3,418	13.5	169	4.3	7,862	5.5
Average annual growth rate								
2001–02 to 2003–04		3.4		3.2		-10.8		3.9
2003–04 to 2007–08		4.2		6.9		-0.4		3.3

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

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

Source: AIHW health expenditure database.



In 2007-08, it was estimated that net health funding by private health insurance providers averaged \$834 per person covered (Table 3.13). In South Australia the average funding per person covered (\$936) was well above the national average, while for people in the Northern Territory and Australian Capital Territory it was well below the average at \$470 and \$513, respectively. All states and territories recorded reductions in the amount funded per person with health insurance cover from 1997-98 to 2000-01. From 2000-01 to 2007-08 the trend in funding was generally upwards in most states and territories.

Table 3.13: Average health expenditure funded by private health insurance, per person covered^(a), constant prices^(b), by state and territory, 1997–98 to 2007–08 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1997–98	1,066	1,052	1,046	984	1,200	1,018	523	597	1,047
1998–99	949	938	946	899	1,077	901	512	568	939
1999–00	728	753	750	763	864	721	432	452	745
2000–01	616	588	635	636	714	672	378	384	618
2001–02	724	698	767	756	855	789	426	473	734
2002–03	741	745	819	778	896	821	382	425	766
2003–04	773	777	860	800	904	862	566	451	799
2004–05	780	779	864	799	904	835	530	426	801
2005–06	772	801	859	778	903	858	537	433	801
2006–07	811	822	874	786	924	865	520	442	825
2007–08	826	830	876	794	936	872	513	470	834
Average annual growth rate									
1997–98 to 2002–03	-7.0	-6.7	-4.8	-4.6	-5.7	-4.2	-6.1	-6.6	-6.1
2002–03 to 2007–08	2.2	2.2	1.4	0.4	0.9	1.2	6.1	2.0	1.7
1997–98 to 2007–08	-2.5	-2.3	-1.8	-2.1	-2.5	-1.5	-0.2	-2.4	-2.2

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

(b) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

Source: AIHW health expenditure database.

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

Hospital services

In 2007–08, the average fee charged for hospital services for insured patients increased with the age of the patient. For example, the average fee charged for hospital services for patients aged <14 years was \$158 per person covered in that age group and for patients aged ≥85 years was \$3,970 per person covered (Table 3.14). At the same time, the average copayment for patients aged < 14 years was \$48 per person covered and this increased to \$945 for patients aged ≥ 85 years (Table 3.14).

For the older age groups (≥ 65 years), copayments for males were, on the average, higher than for females. Insured female patients aged ≤ 14 met, on average, a copayment of \$43 while those aged 65–84 years had an average copayment of \$915. Males in the same age groups had copayments of \$52 and \$1,157 per person, respectively.

The greatest difference between the sexes in hospital services copayments was in the age category 20–44 years. Females in this category spent, on average, more than twice the rate of males (\$266 and \$125 respectively). This reflects the higher outlays on hospital services faced by women in their child-bearing years.

Ancillaries

The average per person out-of-pocket expenditure for ancillary health services paid in respect of females with ancillary cover was higher than that paid for their male counterparts at all ages, except the 85 years and over age group. The difference was greatest in the age category 45–64 years, where the average amount paid in respect of males was \$333 and for females was \$440 per female person covered.

Table 3.14: Fees charged, benefits paid and out-of-pocket expenditure, per person^(a) with private health insurance hospital cover and/or ancillary cover, by age group and sex, current prices, 2007–08 (\$)

	Age group					
	0–14	15–19	20–44	45–64	65–84	85+
Hospital benefits paid, fees charged and out-of pocket expenditure						
Males						
Out of pocket	52	89	125	376	1,157	1,172
Benefits paid	120	128	165	512	1,839	3,241
<i>Fees charged</i>	172	217	290	888	2,996	4,413
Females						
Out of pocket	43	83	266	371	915	861
Benefits paid	100	160	515	557	1,644	2,945
<i>Fees charged</i>	144	242	781	929	2,559	3,805
All persons						
Out of pocket	48	86	199	374	1,030	945
Benefits paid	111	144	350	535	1,736	3,025
<i>Fees charged</i>	158	229	550	909	2,766	3,970
Ancillary benefits paid, fees charged and out-of pocket expenditure						
Males						
Out of pocket	105	158	188	333	366	318
Benefits paid	132	182	190	298	305	231
<i>Fees charged</i>	238	340	378	631	671	549
Females						
Out of pocket	115	198	267	440	382	286
Benefits paid	140	216	261	382	323	207
<i>Fees charged</i>	255	414	528	822	706	493
All persons						
Out of pocket	110	178	230	388	375	295
Benefits paid	136	198	228	341	315	213
<i>Fees charged</i>	246	376	458	729	689	508

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

Source: PHIAC 2009.

Injury compensation insurers

In 2007–08, injury compensation insurers funded \$2,201 million of expenditure on health goods and services – \$1,329 million by workers compensation insurers and \$872 million by motor vehicle third-party insurers (Table 3.15).

Over the period 1997–98 to 2007–08, real funding by workers compensation insurers rose on average by 2.8% per year while the annual real growth over this decade was 4.7% for motor vehicle third-party insurers.

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

Table 3.15: Expenditure by injury compensation insurers, constant prices^(a), and annual growth rates, 1997–98 to 2007–08

Year	Workers compensation insurers		Motor vehicle accident third-party insurers		Total injury compensation insurers	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1997–98	1,004	..	550	..	1,554	..
1998–99	1,078	7.4	639	16.1	1,717	10.5
1999–00	1,101	2.1	646	1.1	1,747	1.7
2000–01	1,094	–0.6	647	0.2	1,741	–0.3
2001–02	1,113	1.7	758	17.2	1,871	7.5
2002–03	1,200	7.8	769	1.4	1,969	5.2
2003–04	1,282	6.8	702	–8.8	1,983	0.7
2004–05	1,248	–2.6	764	9.0	2,012	1.5
2005–06	1,254	0.4	777	1.6	2,031	0.9
2006–07	1,264	0.8	814	4.8	2,078	2.3
2007–08	1,329	5.2	872	7.1	2,201	5.9
Average annual growth rate						
1997–98 to 2002–03		3.6			6.9	4.8
2002–03 to 2007–08		2.1			2.5	2.3
1997–98 to 2007–08		2.8			4.7	3.5

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

Source: AIHW health expenditure database.

4 Health expenditure and funding, by area of health expenditure

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

4.1 Recurrent expenditure

Of the \$98.0 billion recurrent health expenditure in 2007–08, around half was for public hospital services (31.4%) and medical services (18.7%). Expenditure on medications accounted for a further 14.0% (Table 4.1 and Figure 4.1).

Spending on private hospitals, fell as a proportion of total recurrent expenditure from 8.6% in 1997–98 to 8.5% in 2002–03, and by a further 0.6 percentage points to 7.9% in 2007–08. The public hospitals share of recurrent expenditure also fell between 1997–98 and 2002–03. Public hospital services increased by 1 percentage point, from 30.4% to 31.4% between 2003–04 and 2007–08.

In real terms, recurrent expenditure grew by 65%, at an average of 5.1% a year, between 1997–98 and 2007–08 (Table 4.2).

All areas of expenditure experienced real growth in 2007–08.

These included:

- medications – 7.7%
- medical services – 6.5%
- public hospital services – 6.2%
- private hospitals – 4.5%
- other health practitioners – 3.2%
- dental services – 2.1%.

Expenditure on each of the components of the 'other health' category also experienced substantial growth in 2007–08. Public health grew in real terms by 20.7%, which was mostly due to a 21.5% growth in government expenditure on public health activities (AIHW 2009b (in press)); community health and other by 10.4%; research by 12.0%; patient transport services by 8.2%; health administration by 6.3%; and aids and appliances by 0.1% (Table A8).

Expenditure on hospitals accounted for the largest proportion of real growth in recurrent health expenditure between 2003–04 and 2007–08 (39.9%). Of this, 35.3% was related to public hospital services and 4.6% to private hospitals. Expenditure on medications accounted for 16.8% of the growth over that period, and medical services for 16.0% (calculated from Table 4.2). Together, these three areas of expenditure accounted for 72.7% of the growth in expenditure during the last 4 years. The combined expenditure of these three areas as a

percentage of GDP rose in real terms from 5.8% in 2003–04 to 6.2% in 2007–08 (calculated from Table 2.3, page 10, and Table 4.2).

Expenditure on research showed the highest real growth in total recurrent expenditure between 1997–98 and 2007–08 (averaging 11.3% per year) (Table A8, see page 120). Growth in expenditure on medications averaged 8.3% per year and medical services had an average annual real growth of 3.3% (Table A8).

Table 4.1: Total funding of recurrent health expenditure, current prices, by area of expenditure, and proportion of total recurrent, 1997–98 to 2007–08

Year	Public hospitals ^(a)		Private hospitals		Medical services		Dental services ^(a)		Other health practitioners ^(b)		Medications		Other health ^{(a)(c)}		Total recurrent	
	Amount (\$ million)	Prop'n (%)	Amount (\$ million)	Prop'n (%)	Amount (\$ million)	Prop'n (%)	Amount (\$ million)	Prop'n (%)	Amount (\$ million)	Prop'n (%)	Amount (\$ million)	Prop'n (%)	Amount (\$ million)	Prop'n (%)	Amount (\$ million)	Prop'n (%)
1997–98	13,898	32.8	3,659	8.6	8,539	20.2	2,596	6.1	1,500	3.5	5,602	13.2	6,545	15.5	42,339	15.5
1998–99	15,026	32.8	3,959	8.6	9,046	19.7	2,688	5.9	1,563	3.4	6,115	13.3	7,466	16.3	45,863	16.3
1999–00	15,635	31.5	4,204	8.5	9,710	19.6	2,895	5.8	1,585	3.2	6,874	13.9	8,662	17.5	49,564	17.5
2000–01	16,582	30.2	4,532	8.2	10,218	18.6	3,461	6.3	1,909	3.5	8,161	14.8	10,115	18.4	54,978	18.4
2001–02	17,900	30.1	5,030	8.5	11,203	18.8	4,023	6.8	2,189	3.7	9,013	15.1	10,164	17.1	59,522	17.1
2002–03	19,723	30.4	5,505	8.5	12,004	18.5	4,316	6.7	2,460	3.8	9,401	14.5	11,413	17.6	64,822	17.6
<i>Break in time series^(a)</i>																
2003–04	21,243	30.4	5,958	8.5	12,905	18.5	4,663	6.7	2,652	3.8	10,324	14.8	12,155	17.4	69,901	17.4
2004–05	23,271	30.3	6,328	8.2	14,648	19.1	5,090	6.6	2,801	3.6	11,206	14.6	13,437	17.5	76,781	17.5
2005–06	25,429	31.0	6,684	8.2	15,495	18.9	5,375	6.6	3,038	3.7	11,545	14.1	14,368	17.5	81,933	17.5
2006–07	28,016	31.3	7,155	8.0	16,766	18.7	5,749	6.4	3,273	3.7	12,611	14.1	15,880	17.8	89,449	17.8
2007–08	30,817	31.4	7,740	7.9	18,338	18.7	6,106	6.2	3,373	3.4	13,720	14.0	17,922	18.3	98,017	18.3

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

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

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

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

Source: AIHW health expenditure database.

Table 4.2: Total funding of recurrent health expenditure, constant prices^(a), by area of expenditure, and annual growth rates, 1997–98 to 2007–08

Year	Public hospitals ^{(b)(e)}		Private hospitals		Medical services		Dental services ^(b)		Other health practitioners ^(c)		Medications		Other health ^{(b)(d)}		Total recurrent funding		
	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	Amount	Growth	
	(\$m)	(%)	(\$m)	(%)	(\$m)	(%)	(\$m)	(%)	(\$m)	(%)	(\$m)	(%)	(\$m)	(%)	(\$m)	(%)	
1997–98	19,320	..	5,109	..	13,305	..	4,151	..	2,220	..	6,178	..	9,137	..	59,419	..	
1998–99	20,298	5.1	5,381	5.3	13,718	3.1	4,155	0.1	2,255	1.6	6,721	8.8	10,166	11.3	62,694	5.5	
1999–00	20,664	1.8	5,589	3.9	14,339	4.5	4,245	2.2	2,211	-2.0	7,506	11.7	11,540	13.5	66,092	5.4	
2000–01	21,233	2.8	5,831	4.3	14,456	0.8	4,810	13.3	2,493	12.7	8,761	16.7	13,012	12.8	70,595	6.8	
2001–02	22,254	4.8	6,275	7.6	14,988	3.7	5,327	10.8	2,610	4.7	9,657	10.2	12,757	-2.0	73,867	4.6	
2002–03	23,734	6.7	6,641	5.8	15,252	1.8	5,468	2.6	2,767	6.0	9,939	2.9	13,853	8.6	77,656	5.1	
							<i>Break in time series^(b)</i>										
2003–04	24,699	..	6,933	4.4	15,564	2.0	5,672	..	2,915	..	10,804	8.7	14,075	..	80,661	3.9	
2004–05	26,095	5.7	7,102	2.4	16,391	5.3	5,817	2.6	2,993	2.7	11,578	7.2	15,029	6.8	85,004	5.4	
2005–06	27,353	4.8	7,192	1.3	16,416	0.2	5,899	1.4	3,094	3.4	11,765	1.6	15,449	2.8	87,169	2.5	
2006–07	29,009	6.1	7,409	3.0	17,226	4.9	5,982	1.4	3,270	5.7	12,743	8.3	16,441	6.4	92,080	5.6	
2007–08	30,817	6.2	7,740	4.5	18,338	6.5	6,106	2.1	3,373	3.2	13,720	7.7	17,922	9.0	98,017	6.4	
							Average annual growth rate										
1997–98 to 2002–03		4.2		5.4		2.8		5.7		4.5		10.0		8.7		5.5	
2003–04 to 2007–08		5.7		2.8		4.2		1.9		3.7		6.2		6.2		5.0	
1997–98 to 2007–08		..		4.2		3.3		..		..		8.3		..		5.1

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

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

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

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

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

Source: AIHW health expenditure database.

Box 4.1: Public hospital and public hospital services expenditure

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

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

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

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

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

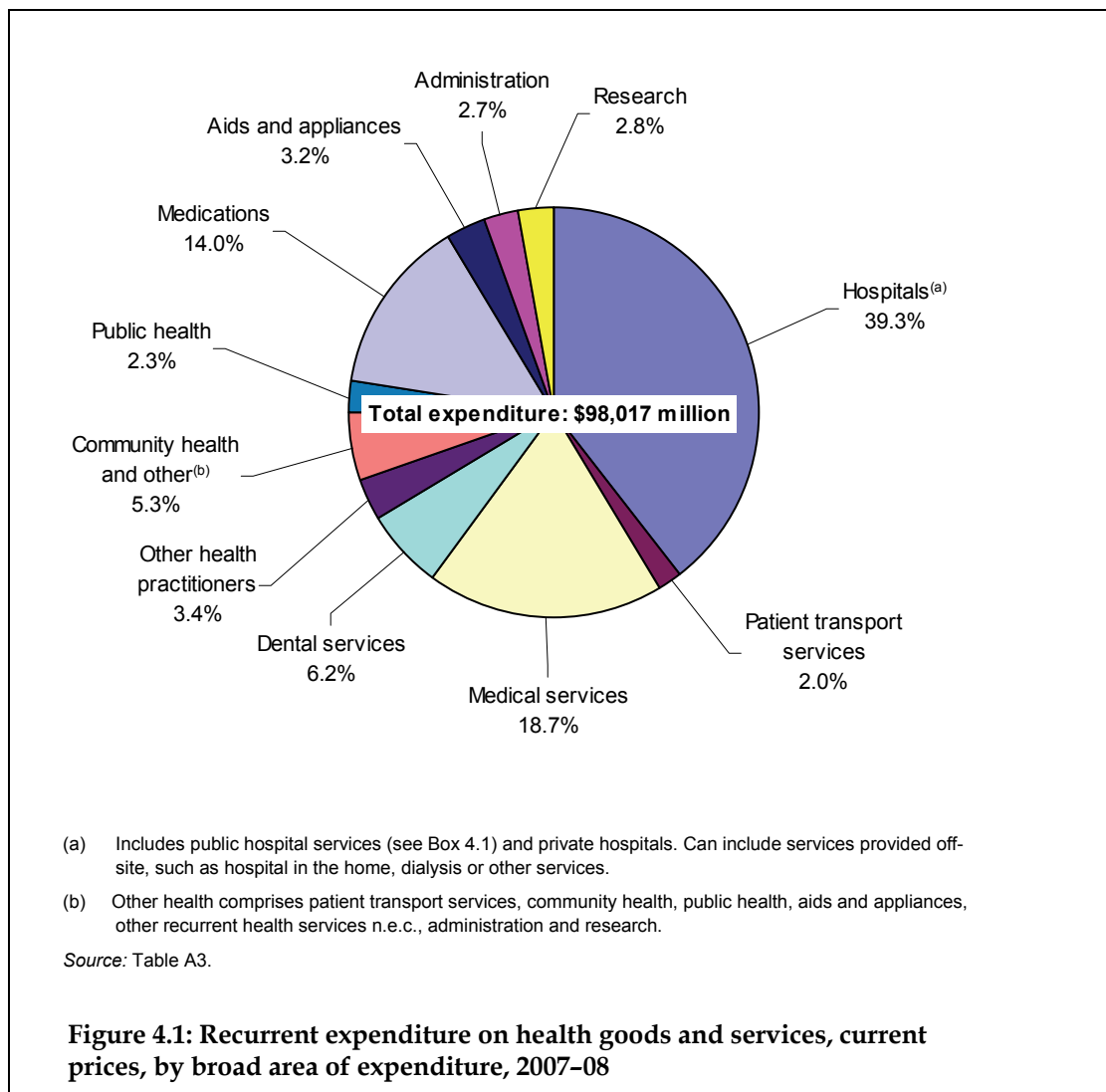
As part of the new expenditure reporting process, some states and territories were able to allocate head office and central costs to functional areas, such as public hospital services, community health services, public health, etc., instead of, as had been the case in the past, simply reporting all such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

Impact of these changes on comparability of health expenditure data

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

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

Health expenditure for these areas cannot be compared across 2002–03 and 2003–04, nor can they be used to compare expenditure relating to a specific year, such as 2006–07, to expenditure, or growth in expenditure, for the decade 1997–98 to 2007–08.



While the annual real growth in total recurrent health expenditure over time provides a broad picture of what is happening to the whole health system, it does not show what is actually driving that growth. In order to identify the drivers of overall growth, it is important to look at the contribution that growth in different areas of expenditure makes to growth in expenditure overall. The analysis that follows covers the last 3 years of the period, from 2004-05 to 2007-08.

In each of the years 2005-06, 2006-07 and 2007-08, recurrent health expenditure grew by 2.5%, 5.6% and 6.4%, respectively (see Table A8, page 120).

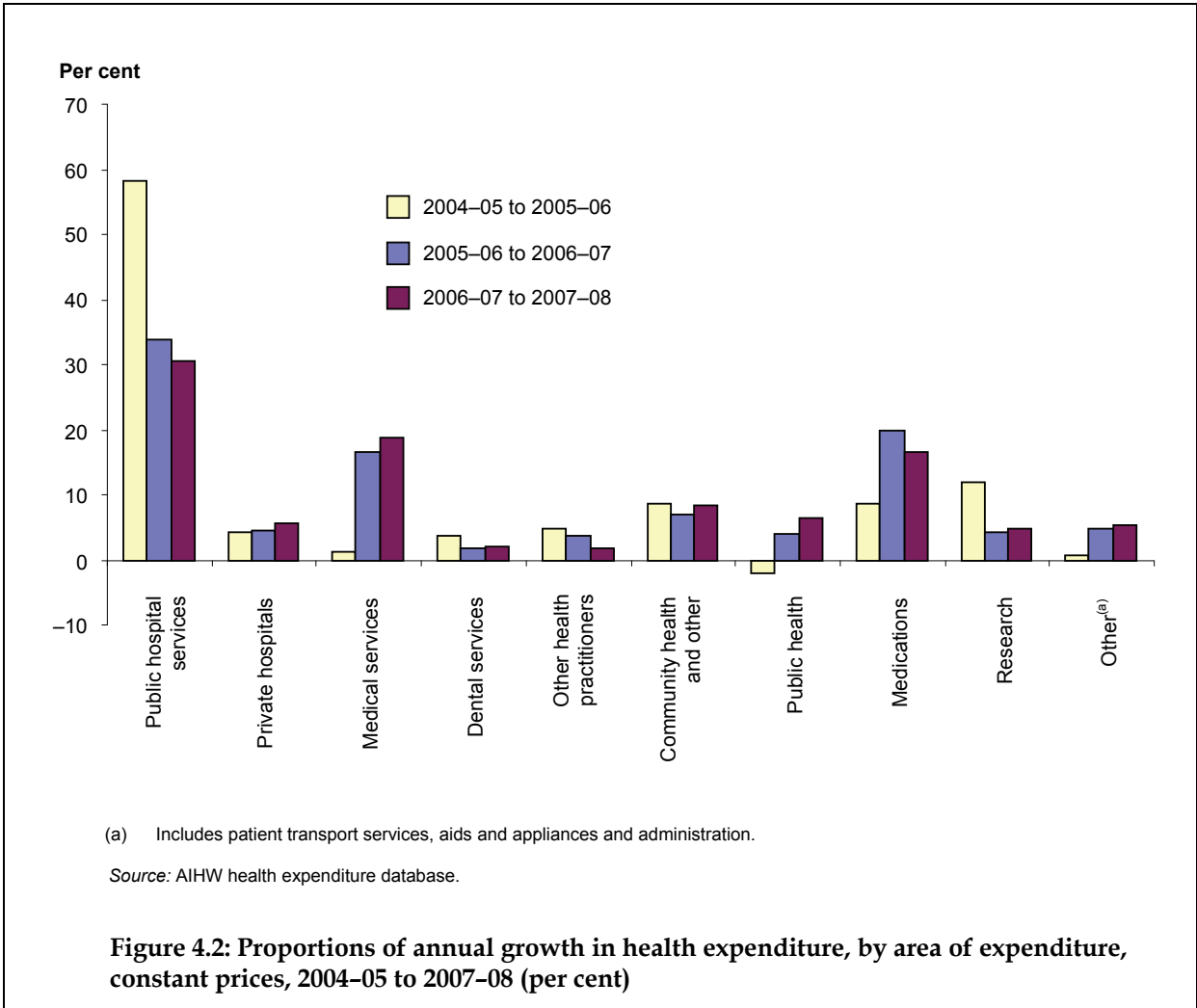
Expenditure on hospitals, which comprised almost 40% of total recurrent spending on health in 2007-08 (Figure 4.1), was the largest contributor to growth in recurrent expenditure in each of those years. In 2005-06 public hospital services accounted for more than half (58.1%) of the total growth in recurrent expenditure. During the next 2 years, 2006-07 and 2007-08, it contributed 33.7% and 30.5%, respectively (Figure 4.2).

Expenditure on medical services contributed 16.5% of growth between 2005-06 and 2006-07 and 18.7% in the following year. However, between 2004-05 and 2005-06 its contribution had been much less – at 1.2%. The contribution to growth of expenditure on medications was also much lower between 2004-05 and 2005-06 (8.7%) than in the subsequent years – 19.9%

and 16.5% (Figure 4.2). The contribution to overall growth of expenditure by private hospitals showed a steady increase over the 3 years from 4.2% to 4.4% and 5.6% in 2007–08.

Expenditure on public health experienced negative growth (-2.6%) between 2004–05 and 2005–06 (see Table A8, page 120) and this is reflected in its negative (-2.1%) contribution to overall growth in that year. This low growth rate occurred in the second year of a new Public Health Outcome Funding Agreements (PHOFAs) period and followed the substantial growth (10.0%) that occurred in the first year of that PHOFAs period. It was followed by two further years of substantial growth in expenditure on public health (Table A8).

Health research showed higher than average increases in spending over the 3 years, with growth rates of 13.2%, 9.1% and 12.0%, respectively (Table A8). However, because it contributes a small proportion of overall recurrent expenditure, its influence on growth in total recurrent expenditure is also quite small.



Hospitals

More is spent by hospitals, as the largest providers of health services, than other health provider types. In this part of the report the analysis relates to expenditure on hospitals as

providers of a range of services, rather than expenditure on hospital services, which is the focus of the rest of the report. Expenditure on hospitals is analysed in two categories:

- public hospitals
- private hospitals.

In real terms, expenditure on public and private hospitals grew at an average of 4.7% and 4.2% per year, respectively, between 1997–98 and 2007–08 (Table 4.3).

Expenditure on hospitals is very much influenced by the funding arrangements between the Australian Government and the states and territories in respect of public hospitals. The funding arrangements for hospitals were integral to the five-year bilateral Australian Health Care Agreements (AHCAs) between the Commonwealth and each of the state/territory governments for the funding of government health services. Prior to the introduction of the first set of AHCAs on 1 July 1998, there had been other forms of bilateral health funding agreements (see Box 4.2 for details).

This publication covers the last year of the third Medicare Agreements (1997–98) and the two AHCAs agreements from 1 July 1998 to 30 June 2003 and from 1 July 2003 to 30 June 2008.

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

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

- July 1997, the means-tested Private Health Insurance Incentives Scheme (PHIIS) subsidy
- January 1999, a non-means-tested 30% rebate on private health insurance premiums, which replaced the PHIIS subsidy. From 1 April 2005, the Private Health Insurance Rebate increased to 35% for people aged 65 to 69 years and to 40% for people aged 70 years and older. It remained at 30% for those aged less than 65.
- July 2000, the Lifetime Health Cover (LHC) initiatives to encourage younger people to take out and maintain private insurance cover. Under LHC, people who do not have private health insurance cover by 1 July following their 31st birthday and who decided to take out such cover, could be required to pay a LHC loading. This was set at 2% of the standard premium for the type of cover they select, for each year that they delay taking out private health insurance. Changes to the LHC announced in 2006 have been implemented progressively from 2007.

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

First Medicare (Compensation) Agreements: 1984 to 30 June 1988

Second Medicare Agreements: 1 July 1988 to 30 June 1993

Third Medicare Agreements: 1 July 1993 to 30 June 1998

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

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

From 1997–98 to 2002–03, real growth in public hospital expenditure averaged 4.2% per year. Private hospital expenditure grew, in real terms, at 5.4% per year during the same period (Table 4.3).

The private hospital share of hospital expenditure increased early in the period, from 20.9% in 1997–98 to 22.0% in 2001–02. It then gradually declined to 20.1% in 2007–08 (calculated from Table 4.3).

Table 4.3: Recurrent expenditure on public hospitals and private hospitals, constant prices^(a) and annual growth rates, 1997–98 to 2007–08

Year	Public hospitals ^(b)		Private hospitals		All hospitals	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1997–98	19,320	..	5,109	..	24,429	..
1998–99	20,298	5.1	5,381	5.3	25,679	5.1
1999–00	20,664	1.8	5,589	3.9	26,252	2.2
2000–01	21,233	2.8	5,831	4.3	27,064	3.1
2001–02	22,254	4.8	6,275	7.6	28,529	5.4
2002–03	23,734	6.7	6,641	5.8	30,375	6.5
2003–04	24,570	3.5	6,933	4.4	31,503	3.7
2004–05	26,214	6.7	7,102	2.4	33,316	5.8
2005–06	27,285	4.1	7,192	1.3	34,478	3.5
2006–07	28,785	5.5	7,409	3.0	36,194	5.0
2007–08	30,728	6.8	7,740	4.5	38,468	6.3
Average annual growth rate						
1997–98 to 2002–03		4.2		5.4		4.5
2002–03 to 2007–08		5.3		3.1		4.8
1997–98 to 2007–08		4.7		4.2		4.6

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

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

Source: AIHW health expenditure database.

In 2007–08 governments provided 81.5% of the funding for hospitals (Table 4.4). Non-government sources contributed the remainder (18.5%).

Over the decade to 2007–08, the governments' share increased by 4.5 percentage points. Most of this increase was in funding by state and territory governments. The Australian Government's share increased from 37.2% to 38.6% while the state/territory governments' share went from 39.8% to 42.9%. The proportion of funding met by non-government sources decreased over the period, from 23.0% in 1997–98 to 18.5% in 2007–08.

The increase in the total government share of funding was largely due to the Australian Government's private health insurance rebate scheme, which had the effect of transferring some responsibility for funding, particularly for private hospitals, from private health insurance to government.

Table 4.4: Funding of public hospitals^(a) and private hospitals, current prices, by source of funds, 1997–98 to 2007–08 (per cent)

Year	Government			Non-government			Total	Total
	Australian Government ^(b)	State/territory and local	Total	Private health insurance funds ^(b)	Other non-government	Total		
1997–98	37.2	39.8	77.0	14.3	8.7	23.0	100.0	
1998–99	40.4	38.3	78.7	11.9	9.5	21.3	100.0	
1999–00	42.3	38.1	80.3	10.1	9.5	19.7	100.0	
2000–01	43.4	37.1	80.5	10.5	9.0	19.5	100.0	
2001–02	42.6	37.1	79.7	12.0	8.3	20.3	100.0	
2002–03	42.1	39.4	81.5	11.8	6.7	18.5	100.0	
2003–04	41.1	39.8	80.9	12.0	7.0	19.1	100.0	
2004–05	40.3	40.8	81.1	11.6	7.3	18.9	100.0	
2005–06	38.9	42.3	81.1	11.3	7.5	18.8	100.0	
2006–07	37.9	43.2	81.1	11.4	7.5	18.9	100.0	
2007–08	38.6	42.9	81.5	11.2	7.3	18.5	100.0	

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

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

Source: AIHW health expenditure database.

Public hospitals

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

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

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

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

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

Governments provided more than 90% of total funding for public hospitals. The Australian Government's contribution – estimated at 39.2% in 2007–08 – was largely in the form of SPPs under the AHCA. The states and territories, which have the major responsibility for operating and regulating the public hospitals, provided 52.8% of their funding in 2007–08 (Table 4.5).

The Australian Government's share of public hospital funding was lower (39.2%) in 2007–08 than it had been at the start of the period (1997–98) when it was 42.5%. This reduction in the share of funding occurred between 2000–01 and 2006–07 and was due to growth in the state and territory governments' funding exceeding that of the Australian Government in each of those years. By 2006–07, the Australian Government's share had fallen to its lowest point during the decade (38.6%) (Table 4.5).

In the last year of the period (2007–08), growth in funding by the Australian Government almost doubled from 6.5% to 12.3% (Table 4.5). This resulted largely from the provision by the Commonwealth of an extra \$0.5 billion to help relieve pressure on public hospitals announced at the COAG in March 2008. Other forms of Australian Government hospital funding also increased substantially in 2007–08. As a result, the share of funding from this source increased from 3.5% to 4.3% of total expenditure on public hospitals (Table 4.6). The main such initiatives were the implementation of the Elective Surgery Waiting List Reduction Plan, funding of public hospital services at the Mersey Community Hospital and increased funding to support the national blood services.

The Australian Government's funding growth in 2007–08 (12.3%) was greater than that of the state and territory governments (9.2%). This resulted in an increase in the Australian Government's share of funding from 38.6% to 39.2% and a fall in the share met by state and territory governments, from 53.4% to 52.8%.

Growth in funding for public hospitals by state and territory governments is almost a mirror image of the Australian Government's funding (Figure 4.3). State and territory governments' funding in 2007–08 was two and a half percentage points higher than at the start of the period (having risen from 50.3% to 52.8%). This, again, was due to the differences between the growth rates for funding by the two levels of government.

The non-government contribution over the decade ranged from a low of 6.9% in 2002–03 to a high of 7.9% in 3 years – 2001–02, 2006–07 and 2007–08 (Table 4.5). It consisted of funding by private health insurance, payments by individuals, purchase of services by workers compensation insurers and motor vehicle third-party insurance and other (non-identified) revenues.

Table 4.5: Funding of public hospitals^(a), current prices, by broad source of funds, 1997–98 to 2007–08

Year	Government						Non-government			Total		
	Australian Government			State/territory			Amount (\$m)	Growth (%)	Share (%)	Amount (\$m)	Growth (%)	Share (%)
	Amount (\$m)	Growth (%)	Share (%)	Amount (\$m)	Growth (%)	Share (%)						
1997–98	5,907	..	42.5	6,987	..	50.3	1,004	..	7.2	13,898	..	100.0
1998–99	6,659	12.7	44.3	7,274	4.1	48.4	1,093	8.9	7.3	15,026	8.1	100.0
1999–00	6,981	4.8	44.6	7,555	3.9	48.3	1,099	0.6	7.0	15,635	4.1	100.0
2000–01	7,499	7.4	45.2	7,834	3.7	47.2	1,249	13.6	7.5	16,582	6.1	100.0
2001–02	7,988	6.5	44.6	8,503	8.5	47.5	1,408	12.8	7.9	17,900	7.9	100.0
2002–03	8,700	8.9	44.1	9,654	13.5	48.9	1,370	–2.7	6.9	19,723	10.2	100.0
2003–04 ^(b)	9,056	4.1	42.9	10,555	9.3	50.0	1,497	9.3	7.1	21,110	7.0	100.0
2004–05 ^(b)	9,724	7.4	41.6	11,894	12.7	50.9	1,737	16.1	7.4	23,358	10.6	100.0
2005–06 ^(b)	10,086	3.7	39.8	13,301	11.8	52.5	1,962	12.9	7.7	25,352	8.5	100.0
2006–07 ^(b)	10,738	6.5	38.6	14,853	11.7	53.4	2,200	12.1	7.9	27,794	9.6	100.0
2007–08 ^(b)	12,059	12.3	39.2	16,226	9.2	52.8	2,439	10.9	7.9	30,728	10.6	100.0
Average annual growth rate												
1997–98 to 2002–03	8.0		6.7		6.4		7.3					
2002–03 to 2007–08	6.7		10.9		12.2		9.3					
1997–98 to 2007–08	7.4		8.8		9.3		8.3					

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

(b) Public hospital expenditure estimates for 2003–04 to 2007–08 are derived from Public Hospital Establishments data published in *Australian Hospital Statistics* (see Box 4.1). These differ from the estimates included in Appendix A.

Source: AIHW health expenditure database.

There were three major sources of Australian Government funding for public hospitals in operation between 1997–98 and 2007–08:

- the Department of Veterans' Affairs funded hospitals either by purchasing services for veterans and their dependants from hospitals or through contractual arrangements with states and territories
- the states and territories receive SPP funding under the AHCAs
- Other forms of funding were provided by the Australian Government, including SPPs outside the AHCAs for services provided in public hospitals (Table 4.6).

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

DVA funding fell, as a proportion of total funding, from 2.9% in 1997–98 to 2.4% in 2007–08.

After an initial period, from 1997–98 to 2000–01, when the AHCAs funding increased as a proportion of total funding – from 36.0% to 38.0% – Australian Government funding under the AHCAs, as a proportion of total funding, fell each year until 2006–07, when it was 31.6%. It then increased to 31.7% of funding in 2007–08 (Table 4.6). This included the extra \$0.5 billion in funding announced at COAG in March 2008 to relieve pressure on public hospitals.

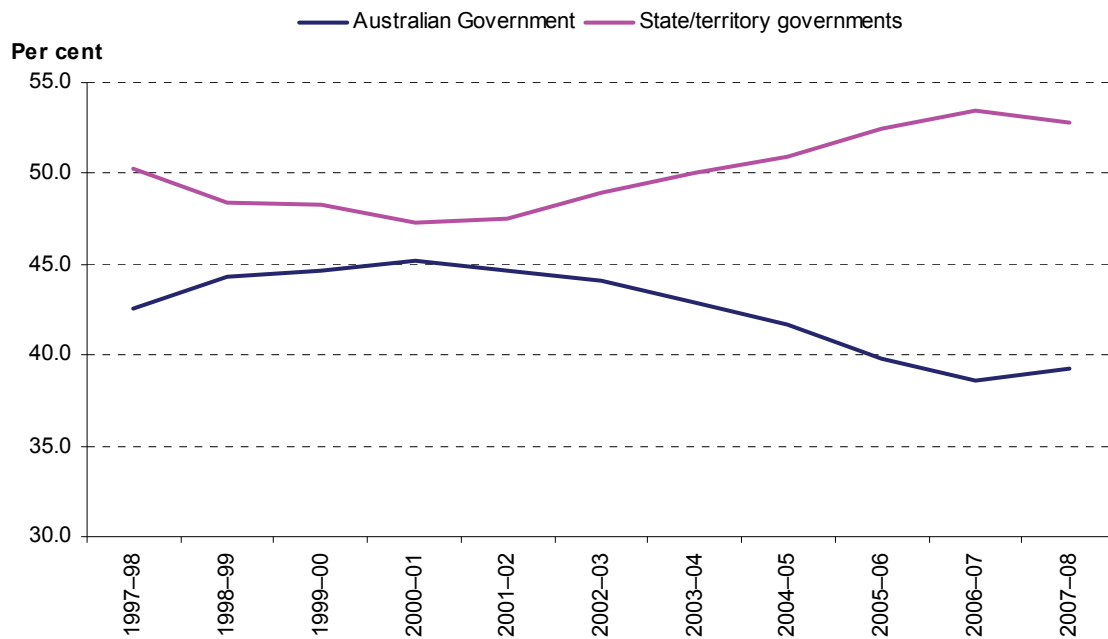
Table 4.6: Government shares of recurrent expenditure on public hospitals^(a), by level of government, current prices, 1997–98 to 2007–08 (per cent)

Year	Australian Government				Total	State/territory governments	Total government
	DVA	AHCAs	Rebates of health insurance premiums	Other Australian Government ^(b)			
1997–98	2.9	36.0	—	3.3	42.5	50.3	92.8
AHCAs period commenced 1 July 1998							
1998–99	3.4	37.7	0.4	2.9	44.3	48.4	92.7
1999–00	3.3	37.9	0.6	3.0	44.6	48.3	93.0
2000–01	3.2	38.0	0.6	3.4	45.2	47.2	92.5
2001–02	3.3	37.2	0.6	3.4	44.6	47.5	92.1
2002–03	3.5	36.7	0.6	3.2	44.1	48.9	93.1
AHCAs period commenced 1 July 2003							
2003–04	3.5	35.5	0.7	3.2	42.9	50.0	92.9
2004–05	3.5	33.9	0.7	3.5	41.6	50.9	92.5
2005–06	2.7	32.8	0.7	3.5	39.8	52.5	92.2
2006–07	2.8	31.6	0.7	3.5	38.6	53.4	92.1
2007–08	2.4	31.7	0.8	4.3	39.2	52.8	92.1

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

(b) Includes DoHA direct expenditure on public hospitals, such as for blood sector payments and non-AHCA SPPs such as highly specialised drugs, hepatitis C funding, Health program and Positron emission tomography (PET) Scanner grants.

Source: AIHW health expenditure database.



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

Figure 4.3: Government funding of public hospitals^(a), current prices, 1997-98 to 2007-08 (per cent)

Table 4.7: Recurrent funding of public hospitals^(a), constant prices^(b), by source of funds, and annual growth rates, 1997–98 to 2007–08

Year	Government						Non-government ^(c)		Total recurrent funding	
	Australian Government ^(c)		State/territory		Total		Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)				
1997–98	8,249	..	9,666	..	17,915	..	1,404	..	19,320	..
1998–99	9,058	9.8	9,749	0.9	18,807	5.0	1,490	6.1	20,298	5.1
1999–00	9,284	2.5	9,915	1.7	19,199	2.1	1,465	-1.7	20,664	1.8
2000–01	9,657	4.0	9,966	0.5	19,623	2.2	1,610	9.9	21,233	2.8
2001–02	9,972	3.3	10,523	5.6	20,494	4.4	1,759	9.3	22,254	4.8
2002–03	10,500	5.3	11,580	10.0	22,079	7.7	1,655	-5.9	23,734	6.7
2003–04	10,539	0.4	12,284	6.1	22,823	3.4	1,743	5.3	24,566	3.5
2004–05	10,913	3.5	13,347	8.7	24,260	6.3	1,950	11.9	26,210	6.7
2005–06	10,855	-0.5	14,315	7.3	25,170	3.8	2,112	8.3	27,282	4.1
2006–07	11,120	2.4	15,382	7.5	26,502	5.3	2,279	7.9	28,781	5.5
2007–08	12,059	8.4	16,226	5.5	28,285	6.7	2,439	7.0	30,724	6.8
Average annual growth rate										
1997–98 to 2002–03	4.9		3.7		4.3		3.3		4.2	
2002–03 to 2007–08	2.8		7.0		5.1		8.1		5.3	
1997–98 to 2007–08	3.9		5.3		4.7		5.7		4.7	

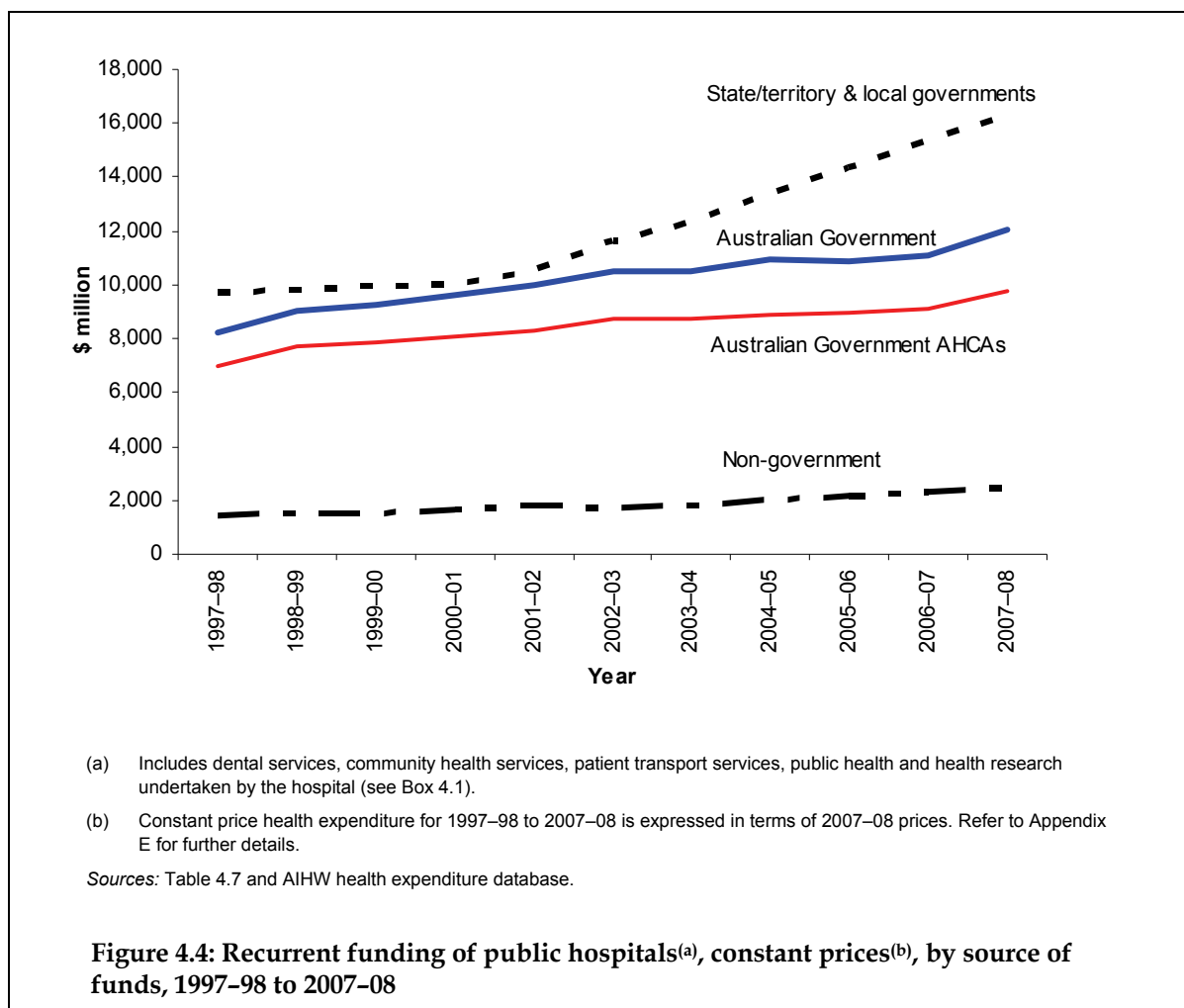
(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital (see Box 4.1).

(b) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

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

Source: AIHW health expenditure database.



Public hospital services

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

The funding patterns of the different levels of government in respect of public hospital services closely follows those of hospitals discussed previously in this report. For example, in 2007-08, the Australian Government provided 39.1% (\$12.1 billion) of the funding for public hospital services, compared with 39.2% of the funding of public hospitals (tables 4.8 and 4.5). In the case of public hospital services, this was an increase of \$1.3 billion on the previous year, when its share of funding was 38.3%. There was a similar increase in funding for public hospitals. Like its funding share in respect of public hospitals, prior to the increase in 2007-08, the Australian Government's share of funding for public hospital services had fallen each year. In this case, the estimates are taken back only to 2003-04. In that year the Australian Government had provided 42.6% of total funding for hospital services (Table 4.8).

As with its funding for public hospitals, much of the 2007-08 increase in the Australian Government's share of funding for public hospital services resulted largely from the

provision by the Commonwealth of an extra \$0.5 billion of funding for public hospitals announced at the COAG in March 2008. Other forms of Australian Government hospital funding also increased by \$351 million in 2007–08. This represented one-eighth of the total increase in funding by all sources in that year (\$2.8 billion).

The AHCAs funding in 2007–08, which was a continuation of the existing funding arrangements, increased by 0.3 percentage points over the previous year's AHCAs funding.

In comparison, state and territory governments contributed 53.7% (\$16.5 billion) of the funding in 2007–08, which was 2.5 percentage points higher than its share in 2003–04 (51.2%), but 0.8 percentage points lower than its share in 2006–07 (54.5%) (Table 4.8).

Non-government sources provided 7.2% of the funding for public hospital services in 2007–08 (\$2.2 billion) – an increase of 1.1 percentage points since 2003–04 (6.1%) and 0.1 percentage points higher than in 2006–07 (7.1%).

Table 4.8: Funding of public hospital services^{(a)(b)}, Australia, current prices, by source of funds, 2003–04 to 2007–08

Year	Australian Government				Total	State/ territory govern- ments	Non- govern- ment	Total
	DVA	AHCAs	Rebates of health insurance premiums	Other Australian Govern- ment ^(c)				
Amount (\$ million)								
2003–04	743	7,500	140	677	9,059	10,881	1,303	21,243
2004–05	814	7,919	169	826	9,727	11,937	1,607	23,271
2005–06	685	8,321	187	896	10,089	13,577	1,763	25,429
2006–07	770	8,781	207	983	10,741	15,279	1,996	28,016
2007–08	738	9,747	244	1,334	12,063	16,537	2,218	30,817
Proportion (per cent)								
2003–04	3.5	35.3	0.7	3.2	42.6	51.2	6.1	100.0
2004–05	3.5	34.0	0.7	3.6	41.8	51.3	6.9	100.0
2005–06	2.7	32.7	0.7	3.5	39.7	53.4	6.9	100.0
2006–07	2.7	31.3	0.7	3.5	38.3	54.5	7.1	100.0
2007–08	2.4	31.6	0.8	4.3	39.1	53.7	7.2	100.0

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

(b) Public hospital services expenditure does not include expenditure on public patients who are contracted with private hospitals as this is part of private hospital expenditure. In 2007–08, this expenditure was \$269 million (Table A3).

(c) Includes DoHA direct expenditure on public hospital services, such as for blood sector payments and SPPs for public hospital services which are not AHCAs, for example for highly specialised drugs, hepatitis C funding, Health program and PET Scanner grants.

Source: AIHW health expenditure database.

Total funding and funding by state and territory governments of public hospital services in each jurisdiction increased during the period 2005–06 to 2007–08 (Table 4.9).

Funding by the Australian Government also increased in each year in each state and territory. The increased Australian Government funding was most pronounced in 2007–08 in all states and territories.

With the exception of Tasmania (46.3%), in 2007–08 at least half of total funding of public hospital services came from state and territory governments – ranging from 50.6% in Victoria to 65.7% in the Northern Territory.

The Australian Government's share of funding in 2007–08 ranged from 27.7% in the Australian Capital Territory to 47.3% in Tasmania (Table 4.9).

The proportion of Australian Government funding for public hospital services that was provided under the AHCAs in 2007–08 varied across jurisdictions. The AHCAs share of total funding ranged from 19.3% in the Australian Capital Territory to 32.9% in Victoria.

The share of funding attributable to non-government sources in 2007–08 ranged from 2.8% in the Northern Territory to 9.7% in the Australian Capital Territory (Table 4.9).

Table 4.9: Funding of public hospital services^(a), current prices, and shares of total funding for public hospital services, by source of funds, by state and territory, 2005–06 to 2007–08

State	Year	Australian Government										State and territory government				Non-government		Total \$ million
		DVA		AHCAs		Premium rebates		Other ^(b)		Total		territory government		government		Non-government		
		\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	\$ million	%	
NSW	2005–06	307	3.3	2,796	30.1	95	1.0	313	3.4	3,512	37.8	5,065	54.6	703	7.6	9,279	7.6	9,279
	2006–07	322	3.2	2,928	29.5	107	1.1	337	3.4	3,693	37.2	5,414	54.5	820	8.3	9,928	8.3	9,928
	2007–08	321	3.1	3,244	31.1	129	1.2	447	4.3	4,141	39.7	5,407	51.8	890	8.5	10,438	8.5	10,438
Vic	2005–06	163	2.6	1,999	32.5	44	0.7	222	3.6	2,429	39.4	3,125	50.7	607	9.9	6,161	9.9	6,161
	2006–07	199	3.1	2,130	32.7	49	0.8	247	3.8	2,626	40.3	3,231	49.6	658	10.1	6,514	10.1	6,514
	2007–08	185	2.6	2,364	32.9	54	0.8	314	4.4	2,918	40.6	3,633	50.6	633	8.8	7,184	8.8	7,184
Qld	2005–06	52	1.2	1,615	37.9	13	0.3	147	3.5	1,828	42.9	2,290	53.7	144	3.4	4,261	3.4	4,261
	2006–07	73	1.4	1,702	33.3	13	0.3	169	3.3	1,957	38.2	2,965	57.9	196	3.8	5,117	3.8	5,117
	2007–08	60	1.0	1,895	32.4	14	0.2	216	3.7	2,185	37.4	3,383	57.9	273	4.7	5,841	4.7	5,841
WA	2005–06	58	2.5	817	35.3	13	0.6	73	3.2	962	41.6	1,208	52.3	142	6.1	2,312	6.1	2,312
	2006–07	59	2.3	867	33.1	15	0.6	84	3.2	1,025	39.1	1,452	55.4	145	5.5	2,622	5.5	2,622
	2007–08	54	1.8	971	32.8	19	0.6	109	3.7	1,153	39.0	1,643	55.5	163	5.5	2,960	5.5	2,960
SA	2005–06	79	4.0	698	35.7	14	0.7	68	3.5	859	44.0	1,029	52.6	67	3.4	1,954	3.4	1,954
	2006–07	73	3.3	736	33.4	15	0.7	78	3.5	901	40.9	1,221	55.4	81	3.7	2,203	3.7	2,203
	2007–08	73	2.9	808	31.8	17	0.7	95	3.7	993	39.1	1,410	55.5	136	5.4	2,539	5.4	2,539
Tas	2005–06	14	2.6	185	34.2	4	0.8	26	4.8	230	42.5	273	50.3	39	7.2	541	7.2	541
	2006–07	25	4.1	195	31.6	5	0.8	27	4.4	252	40.9	325	52.8	39	6.4	616	6.4	616
	2007–08	18	2.5	214	30.1	6	0.8	100	14.0	337	47.3	330	46.3	46	6.4	712	6.4	712
ACT	2005–06	11	2.1	107	21.2	3.3	0.6	16	3.1	137	27.1	321	63.6	47	9.4	505	9.4	505
	2006–07	14	2.4	113	20.1	3.4	0.6	17	3.1	147	26.2	370	65.9	45	7.9	562	7.9	562
	2007–08	25	3.8	127	19.3	3.9	0.6	27	4.1	182	27.7	411	62.5	64	9.7	657	9.7	657
NT	2005–06	—	—	104	25.0	0.3	0.1	30 ^(c)	7.2	134	32.3	267	64.2	15	3.5	415	3.5	415
	2006–07	5.6	1.2	110	24.4	0.3	0.1	24 ^(c)	5.3	140	30.9	300	66.3	12	2.7	453	2.7	453
	2007–08	1.5	0.3	124	25.5	0.5	0.1	27 ^(c)	5.6	153	31.5	319	65.7	14	2.8	486	2.8	486

(a) Does not include expenditure on services provided to public patients by contracted private hospitals (\$269 million in 2007–08). This is included in private hospital expenditure (see Table 4.10).

(b) Includes DoHA direct expenditure on public hospital services, such as for blood sector payments and SPPs for public hospital services which are not AHCAs, for example for highly specialised drugs, hepatitis C funding, Health Program and PET Scanner grants.

(c) Includes SPPs for Royal Darwin Hospital of \$21 million in 2005–06 and \$13 million in 2006–07 and 2007–08.

Source: AIHW health expenditure database.

Private hospitals

Total expenditure on private hospitals in 2007–08 was estimated at \$7.7 billion. More than two-thirds (70.8%) of the funding for this was through private health insurance funds. This comprised 48.6% that was funded from the insurers' own funds, and 22.2% in the form of indirect subsidies through the 30–40% Australian Government rebate on premiums. In 2007–08 those premium rebates totalled \$3.6 billion, of which \$1.7 billion was estimated to have been used to fund private hospitals (Table A3).

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

The purchase of private hospital services for public patients is an important state government source of funding for private hospitals – particularly in Western Australia and Tasmania. In 2007–08, state government purchases of private hospital services in Western Australia accounted for 20.9% of total revenue of private hospitals in that state. In Tasmania it represented 7.0% of total private hospital revenue. The two states with the largest populations – New South Wales and Victoria – did not report any spending on the purchase of private hospital services for public patients. In the other states and territories, it generally accounted for less than 2% of private hospitals' revenues (Table 4.10).

The Northern Territory had a very high proportion of its funding for private hospitals sourced from individuals (44.5% in 2007–08). It also had the lowest proportions funded by health insurance (31.7%) and the Australian Government (17.8%) (Table 4.10). This is largely because of the low private health insurance coverage in the Territory – estimated at 33.4% in 2007–08, compared with a national coverage of 44.4% (calculated from appendix tables F2 and F4).

Table 4.10: Funding of private hospitals, current prices, and shares of total, by state and territory, by source of funds, 2005-06 to 2007-08

		Government sources						Non-government sources						Total all sources \$ million			
		Australian Government			State/territory governments ^(a)			Health insurance funds			Individuals				Other non-government ^(b)		
		Direct outlays \$ million	%	Premium rebates \$ million	%	Total \$ million	\$ million	%	\$ million	%	\$ million	%	\$ million		%	\$ million	%
NSW	2005-06	259	14.1	404	22.1	663	36.2	—	—	922	50.4	22	1.2	223	12.2	1,830	
	2006-07	271	13.3	434	21.3	705	34.6	—	—	1,020	50.0	100	4.9	214	10.5	2,040	
	2007-08	282	13.1	494	22.9	777	36.0	—	—	1,084	50.3	58	2.7	237	11.0	2,155	
Vic	2005-06	221	13.6	372	22.8	593	36.4	—	—	848	52.0	56	3.5	133	8.2	1,630	
	2006-07	235	13.5	388	22.3	624	35.8	—	—	912	52.3	83	4.8	125	7.2	1,744	
	2007-08	248	13.2	455	24.2	702	37.4	—	—	997	53.1	59	3.2	119	6.4	1,878	
Qld	2005-06	306	19.9	301	19.5	607	39.4	28	1.8	686	44.6	86	5.6	132	8.6	1,539	
	2006-07	314	19.4	325	20.2	639	39.6	32	2.0	764	47.3	86	5.3	93	5.8	1,613	
	2007-08	339	19.6	379	21.9	718	41.4	22	1.3	831	47.9	77	4.4	85	4.9	1,733	
WA	2005-06	98	11.0	150	16.9	248	27.9	202	22.7	343	38.6	38	4.3	58	6.5	890	
	2006-07	103	11.0	160	17.0	263	27.9	195	20.7	376	39.9	45	4.8	63	6.7	943	
	2007-08	115	10.6	186	17.1	301	27.7	227	20.9	407	37.6	66	6.1	83	7.6	1,084	
SA	2005-06	47	9.5	118	23.8	165	33.3	4	0.7	268	54.2	30	6.1	28	5.7	495	
	2006-07	49	9.7	121	23.8	170	33.5	5	1.1	285	56.0	28	5.5	20	3.9	509	
	2007-08	57	10.3	137	24.8	194	35.1	4	0.8	301	54.5	33	6.0	20	3.7	552	
Tas	2005-06	21	12.3	37	21.9	58	34.2	10	6.2	84	50.0	5	3.1	11	6.5	168	
	2006-07	23	12.8	38	21.1	61	33.9	17	9.2	89	49.4	4	2.3	9	5.2	181	
	2007-08	25	12.0	43	20.8	68	32.8	14	7.0	94	45.6	12	6.1	17	8.4	206	
ACT	2005-06	11	13.5	14	16.8	25	30.2	—	0.3	32	38.2	19	23.2	7	8.1	82	
	2006-07	12	14.8	14	16.9	26	31.8	—	—	32	39.8	15	18.6	8	9.8	81	
	2007-08	14	17.4	15	18.5	29	36.0	—	—	33	40.6	9	10.5	11	12.9	82	
NT	2005-06	2	3.2	6	12.0	7	15.2	—	0.3	13	27.4	25	51.5	3	5.6	49	
	2006-07	2	4.0	6	14.2	8	18.2	—	0.5	15	33.4	18	42.1	2	5.7	44	
	2007-08	2	3.3	7	14.4	9	17.8	1	1.0	16	31.7	22	44.5	3	5.0	50	

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

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

Source: AIHW health expenditure database.

Patient transport services

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

Total expenditure on patient transport services in 2007–08 was \$2.0 billion. The Australian Government's share of that was 12.6%. State and territory and local governments provided almost two-thirds (64.7%) of the funding and non-government sources 22.7% (calculated from Table A3).

Real growth in expenditure averaged 6.4% per year between 2003–04 and 2007–08 (Table A8).

Medical services

Between 1997–98 and 2007–08, expenditure on medical services increased, in real terms, at an average of 3.3% per year (Table 4.12).

Almost all expenditure on medical services in Australia relates to services that are provided by private medical practitioners on a 'fee-for-service' basis. These are generally funded by a combination of Medicare benefits and patient copayments under the Medicare Benefits Scheme. Of the \$18.3 billion spent on medical services in 2007–08, just over three-quarters (78.2% or \$14.3 billion) was funded by the Australian Government (Figure 4.5). This was made up almost exclusively of Medicare benefits payments, with some funding from the DVA for medical services to eligible veterans and their dependants. There is also a small amount that is made up of Commonwealth Government payments to general practitioners (GPs) under alternative funding arrangements to Medicare. Of the remaining expenditure, 11.8% was funded by individuals through Medicare copayments, while 4.4% was from health insurance funds and 5.6% was other non-government funding (Figure 4.5).

Medical services out-of-pocket expenditure increased, in current prices, by 8.2% (\$164 million) in 2007–08 (tables A2 and A3).

Medical services fees and prices

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

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

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

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

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

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

- GP services
- Specialist services
- Pathology tests
- Diagnostic imaging
- Other

These components are re-weighted annually to reflect any changes in their relative contributions to total expenditure on medical services, as reflected in the aggregated total fees charged.

While the weighted average fee charged for medical services provided under Medicare increased by 5.7% per year between 1997-98 and 2007-08, the weighted average benefit paid increased at a lower annual rate of 4.8% (Table 4.11). The result is that individuals' average copayments increased at a faster rate (9.0% per year).

In the latter half of the period (from 2002-03), the difference between the annual rates of increase for the average fee charged (6.1% per year) and benefit paid (5.9%) was much less than in the previous period. This resulted in an average rate of increase for copayments of 6.6% per year, compared with 11.5% per year, up to 2002-03.

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

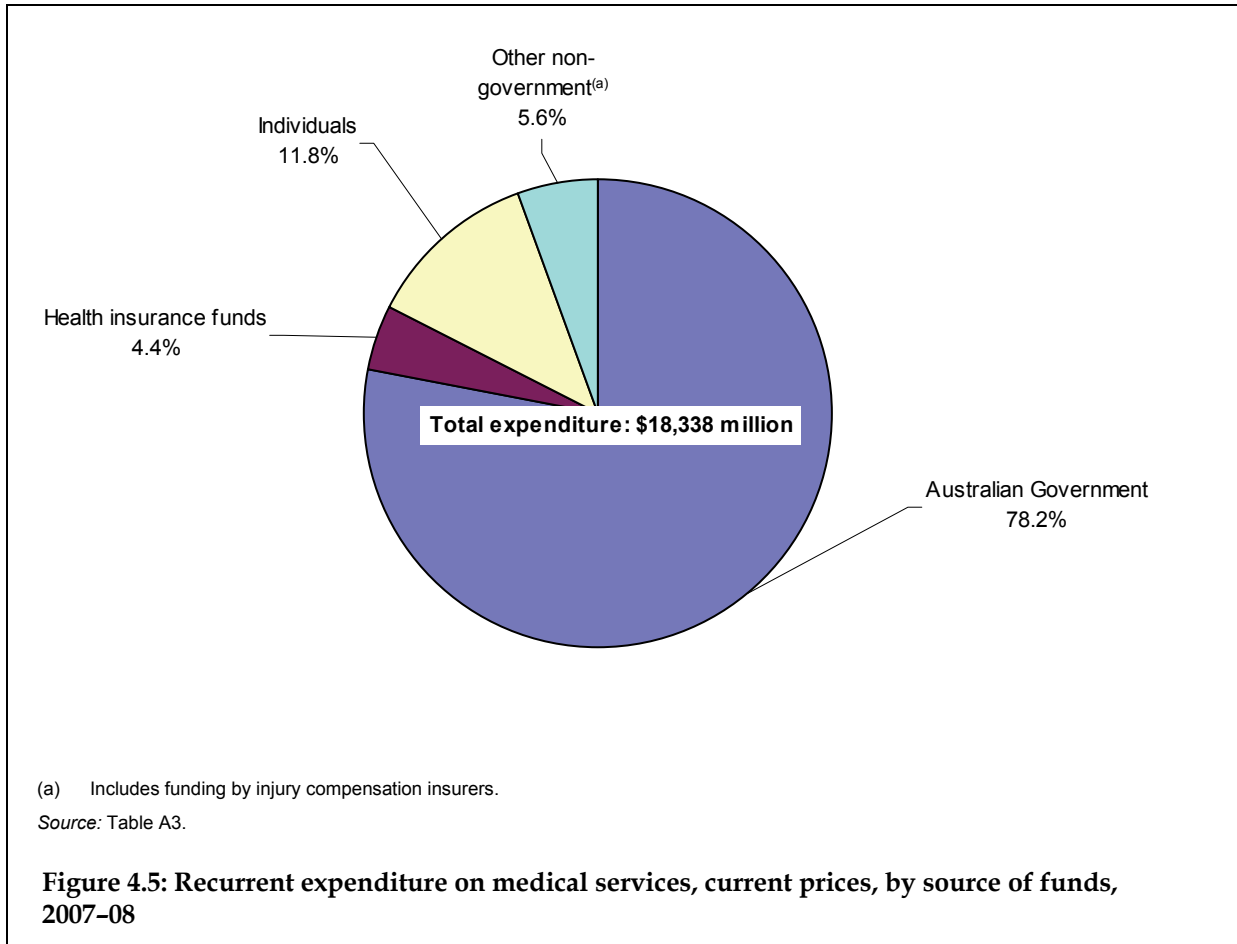
Year	Annual change					
	Average weighted medical benefit paid per service		Average weighted copayment ^(b) paid per service		Average weighted fee charged per service	
	Average benefit (\$)	Price change (%)	Average payment (\$)	Price change (%)	Average fee (\$)	Price change (%)
1997–98	46.71	..	11.23	..	57.94	..
1998–99	48.57	4.0	12.08	7.6	60.66	4.7
1999–00	50.58	4.1	12.00	-0.7	62.59	3.2
2000–01	52.16	3.1	14.07	17.2	66.23	5.8
2001–02	54.11	3.7	16.53	17.5	70.64	6.7
2002–03	56.16	3.8	19.31	16.8	75.48	6.8
2003–04	59.44	5.8	21.63	12.0	81.06	7.4
2004–05	66.73	12.3	22.37	3.4	89.10	9.9
2005–06	69.45	4.1	23.46	4.9	92.91	4.3
2006–07	71.76	3.3	25.51	8.7	97.27	4.7
2007–08	74.75	4.2	26.59	4.2	101.33	4.2
	Average annual change in price					
1997–98 to 2002–03		3.8		11.5		5.4
2002–03 to 2007–08		5.9		6.6		6.1
1997–98 to 2007–08		4.8		9.0		5.7

(a) Weighted by the relative fee charged of the individual components of the basket of medical services used in the construction of the Medicare services fees index (see page 63).

(b) Refers to the difference between the fee charged and benefit paid.

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

Source: AIHW health expenditure database.



Between 1997-98 and 2007-08, the Australian Government’s real funding of medical services grew at an average of 2.8% per year, while funding by individuals grew at 4.4% per year and by health insurance at 9.5% per year (Table 4.12).

The introduction of the ‘Lifetime Health Cover’ incentives and subsequent changes increased insurance coverage (that is, the proportion of the total population with private health insurance cover) from 30.4% in 1998-99 to 34.5% in the following year and to a peak of 45.3% in 2000-01. Coverage has since remained between 42.9% and 44.7% (calculated from appendix tables F2 and F4).

This resulted in a sharp growth in the health insurance funds’ funding of health services from 4.1% in 1999-00 to 26.6% and 37.9% in the next 2 years. The rate of growth then slowed each year to 2004-05, when funding grew by 0.5%. In 2006-07 and 2007-08 health insurance funding grew by 7.0% and 7.6%, respectively (Table 4.12).

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

Table 4.12: Recurrent funding of medical services, constant prices^(a), by source of funds, and annual growth rates, 1997–98 to 2007–08

Year	Australian Government ^(b)		Health insurance funds ^(b)		Individuals		Injury compensation insurers		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1997–98	10,874	..	327	..	1,411	..	694	..	13,305	..
1998–99	11,211	3.1	307	-6.1	1,472	4.3	728	4.9	13,718	3.1
1999–00	11,777	5.0	319	4.1	1,477	0.3	766	5.2	14,339	4.5
2000–01	11,773	—	404	26.6	1,526	3.3	754	-1.6	14,456	0.8
2001–02	11,986	1.8	557	37.9	1,600	4.8	844	12.1	14,988	3.7
2002–03	11,926	-0.5	629	12.8	1,809	13.0	889	5.3	15,252	1.8
2003–04	12,005	0.7	677	7.7	1,929	6.6	953	7.2	15,564	2.0
2004–05	12,950	7.9	681	0.5	1,815	-5.9	945	-0.8	16,391	5.3
2005–06	12,938	-0.1	705	3.6	1,849	1.9	924	-2.3	16,416	0.2
2006–07	13,452	4.0	755	7.0	2,061	11.5	959	3.8	17,226	4.9
2007–08	14,335	6.6	813	7.6	2,170	5.3	1,021	6.4	18,338	6.5
Average annual growth rate										
1997–98 to 2002–03		1.9		14.0		5.1		5.1		2.8
2002–03 to 2007–08		3.7		5.3		3.7		2.8		3.8
1997–98 to 2007–08		2.8		9.5		4.4		3.9		3.3

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

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

Source: AIHW health expenditure database.

Bulk-billing influences the relative shares of funding by the Australian Government and individuals, because services that are bulk-billed do not attract any copayment. The trends in the bulk-billing rate generally mirror trends in the proportion of medical services expenditure funded by individuals. So, the peak for individuals' payments in 2003–04 of 12.4% of medical services expenditure also represented the lowest bulk-billing rate in this period (Table 4.13).

In 1997–98, 71.8% of all medical services were bulk-billed. Bulk-billing rates increased up to 1999–00 when rates reached 72.3%. After this year, the overall bulk-billing rate declined to 2003–04, when 67.5% of all medical services were bulk-billed. The rate then increased by 5.9 percentage points to 73.4% in 2007–08 – the highest rate of bulk-billing over the decade (Table 4.13).

Table 4.13: Shares of recurrent funding for medical services, current prices, and proportion of medical services bulk-billed, 1997-98 to 2007-08 (per cent)

Year	Non-government					Bulk-billing rate ^(b)
	Australian Government	Health insurance funds	Individuals	Other ^(a)	Total	
1997-98	81.7	2.5	10.6	5.2	18.3	71.8
1998-99	81.7	2.2	10.7	5.3	18.3	72.0
1999-00	82.1	2.2	10.3	5.3	17.9	72.3
2000-01	81.4	2.8	10.6	5.2	18.6	71.4
2001-02	80.0	3.7	10.7	5.6	20.0	70.4
2002-03	78.2	4.1	11.9	5.8	21.8	67.8
2003-04	77.1	4.4	12.4	6.1	22.9	67.5
2004-05	79.0	4.2	11.1	5.8	21.0	70.2
2005-06	78.8	4.3	11.3	5.6	21.2	71.7
2006-07	78.1	4.4	12.0	5.6	21.9	72.9
2007-08	78.2	4.4	11.8	5.6	21.8	73.4

(a) Includes funding by injury compensation insurers.

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

Sources: AIHW health expenditure database and DoHA unpublished.

Table 4.14 compares the distribution of fees charged in 2007-08 for out-of-hospital medical services across state of provider and state of usual patient residence. For all states and territories, over 90% of the fees charged were for services provided within the state or territory in which the patient resided. For Australian Capital Territory residents, 7.8% of the total fees charged were for services provided in New South Wales. Similarly, for Northern Territory residents, 5.5% of the total fees charged were for services provided in South Australia and 3.0% in Queensland (Table 4.14).

Table 4.14: State of provider and state of usual patient residence for fees charged for out-of hospital^(a) GP and specialist MBS medical services^(b), 2007–08

State or territory of usual patient residence	State or territory of provider								Total (\$ million)
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	
	%								
NSW	96.8	0.7	1.5	0.1	0.1	—	—	—	4,417
Vic	0.9	98.4	0.4	0.1	0.2	—	—	—	3,002
Qld	1.1	0.4	98.2	0.1	0.1	—	—	0.1	2,289
WA	0.4	0.3	0.4	98.7	0.1	—	—	0.1	1,046
SA	0.5	0.4	0.3	0.1	98.5	—	—	0.1	882
Tas	0.7	1.3	0.7	0.2	0.2	96.9	—	—	252
ACT	7.8	0.7	0.8	0.1	0.2	—	90.4	—	178
NT	1.7	1.7	3.0	1.7	5.5	0.1	0.2	86.0	69
Total (\$ million)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12,134

(a) Out of hospital services are those MBS services provided to patients who are not admitted to public and private hospitals and approved day surgeries.

(b) GP and specialist MBS medical services includes: GP/VRGP non-referred attendances, enhanced primary care, other non-referred attendances, practice nurses, specialist attendances, obstetrics, anaesthetics, pathology, diagnostic imaging, operations, assistance at operations, radiotherapy and therapeutic nuclear medicine.

Notes: In this table '—' means rounded to zero. For further information on what comprises each MBS category, go to MBS Online <<http://www9.health.gov.au/mbs/search.cfm?adv=>>>.

Source: DoHA unpublished data.

Other health practitioners

Other health practitioner services are those services provided by health practitioners other than doctors and dentists. These include chiropractors, optometrists, physiotherapists, speech therapists, audiologists, dietitians, podiatrists, homeopaths, naturopaths, practitioners of Chinese medicine and other forms of traditional medicine, and so forth. Of the \$3.4 billion spent on other health practitioners in 2007–08, just under half was funded by individual users of services (46.7%) (calculated from Table A3). Of the remaining expenditure (\$1.8 billion), \$0.6 billion (19.2%) was funded through private health insurance, including the Australian Government private health insurance premium rebates.

Expenditure on other health practitioners grew at an average of 3.7% per year between 2003–04 and 2007–08 (Table A8, page 120). This was 1.3 percentage points lower than the growth in total recurrent health expenditure (5.0%) over that period.

Medications

Medications comprise benefit-paid pharmaceuticals (that is, for which benefits were paid under either the PBS or the RPBS) and other medications (for which no benefits were paid). Other medications include private prescriptions for non-PBS-listed medications; prescriptions for PBS-listed medications with a total cost that is under the copayment level; and over-the-counter medicines such as pharmacy-only medicines, painkillers, cough and cold medicines, vitamins and minerals, and a range of medical non-durables, including bandages, bandaids and condoms. These non-prescription items include only

over-the-counter medicines purchased from pharmacies and supermarkets. They do not include medicines purchased from convenience stores.

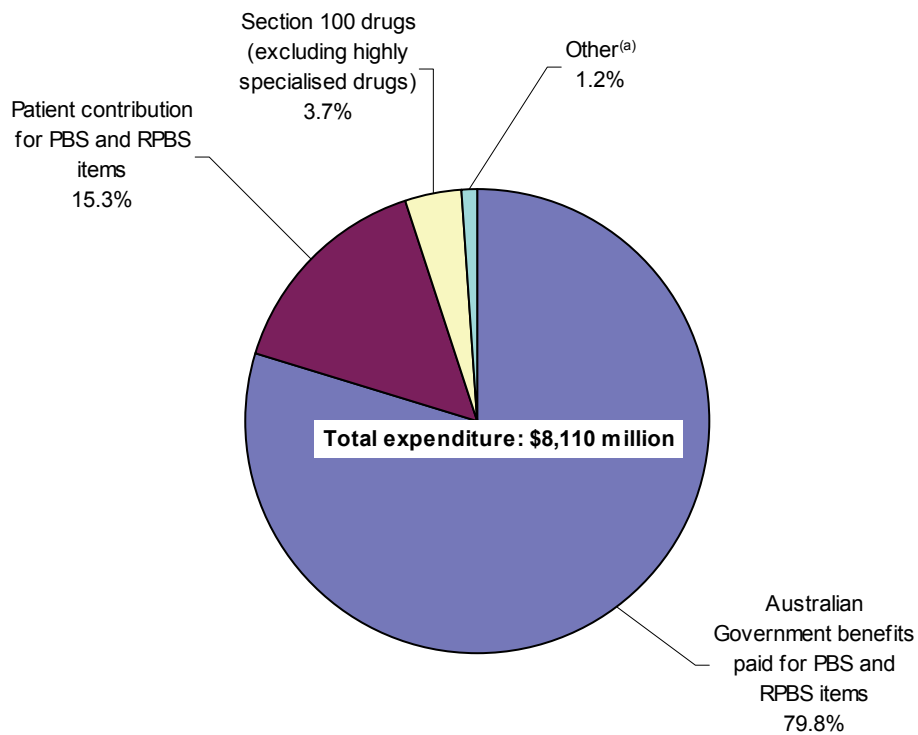
In real terms, recurrent expenditure on medications increased by 8.3% per year from 1997–98 to 2007–08, to reach \$13.7 billion in 2007–08 (see Table 4.2, page 44). The rate of growth in recurrent expenditure on medications between 1997–98 and 2007–08 (8.3%), was strongly influenced by expenditure on benefit-paid pharmaceuticals (see Table A8, page 120).

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

Benefit-paid pharmaceuticals

In real terms, recurrent expenditure on benefit-paid pharmaceuticals grew at an average of 8.9% per year from 1997–98 to 2007–08, compared to growth in total recurrent health expenditure of 5.1% (tables A8 and 4.15). The period of most rapid growth was from 1997–98 to 2002–03, when growth averaged 12.4% per year – which was shared between the Australian Government (12.9% per year) and individuals (9.6% per year) (Table 4.15).

In 2007–08, the total amount spent on pharmaceuticals for which benefits were paid was \$8.1 billion (Table 4.15 and Figure 4.6). This was a growth in real terms of 7.5% from the previous year. Benefits paid by the Australian Government for PBS and RPBS items accounted for 79.8% of this expenditure and 15.3% was due to patient contributions for PBS and RPBS items. The balance (4.9%) was due to Section 100 drugs (excluding highly specialised drugs which are included in hospital expenditure) and other DoHA-administered expense items (Figure 4.6).



(a) 'Other' refers to other DoHA-administered expense items.
 Source: AIHW health expenditure database.

Figure 4.6: Recurrent expenditure on benefit-paid pharmaceuticals, current prices, 2007-08

Table 4.15: Recurrent expenditure on benefit-paid pharmaceuticals, constant prices^(a), by source of funds, and annual growth rates, 1997–98 to 2007–08

Year	Australian Government		Individuals		Total recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1997–98	2,846	..	607	..	3,453	..
1998–99	3,136	10.2	637	4.9	3,773	9.3
1999–00	3,573	13.9	690	8.4	4,263	13.0
2000–01	4,373	22.4	785	13.8	5,158	21.0
2001–02	4,730	8.2	851	8.4	5,581	8.2
2002–03	5,223	10.4	961	12.9	6,184	10.8
2003–04	5,723	9.6	1,047	8.9	6,770	9.5
2004–05	5,984	4.6	1,161	10.9	7,145	5.5
2005–06	6,088	1.7	1,248	7.5	7,337	2.7
2006–07	6,259	2.8	1,283	2.8	7,542	2.8
2007–08	6,789	8.5	1,321	2.9	8,110	7.5
Average annual growth rate						
1997–98 to 2002–03		12.9		9.6		12.4
2002–03 to 2007–08		5.4		6.6		5.6
1997–98 to 2007–08		9.1		8.1		8.9

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

Source: AIHW health expenditure database.

All other medications

Between 1997–98 and 2007–08 expenditure on other medications grew at an average of 7.5% per year (Table 4.16). Expenditure by the Australian Government in this category includes that proportion of the private health insurance rebate allocated to other medications.

Most of the funding for other medication items came from individuals. Funding from individuals grew at an average of 7.1% per year over the whole period. There were 2 years of very rapid growth—2001–02, when funding by individuals grew by 14.2% and 2006–07 (13.9%) (Table 4.16).

Table 4.16: Recurrent expenditure on other medications^(a), constant prices^(b), by source of funds, and annual growth rates, 1997–98 to 2007–08

Year	Australian Government		State/territory and local governments		Health insurance funds		Individuals and other non-govt		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1997–98	21	..	20	..	39	..	2,646	..	2,725	..
1998–99	24	16.8	n.a.	..	35	-7.8	2,888	9.1	2,948	8.2
1999–00	34	42.0	n.a.	..	37	3.8	3,171	9.8	3,242	10.0
2000–01	116	236.9	n.a.	..	42	14.6	3,445	8.6	3,603	11.1
2001–02	86	-25.5	2	..	53	24.6	3,934	14.2	4,076	13.1
2002–03	97	12.4	n.a.	..	61	15.3	3,597	-8.6	3,755	-7.9
2003–04	122	26.3	n.a.	..	56	-7.3	3,855	7.2	4,034	7.4
2004–05	172 ^(b)	40.7	n.a.	..	57	0.6	4,204	9.0	4,433	9.9
2005–06	114	-34.1	n.a.	..	51	-9.6	4,264	1.4	4,429	-0.1
2006–07	297	161.8	n.a.	..	48	-6.6	4,856	13.9	5,201	17.4
2007–08	308	3.5	n.a.	..	46	-3.0	5,256	8.2	5,611	7.9
Average annual growth rate										
1997–98 to 2002–03	36.2		..		9.5		6.3		6.6	
2002–03 to 2007–08	26.0		..		-5.2		7.9		8.4	
1997–98 to 2007–08	31.0		..		1.9		7.1		7.5	

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

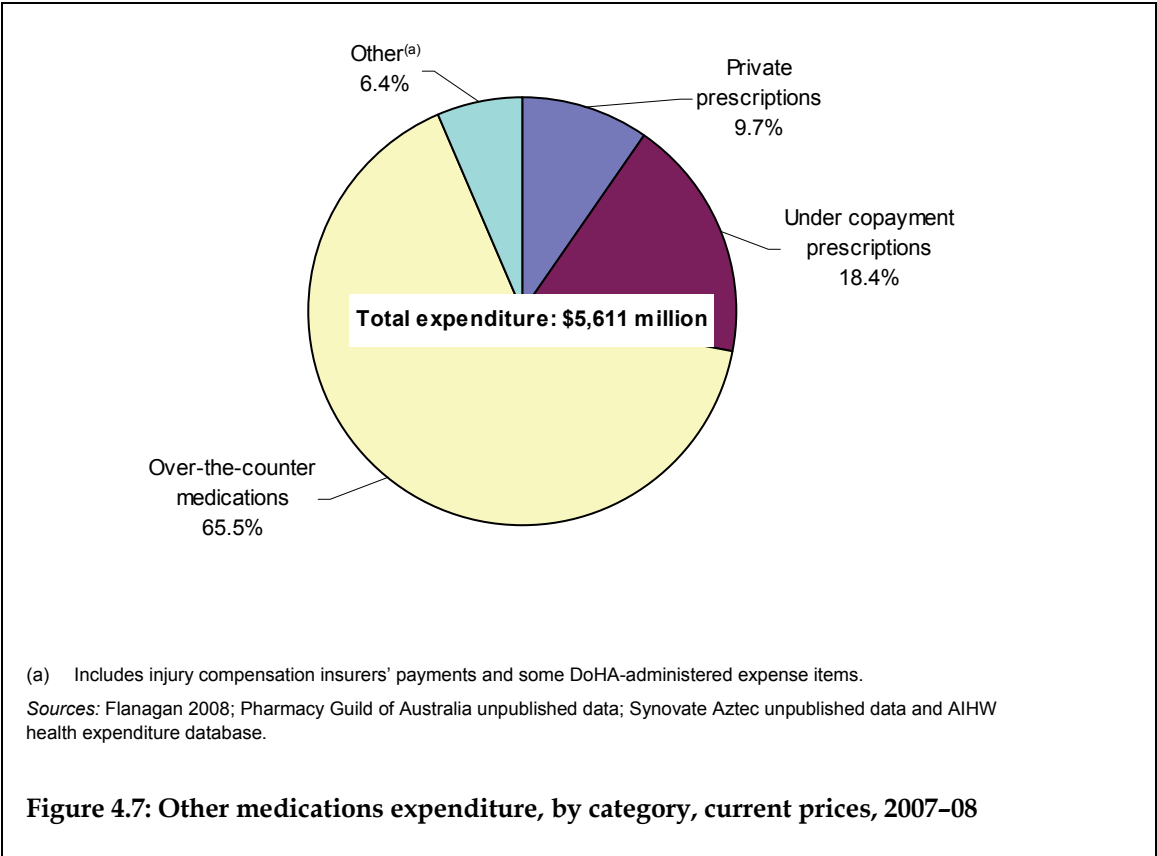
(b) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

(c) The large increase was due to pharmacy restructuring grants in this year.

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

Source: AIHW health expenditure database.

In 2007–08, expenditure on all other medication items was estimated at \$5.6 billion (Table 4.16). Over-the-counter medicines accounted for the largest share of this expenditure at 65.5% (\$3.7 billion). Under copayment prescriptions (that is, PBS-listed items where the full price is covered by the individual) accounted for 18.4%, private prescriptions for 9.7%, and the remainder (6.4%) comprised funding from injury compensation insurers and other DoHA-administered expense items (Figure 4.7).



Expenditure on prescribed medications

In 2007-08, estimated expenditure on prescribed medications was \$12.2 billion (Table 4.17). This is made up of prescribed medications in the community setting and medications in hospitals. It does not include expenditures incurred by governments in the purchase, dispensing and administration of vaccines under state, territory and national public health programs.

The majority of the expenditure on prescribed pharmaceuticals was for benefit-paid items (66.5% or \$8.1 billion), which were jointly funded by the Australian Government (83.7%) and individuals (16.3%). Expenditure on in-hospital drugs comprised \$2.0 billion for those prescribed in public hospitals and \$0.2 billion in private hospitals. The private hospital drugs only include Australian Government payments for highly specialised drugs (Table 4.17).

Table 4.17: Expenditure on prescribed medications, dispensed in the community and by hospitals^(a), current prices, 2007–08 (\$ million)

Provider and funder	All other medications			Total
	Benefit-paid pharmaceuticals	Non-hospital ^(b)	Hospital	
Community pharmacies				
Funded by				
Australian Government DVA	461	..	..	461
Australian Government DoHA ^{(c)(d)}	6,329	308	..	6,636
Health insurance funds	..	46	..	46
Individuals	1,321	1,511	..	2,831
Injury compensation insurers and other	..	71	..	71
<i>Total pharmacies</i>	<i>8,110</i>	<i>1,936</i>	<i>..</i>	<i>10,046</i>
Public hospitals^(e)	..	..	1,982^(f)	1,982
Private hospitals^(g)	..	..	175^(f)	175
Total	8,110	1,936	2,157	12,203

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

(b) Includes private prescriptions and under copayment prescriptions.

(c) Does not include \$677 million in payments for highly specialised drugs, which are included in the public hospitals and private hospitals rows.

(d) Includes \$313 million in Section 100 payments for human growth hormones, in-vitro fertilisation (IVF) and other subsidised pharmaceuticals.

(e) Includes \$502 million in Australian Government payments to states and territories for highly specialised drugs.

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

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

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

Source: AIHW health expenditure database.

The cost to government of PBS items in 2007–08 was estimated at \$5.9 billion (Table 4.18). This was \$0.4 billion higher than in 2006–07 (\$5.5 billion).

From 2002–03 to 2006–07 the patient contribution for benefit-paid items, as a proportion of the total cost of benefit-paid items, increased from 15.8% to 17.4%. There was also a corresponding fall in the Australian Government's share of funding over that period, from 84.2% to 82.6%. During the last year of the period (2007–08) the Australian Government's share increased to 83.3% and the patient contribution decreased to 16.7%.

There have also been some changes over time in the proportion of total patient contribution paid by general and concessional patients and funding under the safety net arrangements. In 2002–03, concessional patients contributed \$0.4 billion or 43.0% of total patient contributions (Table 4.18). The following year, this proportion fell to a low for the period of 41.9%. In 2007–08, however, concessional patients contributed \$0.6 billion, or 47.1% of total patient contributions. During the same period, the cost to the Australian Government for general and concessional patients under the safety net arrangement increased from \$1.1 billion (23.6% of the cost to the Australian Government of the PBS) in 2002–03 to \$1.2 billion (22.7%) in 2006–07. In 2007–08, the Australian Government met \$1.3 billion under the safety net, representing 22.2% of the cost to the Australian Government of the PBS (calculated from Table 4.18).

Table 4.18: Pharmaceutical Benefits Scheme^(a), Australian Government and patients' contributions, current prices, 2002–03 to 2007–08 (\$ million)

Benefit category	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
Patient contributions						
General patients	489	545	597	634	619	630
Concessional patients	370	393	444	489	533	560
<i>Total patient contributions</i>	<i>860</i>	<i>938</i>	<i>1,041</i>	<i>1,123</i>	<i>1,151</i>	<i>1,189</i>
Share of total (per cent)	15.8	15.8	16.4	17.3	17.4	16.7
Government benefits						
General patients—no safety net	751	824	851	850	890	1,039
General patients—safety net	170	191	223	216	174	173
<i>Total general patients</i>	<i>920</i>	<i>1,015</i>	<i>1,073</i>	<i>1,066</i>	<i>1,064</i>	<i>1,213</i>
Concessional patients—no safety net	2,747	2,972	3,077	3,145	3,334	3,561
Concessional patients—safety net	908	1,005	1,145	1,173	1,067	1,138
<i>Total concessional patients</i>	<i>3,655</i>	<i>3,977</i>	<i>4,223</i>	<i>4,318</i>	<i>4,401</i>	<i>4,699</i>
<i>Total cost to government</i>	<i>4,575</i>	<i>4,992</i>	<i>5,296</i>	<i>5,384</i>	<i>5,466</i>	<i>5,912</i>
Cost to government as share of total (per cent)	84.2	84.2	83.6	82.7	82.6	83.3
Total cost of PBS benefit-paid items^(b)	5,435	5,929	6,337	6,508	6,617	7,102

(a) Does not include RPBS or 'doctors bag' pharmaceuticals.

(b) Excludes Section 100 payments for human growth hormones, IVF, Aboriginal health service providers and other non-PBS subsidised pharmaceuticals.

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

Source: DoHA unpublished.

Aids and appliances

Expenditure on health aids and appliances grew by 4.9% per year in real terms over the period 2003–04 to 2007–08. This was marginally lower than the growth in total recurrent health expenditure (5.0%) over that period (Table A8, page 120).

In 2007–08, expenditure on aids and appliances was \$3.1 billion, of which 72.7% was funded by individuals' out-of-pocket expenditure (calculated from Table A3, page 115).

Community health and other

In 2007–08 expenditure on, 'community health and other' was estimated at \$5.2 billion, up \$0.7 billion from 2006–07. Of this \$5.2 billion, \$4.3 billion (81.8%) was funded by state, territory and local governments (calculated from tables A2 and A3). 'Other' in the community health and other category comprises other recurrent health expenditure that could not be classified to other areas of expenditure (see Glossary for further details).

Public health

Public health covers those activities that aim to prevent illness and injury and protect or promote the health of the whole population, or of specified population subgroups. While reliable estimates are not available for earlier years, since 1999–00 estimates of expenditure on defined public health activities have been compiled on a consistent basis by all governments using a single data collection protocol developed through the National Public Health Expenditure Project (AIHW 2002, 2004, 2006, 2007b, 2008b and 2008c).

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

In each of the 3 years to 2007–08, public health expenditure was estimated at:

- 2005–06 – \$1.7 billion
- 2006–07 – \$1.8 billion
- 2007–08 – \$2.3 billion.

The Australian Government's share of funding was 51.2%, 55.0% and 60.2%, respectively (calculated from tables A1, A2 and A3). State and territory governments' own-source funding of public health was 40.1%, 37.8% and 33.5% respectively (calculated from tables A1, A2 and A3).

Public health activity expenditure

In real terms between 1999–00 and 2007–08, estimated government expenditure on public health activities grew at an average rate of 7.4% per year (Table 4.19). All activities showed real increases in expenditure over the 9 years, with the highest average annual growth rates being recorded for expenditure on organised immunisation (17.0%) and public health research (7.2%) (Table 4.19). Programs for food standards and hygiene (1.9%) and breast and cervical cancer screening (2.5%) showed the lowest growth over this period.

The activities recording the highest real growth between 2006–07 and 2007–08 were organised immunisation (55.9%) and selected health promotion (24.8%) (Table 4.19). Much of the growth in expenditure on organised immunisation resulted from costs associated with the implementation of the human papillomavirus vaccination (HPV) program (AIHW 2009b (in press)). Real expenditure on the communicable disease controls declined in 2007–08 (–2.5%).

Table 4.19: Total government expenditure^(a) on public health activities, constant prices^(b), by activity, 1999–00 to 2007–08 (\$ million)

Public health activity categories	1999–00											2007–08	Growth rate (%) 2006–07 to 2007–08	Average annual growth rate (%) 1999–00 to 2007–08
	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08						
Communicable disease control	201	211	232	241	237	260	267	263	257	257	257	257	–2.5%	3.1%
Selected health promotion	223	242	274	258	251	260	270	294	367	367	367	367	24.8%	6.4%
Organised immunisation	200	218	221	308	312	380	345	452	704	704	704	704	55.9%	17.0%
Environmental health	76	84	90	89	93	94	92	93	96	96	96	96	3.2%	2.9%
Food standards and hygiene	33	45	41	41	41	37	37	36	38	38	38	38	7.5%	1.9%
Breast and cervical cancer screening programs ^(c)	237	237	234	220	230	249	245	271	289	289	289	289	6.5%	2.5%
Prevention of hazardous and harmful drug use	156	183	172	185	195	218	190	215	254	254	254	254	18.4%	6.3%
Public health research	88	85	97	107	110	119	133	153	154	154	154	154	0.4%	7.2%
Total	1,215	1,305	1,361	1,449	1,470	1,617	1,579	1,777	2,159	2,159	2,159	2,159	21.5%	7.4%

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

(b) Constant price public health expenditure for 1999–00 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

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

Source: AIHW public health expenditure database.

Dental services

Individuals funded 64.6% of the \$6.1 billion spent on dental services in 2007–08 compared to 20.0% or \$1.2 billion funded by governments (Table A3, page 115). For the period 2003–04 to 2007–08, real growth in dental services expenditure averaged 1.9% per year – 3.1 percentage points below the average annual real growth in total recurrent health expenditure of 5.0% (Table A8). The majority of dental services (90.0% or \$5.5 billion) were provided by private providers, with the remainder by state and territory government providers (10.0% or \$0.6 billion).

Research

Estimated expenditure on health research in 2007–08 was \$2,732 million or 2.8% of total recurrent health expenditure (tables 4.20 and 4.21). In real terms, estimated expenditure grew at an average of 11.3% per year between 1997–98 and 2007–08 (Table 4.20). Over three-quarters (78.1%) of the expenditure on health research in 2007–08 was funded by the Australian Government, 14.2% by state and territory and local governments and a further 7.8% was funded by non-government sources (calculated from Table 4.20). Note that health research funded by ‘for-profit’ corporations is not included here, as that health research expenditure is considered to be an intermediate good the cost of which has already been included in the cost of the associated final output.

Table 4.20: Recurrent funding for health research, constant prices^(a), and annual growth rates, by source of funds, 1997–98 to 2007–08

Year	Government						Total recurrent funding	
	Australian Government		State/territory and local		Non-government		Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)		
1997–98	615	..	138	..	186	..	939	..
1998–99	710	15.5	130	–5.6	169	–9.0	1,009	7.5
1999–00	956	34.7	215	65.0	107	–36.7	1,278	26.6
2000–01	1,174	22.8	249	15.6	128	19.2	1,550	21.3
2001–02	1,256	7.0	243	–2.3	140	9.7	1,639	5.7
2002–03	1,355	7.9	212	–12.6	151	7.8	1,718	4.9
2003–04	1,433	5.8	243	14.6	158	4.8	1,835	6.8
2004–05	1,545	7.8	265	9.1	166	4.7	1,976	7.7
2005–06	1,757	13.8	298	12.2	182	9.7	2,237	13.2
2006–07	1,905	8.4	338	13.6	196	8.0	2,440	9.1
2007–08	2,133	11.9	387	14.4	213	8.3	2,732	12.0
Average annual growth rate								
1997–98 to 2002–03		17.1		9.0		–4.1		12.9
2002–03 to 2007–08		9.5		12.8		7.1		9.7
1997–98 to 2007–08		13.2		10.9		1.3		11.3

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.
Note: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

The proportion of health expenditure on health research and development since 1998–99 has varied across the states and territories from less than 1% in Tasmania and the Northern Territory to more than 8% in the Australian Capital Territory (Table 4.21). Caution should be taken with the interpretation of these ratios as the research is based on the location of where the research has taken place, rather than the population which the research serves.

Table 4.21: Proportion of recurrent health expenditure spent on health research^(a) and development, 1998–99 to 2007–08

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
1998–99	1.2	2.0	1.3	1.3	1.9	0.7	6.2	1.5	1.6
1999–00	1.4	2.7	1.3	1.6	2.4	1.4	6.8	1.2	1.9
2000–01	1.6	2.9	1.4	1.9	2.5	1.8	8.0	1.9	2.1
2001–02	1.7	3.0	1.5	1.8	2.4	1.2	8.1	1.6	2.2
2002–03	1.7	2.9	1.4	1.7	2.2	1.9	8.1	1.2	2.2
2003–04	1.8	3.1	1.5	2.0	2.3	1.9	8.6	1.2	2.2
2004–05	1.8	3.1	1.6	2.1	2.3	2.0	8.8	0.9	2.3
2005–06	2.1	3.5	1.7	2.2	2.5	2.1	8.4	0.7	2.5
2006–07	2.3	3.7	1.7	2.2	2.6	1.7	7.7	0.8	2.6
2007–08	2.6	3.9	1.8	2.3	2.7	1.8	7.7	0.8	2.8

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

Source: AIHW Health expenditure database.

Capital consumption by governments

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

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

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

Capital consumption by governments was estimated at \$1.4 billion in 2007–08 (Table 4.22). This was a decrease, in real terms, of 2.3% from 2006–07.

Because capital consumption is, essentially, the using up of fixed capital in the process of providing health goods and services and capital expenditure is the measure of additions to the capital stock, it is useful to examine the ratio of capital expenditure to capital consumption (Table 4.23).

For most years since 1998–99, capital expenditure exceeded the rate of consumption of capital in all states and territories, except the Northern Territory. This resulted in a capital

expenditure to capital consumption ratio that was greater than 1 for those other jurisdictions, which implies that their capital stock was growing, not eroding. In the case of the Northern Territory, which consistently had a ratio of less than 1, the data suggests that the capital stock was being used up at a faster rate than it was being replaced. In 2007–08, Western Australia recorded its highest ratio (2.8:1) since 1998–99 (3.1:1) and suggests there was substantial on-going investment in health assets in Western Australia.

Table 4.22: Capital consumption by governments, current and constant prices^(a), and annual growth rates, 1998–99 to 2007–08

Year	Current prices (\$ million)	Constant prices (\$ million)	Real growth (per cent)
1998–99	865	749	..
1999–00	896	813	8.5
2000–01	935	854	5.1
2001–02	940	892	4.4
2002–03	973	965	8.3
2003–04	1,037	1,101	14.0
2004–05	1,107	1,187	7.8
2005–06	1,238	1,335	12.4
2006–07	1,337	1,408	5.5
2007–08	1,375	1,375	–2.3

(a) Constant price health expenditure for 1998–99 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

Source: AIHW health expenditure database.

Table 4.23: Government^(a) capital expenditure as a proportion of government^(b) capital consumption expenditure by health care facilities, 1998–99 to 2007–08

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
1998–99	0.6	1.2	1.2	3.1	1.2	1.7	2.0	0.9	1.1
1999–00	1.0	1.7	2.2	1.3	1.4	0.5	0.9	0.4	1.5
2000–01	1.3	1.6	2.1	1.5	1.3	0.5	1.5	0.4	1.5
2001–02	1.4	1.9	1.8	1.4	1.5	0.9	1.9	0.3	1.6
2002–03	1.4	3.0	1.0	1.4	1.8	0.5	1.2	0.6	1.7
2003–04	1.1	1.0	1.1	1.8	1.7	1.2	1.5	0.7	1.2
2004–05	1.2	1.6	1.3	2.2	2.1	1.7	1.9	0.9	1.5
2005–06	1.5	2.1	1.4	1.9	1.6	1.6	2.1	0.7	1.6
2006–07	1.2	2.6	1.6	1.8	0.5	1.7	1.3	0.9	1.6
2007–08	1.4	1.0	2.0	2.8	1.2	1.5	1.9	0.6	1.5

(a) Excludes local government.

(b) Expenditure on publicly owned health care facilities

Source: AIHW Health expenditure database.

4.2 Capital expenditure

Capital expenditure on health facilities and investments in 2007–08 was \$5.5 billion, 5.4% of total health expenditure (tables 4.22 and A3).

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

State, territory and local governments use capital for the provision of government health services (for example, hospitals and community health facilities). There were particularly high levels of capital expenditure in Queensland towards the end of the 1990s as some of that state's aged or run-down capital stock was replaced.

Typically, capital expenditure by the non-government sector accounts for around 50% to 60% of all capital expenditure in any year and tends to fluctuate less than government capital expenditure (Table 4.24).

Table 4.24: Capital expenditure, current prices^(a), by source of funds, 1997–98 to 2007–08 (\$ million)

Year	Government		Non-government	Total
	Australian Government	State/territory and local		
1997–98	65	1,405	994	2,464
1998–99	113	936	1,516	2,565
1999–00	36	1,383	1,587	3,006
2000–01	130	1,243	1,917	3,291
2001–02	78	1,437	2,062	3,577
2002–03	70	1,559	2,347	3,976
2003–04	87	1,037	2,485	3,609
2004–05	119	1,559	2,602	4,280
2005–06	97	1,944	2,711	4,752
2006–07	108	2,128	3,253	5,489
2007–08	108	2,010	3,429	5,546

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

Source: AIHW health expenditure database.

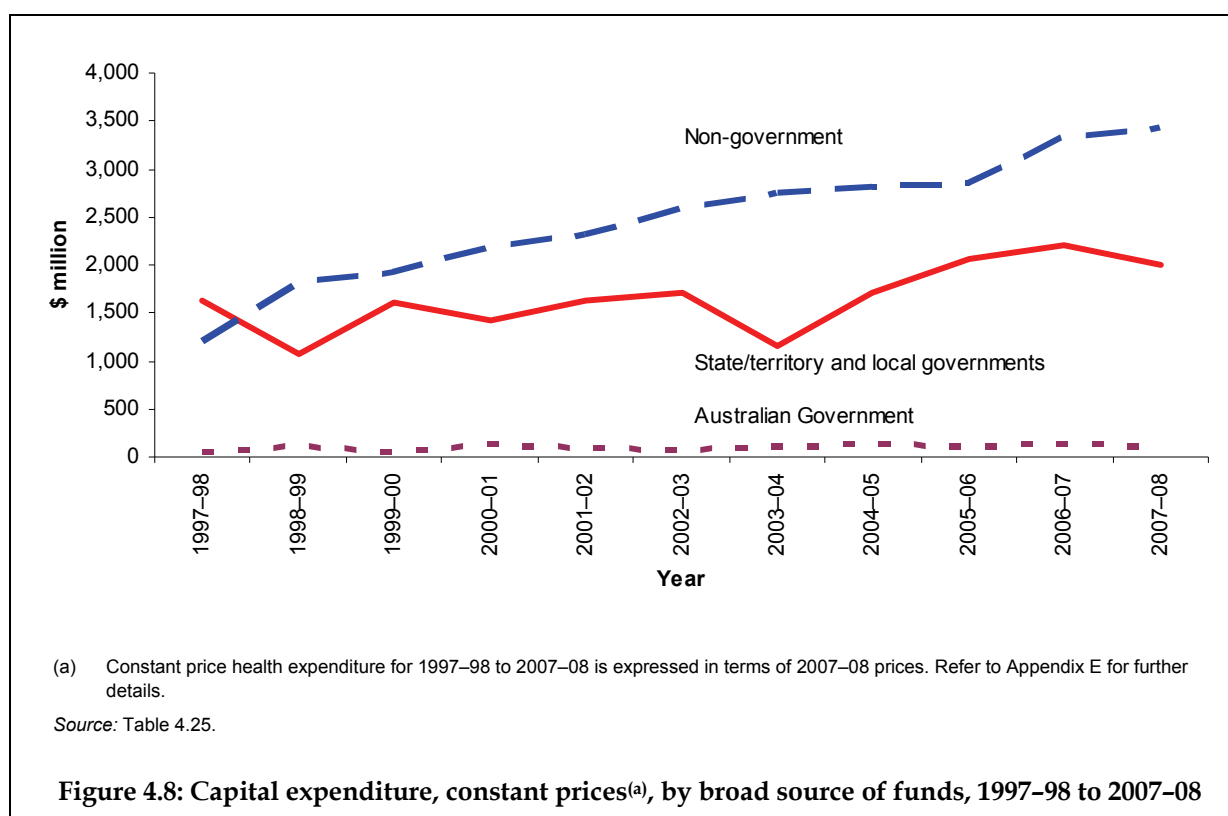
The lives of such facilities and equipment can be very long (up to 50 years is not uncommon for buildings). Because investments in health facilities and equipment involve large outlays, capital expenditure can fluctuate from year to year (Table 4.25 and Figure 4.8).

Table 4.25: Capital expenditure, constant prices^(a), by source of funds, 1997–98 to 2007–08 (\$ million)

Year	Government							
	Australian Government		State, territory and local governments		Non-government		Total	
	Amount (\$ million)	Growth (%)	Amount (\$ million)	Growth (%)	Amount (\$ million)	Growth (%)	Amount (\$ million)	Growth (%)
1997–98	51	..	1,639	..	1,195	..	2,886	..
1998–99	96	86.8	1,070	-34.7	1,819	52.2	2,985	3.5
1999–00	33	-65.5	1,601	49.6	1,910	5.0	3,545	18.7
2000–01	121	264.1	1,419	-11.4	2,187	14.5	3,726	5.1
2001–02	74	-39.0	1,626	14.6	2,319	6.0	4,019	7.9
2002–03	70	-5.4	1,708	5.0	2,587	11.5	4,364	8.6
2003–04	93	33.5	1,156	-32.3	2,748	6.2	3,997	-8.4
2004–05	128	38.2	1,701	47.1	2,801	1.9	4,630	15.8
2005–06	105	-17.9	2,062	21.2	2,856	2.0	5,022	8.5
2006–07	114	8.6	2,196	6.5	3,329	16.6	5,640	12.3
2007–08	108	-5.6	2,010	-8.5	3,429	3.0	5,546	-1.7

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

Source: AIHW health expenditure database.



4.3 Non-specific tax expenditures

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

The medical expenses tax rebate applies to the amount by which a taxpayer's total net health-related expenditures exceed a statutory threshold in any year. For 2007–08 the tax rebate was 20 cents for each \$1 by which a taxpayer's net health expenses exceeded \$1,500. Net health expenses are the expenses that have been paid by the taxpayer in respect of her/himself and dependants, less any refunds they have received, or could receive, from Medicare, a private health fund or any other third-party payer.

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

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

Non-specific tax expenditures were estimated at \$382 million in 2007–08. This was a decrease in real terms of 2.3% from 2006–07. The average annual real growth over the decade from 1997–98 was 7.5% (Table 4.26).

Table 4.26 Non-specific tax expenditure, current and constant^(a) prices, and annual growth rates, 1997–98 to 2007–08

Year	Current prices (\$ million)	Constant prices (\$ million)	Real growth (%)
1997–98	128	185	..
1998–99	145	203	9.7
1999–00	162	221	9.0
2000–01	173	228	3.3
2001–02	203	259	13.5
2002–03	225	276	6.6
2003–04	250	294	6.5
2004–05	291	329	12.0
2005–06	332	359	9.1
2006–07	376	391	8.8
2007–08	382	382	–2.3
Average annual growth rate			
1997–98 to 2007–08			7.5

(a) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices. Refer to Appendix E for further details.

Source: AIHW health expenditure database.

5 International comparisons

In this publication, apart from this chapter, the health expenditure estimates are derived using boundaries and definitions that have provided the basis for estimation of health expenditure in Australia since the 1970s. Those boundaries and definitions are not necessarily consistent with those used by other countries. This chapter compares Australia's expenditure on health with that of OECD member economies and a number of countries in the Asia-Pacific region. For the purpose of this comparison, Australian health expenditure estimates in this chapter have been derived using the framework for estimating and reporting national health expenditure developed by the OECD as part of its System of Health Accounts (SHA) (see Section 5.3 for further details). Therefore, the estimates of Australia's total health expenditure and recurrent health expenditure discussed here differ somewhat from similarly titled estimates in the other chapters of this report. For example, in Table 2.2 health expenditure as a proportion of GDP is shown as 9.1% in 2007–08, but using the SHA estimating framework, expenditure on health is estimated at 8.9% of GDP in 2007 (Table 5.1).

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

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

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

The comparison of average health expenditure per person is undertaken using a common currency unit. This is achieved using purchasing power parities (PPPs), sourced from the OECD, for the whole of GDP for each country to convert its expenditures, from the different national currency units into Australian dollars. The PPPs for the whole of GDP are used for this conversion because of the poor reliability of health-specific PPPs, particularly in the early part of the decade ending in 2007.

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

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

Box 5.1: Periods equating to OECD year 2007

<i>Country</i>	<i>Financial year</i>
<i>Australia</i>	<i>1 July 2007 to 30 June 2008</i>
<i>Canada</i>	<i>1 April 2007 to 31 March 2008</i>
<i>France</i>	<i>1 January 2007 to 31 December 2007</i>
<i>Germany</i>	<i>1 January 2007 to 31 December 2007</i>
<i>Japan</i>	<i>1 April 2007 to 31 March 2008</i>
<i>New Zealand</i>	<i>1 July 2007 to 30 June 2008</i>
<i>Sweden</i>	<i>1 January 2007 to 31 December 2007</i>
<i>United Kingdom</i>	<i>1 April 2007 to 31 March 2008</i>
<i>United States</i>	<i>1 October 2006 to 30 September 2007</i>

5.1 Health expenditure in OECD countries

The OECD median health to GDP ratio for 1997, 2002 and 2007 was 7.7%, 8.4% and 8.9%, respectively. Average expenditure per person for the whole of the OECD was estimated at \$2,725, \$3,722 and \$5,213 in those same years (Table 5.1).

Australia's health to GDP ratio (7.6%) was slightly lower than the OECD median in 1997, higher in 2002 (8.6%) and the same as the OECD median (8.9%) in 2007 (Table 5.1 and Figure 5.1). Average per person expenditure on health in Australia (\$2,371 in 1997, \$3,398 in 2002 and \$4,732 in 2007) was higher than the OECD median expenditure (\$2,259, \$3,075 and \$4,481, respectively, in all 3 years (Table 5.1).

The United States was by far the highest spender on health care, spending 16.0% of GDP in 2007 with an average expenditure per person that was more than double the amount for Australia (\$10,352 per person compared with \$4,732 for Australia) (Table 5.1).

In 2007, Australia spent a similar proportion of GDP on health as Italy, Norway, Sweden and New Zealand, and more than the United Kingdom (Table 5.1).

Australia's three tiers of government funded an average of 67.5% of total health expenditure in 2007, which was 7.1 percentage points below the OECD median of 74.6%. Of the countries that provided data for 2007, the Czech Republic had the highest proportion of government health funding (85.2%)—Mexico (45.2%) and the United States (45.4%) the lowest. Over the decade, the government contribution to the funding of health care in Australia edged up by 0.3 percentage points, while the average government share for the OECD overall increased by 0.7 percentage points (Table 5.2).

Government health expenditure in 2007 as a proportion of GDP was 6.0% in Australia, 0.6 percentage points below the OECD median, 0.9 percentage points below the United Kingdom, 1.1 percentage points below Canada and 1.3 percentage points below that spent by the United States (Table 5.2).

Australia's average out-of-pocket expenditure per person (\$393) was \$74 below the weighted OECD average in 1997, but \$49 above the weighted average in 2007 (Table 5.3). Australia's out-of-pocket expenditure as a percentage of total expenditure and total household final consumption expenditure (HFCE) rose between the two periods from 16.6% to 18.0% and from 2.2% to 2.9%, respectively. For the OECD as a whole, while out-of-pocket expenditure

rose as a percentage of total HFCE (2.6% to 2.7%), it declined as a percentage of total health expenditure (16.2% to 14.5%) (Table 5.3 and Figure 5.2).

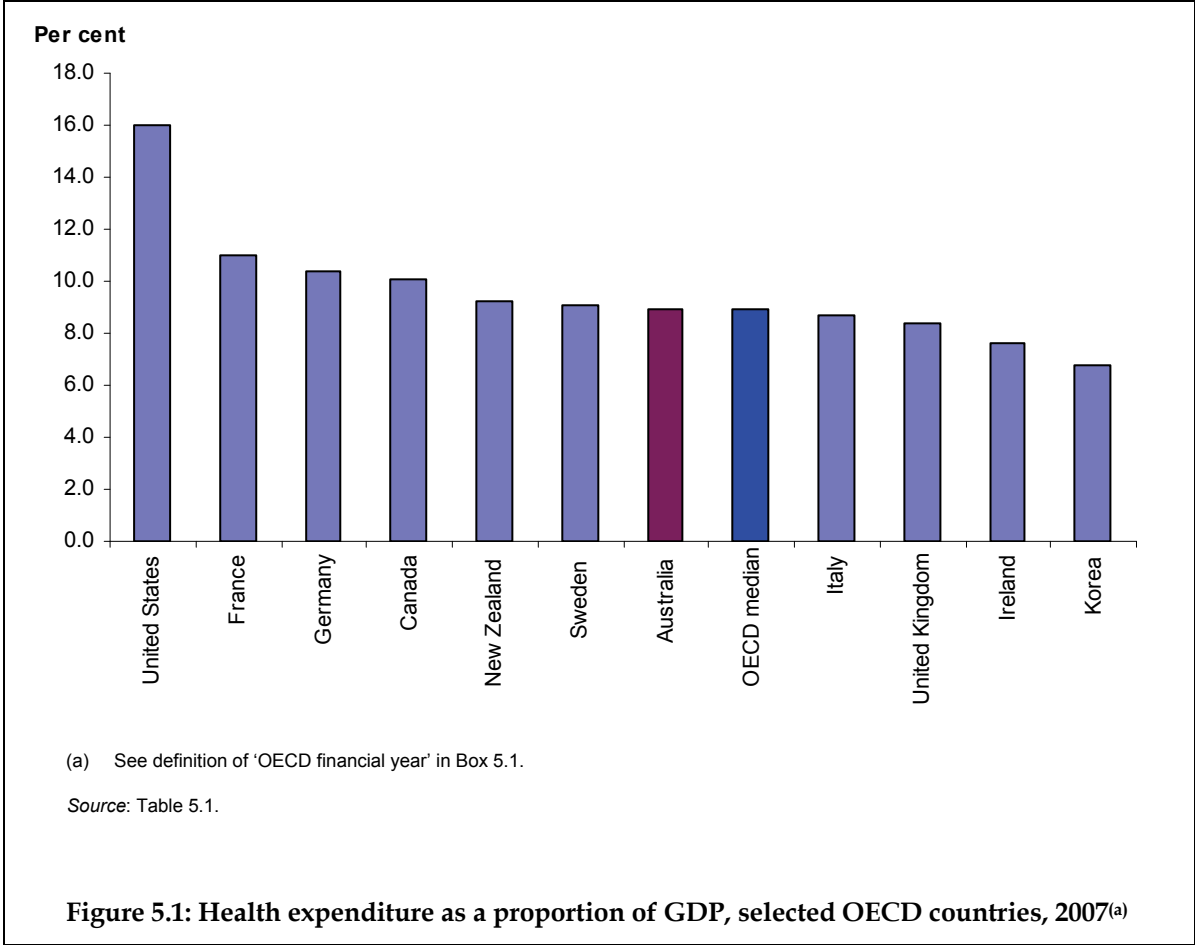


Table 5.1: Health expenditure as a proportion of GDP and per person, OECD countries, 1997 to 2007^(a)

Country ^(b)	1997		2002		2007	
	Health to GDP (%)	Per person (A\$)	Health to GDP (%)	Per person (A\$)	Health to GDP ^(b) (%)	Per person (A\$)
United States	13.4	5,353	15.1	7,307	16.0	10,352
France	10.2	2,938	10.5	3,915	11.0	5,113
Switzerland	10.0	3,757	10.9	4,922	10.8	6,272
Germany	10.2	3,185	10.6	3,936	10.4	5,095
Belgium	8.3	2,599	9.0	3,598	10.2	5,105
Austria	9.8	3,189	10.1	4,096	10.1	5,343
Canada	8.8	2,841	9.6	3,854	10.1	5,531
Denmark	8.2	2,719	8.8	3,613	9.8	4,987
Netherlands	7.9	2,529	8.9	3,796	9.8	5,449
Greece	8.4	1,787	9.1	2,633	9.6	3,872
Iceland	8.1	2,790	10.2	4,229	9.3	4,713
New Zealand	7.3	1,785	8.2	2,468	9.2	3,564
Sweden	8.1	2,491	9.3	3,614	9.1	4,719
Australia^(c)	7.6	2,371	8.6	3,398	8.9	4,732
Norway	8.4	3,102	9.8	4,863	8.9	6,763
Italy	7.7	2,281	8.3	2,979	8.7	3,814
Spain	7.3	1,715	7.3	2,338	8.5	3,793
United Kingdom	6.6	1,964	7.6	2,935	8.4	4,249
Finland	7.6	2,120	7.8	2,873	8.2	4,033
Slovak Republic	5.8	744	5.6	978	7.7	2,208
Ireland	6.4	1,843	7.1	3,172	7.6	4,862
Hungary	6.8	896	7.6	1,493	7.4	1,971
Czech Republic	6.7	1,217	7.1	1,601	6.8	2,309
Korea	4.3	822	5.3	1,336	6.8	2,397
Poland	5.6	657	6.3	982	6.4	1,470
Mexico	4.8	537	5.6	783	5.9	1,169
Japan	7.0	2,237	8.0	2,864	n.a.	n.a.
Luxembourg	5.6	2,603	6.8	4,129	n.a.	n.a.
Portugal	8.0	1,566	9.0	2,220	n.a.	n.a.
Turkey	3.1	330	5.9	647	n.a.	n.a.
Weighted average^{(d)(e)}	9.6	2,725	10.7	3,722	11.3	5,213
Median^(d)	7.7	2,259	8.4	3,075	8.9	4,481

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

(b) Countries in this table are sorted in descending order according to the 2007 health to GDP ratio.

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

(d) Averages for 2007 incorporate 2006 data for Japan, Luxembourg and Portugal, and 2005 data for Turkey.

(e) Average weighted by GDP or population.

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

Sources: AIHW health expenditure database; OECD 2009.

Table 5.2: Government health expenditure as a proportion of total health expenditure and GDP, OECD countries, 1997 to 2007^(a) (per cent)

Country ^(b)	1997		2002		2007	
	Share of total health expenditure	Share of GDP	Share of total health expenditure	Share of GDP	Share of total health expenditure ^(b)	Share of GDP
Mexico	44.7	2.1	43.9	2.5	45.2	2.7
United States	44.7	6.0	44.1	6.6	45.4	7.3
Korea	41.7	1.8	50.6	2.7	54.9	3.7
Switzerland	55.0	5.5	57.7	6.3	59.3	6.4
Greece	52.8	4.5	58.0	5.3	60.3	5.8
Slovak Republic	91.7	5.3	89.1	5.0	66.8	5.2
Australia^(c)	67.2	5.1	66.9	5.8	67.5	6.0
Canada	70.1	6.2	69.6	6.7	70.0	7.1
Hungary	81.3	5.5	70.2	5.3	70.6	5.2
Poland	72.0	4.0	71.2	4.5	70.8	4.6
Spain	72.5	5.3	71.3	5.2	71.8	6.1
Finland	72.2	5.5	72.3	5.6	74.6	6.1
Austria	75.7	7.4	75.8	7.7	76.4	7.7
Italy	70.8	5.4	74.5	6.2	76.5	6.7
Germany	80.8	8.3	79.2	8.4	76.9	8.0
France	79.6	8.1	79.7	8.4	79.0	8.7
Ireland	73.9	4.7	75.8	5.4	80.7	6.1
Sweden	85.8	6.9	82.1	7.6	81.7	7.4
United Kingdom	80.4	5.3	79.9	6.1	81.7	6.9
Iceland	82.1	6.6	81.9	8.3	82.5	7.7
Norway	81.3	6.8	83.5	8.2	84.1	7.5
Denmark	82.3	6.7	82.9	7.3	84.5	8.2
Czech Republic	90.3	6.0	90.5	6.4	85.2	5.8
Belgium	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	81.5	5.7	81.5	6.5	n.a.	n.a.
Luxembourg	92.5	5.2	90.3	6.1	n.a.	n.a.
Netherlands	67.8	5.4	62.5	5.5	n.a.	n.a.
New Zealand	77.3	5.7	77.9	6.4	n.a.	n.a.
Portugal	65.7	5.3	72.2	6.5	n.a.	n.a.
Turkey	71.6	2.2	70.4	4.1	n.a.	n.a.
Weighted average (28 countries)^{(d)(e)}	60.0	5.9	59.2	6.5	59.3	6.9
Median (28 countries)^(d)	73.9	5.5	74.5	6.3	74.6	6.6

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

(b) Countries in this table are sorted in ascending order according to the 2007 share of government to total health expenditure.

(c) Expenditure based on the OECD SHA framework.

(d) The 28 countries included in the averages exclude Belgium and the Netherlands. Averages for 2007 incorporate 2006 data for Japan, Luxembourg, New Zealand and Portugal, and 2005 data for Turkey.

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

Sources: AIHW health expenditure database; OECD 2009.

Table 5.3: Out-of-pocket health expenditure per person, and as shares of total health expenditure and household final consumption expenditure^(a), OECD countries, 1997 and 2007^(b)

Country ^(c)	1997			2007		
	Per person out-of-pocket expenditure (A\$)	Share of total health expenditure (%)	Share of total HFCE (%)	Per person out-of-pocket expenditure ^(c) (A\$)	Share of total health expenditure (%)	Share of total HFCE (%)
Switzerland	1,217	32.4	5.5	1,917	30.6	5.9
United States	785	14.7	2.9	1,264	12.2	2.8
Norway	553	17.8	3.3	1,022	15.1	3.4
Belgium	n.a.	n.a.	n.a.	934	18.3	3.6
Korea	403	48.9	4.1	856	35.7	4.6
Australia^(d)	393	16.6	2.2	853	18.0	2.9
Canada	477	16.8	2.6	824	14.9	2.8
Austria	494	15.5	2.8	822	15.4	3.0
Spain	396	23.1	2.9	798	21.1	3.2
Italy	602	26.4	3.5	770	20.2	3.0
Finland	458	21.6	3.4	760	18.9	3.2
Iceland	500	17.9	2.6	755	16.0	2.7
Sweden	n.a.	n.a.	n.a.	750	15.9	3.2
Denmark	444	16.3	2.7	689	13.8	2.8
Germany	330	10.3	1.9	667	13.1	2.5
Mexico	285	53.1	4.1	596	51.1	4.6
Slovak Republic	62	8.3	0.9	579	26.2	3.7
New Zealand	279	15.6	2.0	498	14.0	2.3
Hungary	168	18.7	2.6	491	24.9	3.5
United Kingdom	277	14.1	1.5	487	11.4	1.6
Ireland	232	12.6	1.7	481	9.9	1.7
Poland	185	28.0	2.5	356	24.3	2.6
France	211	7.2	1.3	349	6.8	1.4
Czech Republic	119	9.7	1.2	304	13.2	1.9
Netherlands	n.a.	n.a.	n.a.	302	5.5	1.2
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	376	16.8	2.2	n.a.	n.a.	n.a.
Luxembourg	194	7.5	1.0	n.a.	n.a.	n.a.
Portugal	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Turkey	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Weighted average (25 countries)^{(e)(f)}	467	16.2	2.6	804	14.5	2.7
Median (25 countries)^(e)	376	16.6	2.6	667	15.1	2.8

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

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

(c) Countries in this table are sorted in descending order according to the 2007 per person out-of-pocket expenditure.

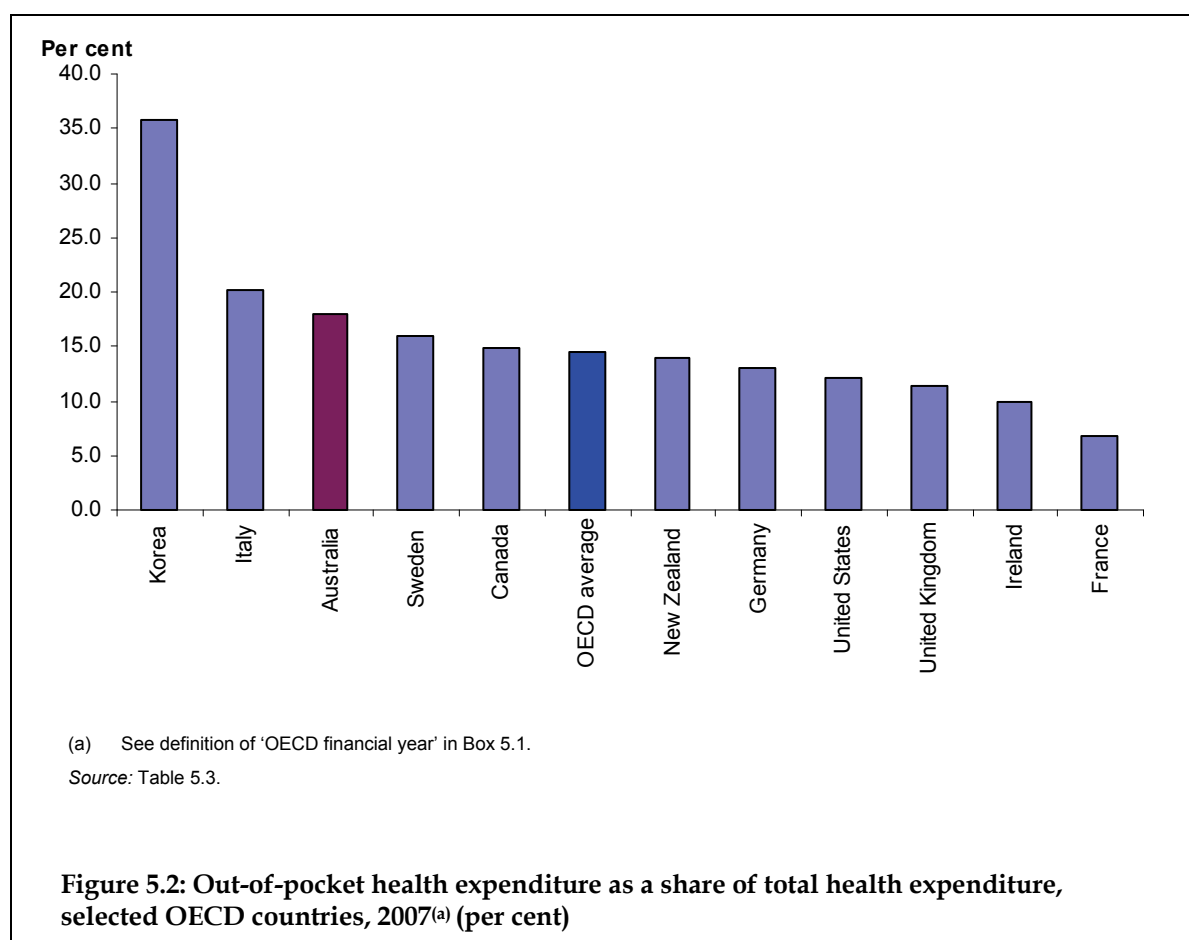
(d) Expenditure based on the OECD SHA framework.

(e) The 25 countries included in the averages exclude Belgium, Greece, Portugal, Sweden and Turkey. Averages for 1997 incorporate 1998 data for the Netherlands. Averages for 2007 incorporate 2006 data for Japan and Luxembourg.

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

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

Sources: AIHW health expenditure database; OECD 2009.



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

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

To enable comparison with Table 6.4 in *Health expenditure Australia 2006–07* (AIHW 2008a), this part of the analysis compares Australia with seven European member countries and with the United States and Canada.

For the decade to 2007, Australia recorded zero excess health inflation. That means that health prices changed over the period at about the same rate as prices elsewhere in the economy. Over the same period, Canada and Denmark both recorded positive excess health inflation rates of 0.1%, while France, Spain and Switzerland recorded negative excess health inflation. The Nordic countries, Finland and Sweden recorded the highest rates of excess health inflation at 2.1% over the decade (Table 5.4).

Australia had an average annual real growth in per person expenditure of 3.7% between 1997 and 2007 (Table 5.4). This represents the growth in the average volume of health services per resident and was the third highest growth rate of the 10 countries.

Table 5.4: Components of growth in health expenditure, selected OECD countries, 1997 to 2007^(a), (per cent)

Country	Nominal change	Average annual inflation			Average annual real growth		
		General	Excess health	Health	Population component	Utilisation component	Total
Australia^(b)	8.6	3.4	—	3.4	1.3	3.7	5.1
Canada	7.2	2.3	0.1	2.4	1.0	3.6	4.6
Denmark ^(c)	5.7	2.1	0.1	2.2	0.3	3.1	3.4
Finland	6.2	1.5	2.1	3.6	0.3	2.3	2.5
France	4.9	1.6	-0.2	1.4	0.6	2.8	3.4
Italy	5.3	2.5	0.3	2.7	0.3	2.2	2.5
Spain ^(c)	7.5	3.2	-0.6	2.6	0.7	4.0	4.7
Sweden ^(d)	7.7	1.4	2.1	3.5	0.2	3.9	4.1
Switzerland ^(e)	4.3	0.7	-0.2	0.5	0.6	3.2	3.8
United States	7.1	2.3	1.1	3.4	1.0	2.6	3.6

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

(b) Expenditure based on the OECD SHA framework.

(c) 1997 to 2001.

(d) 1997 to 2002.

(e) 1997 to 2003.

Sources: AIHW health expenditure database; OECD 2009.

5.2 Health expenditure in the Asia–Pacific region

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

In 2006, Australia had the second highest health to GDP ratio among these countries, at 8.8%. Of the other countries in Table 5.5, Indonesia (2.5%), Myanmar (2.2%), Bangladesh (3.2%) and Papua New Guinea (3.2%) had relatively low health to GDP ratios.

Australia (\$4,419 per person) had the highest average expenditure on health and Myanmar (\$34 per person) had the lowest. Australia had the second highest out-of-pocket costs (\$825) after Singapore (\$1,357) while Papua New Guinea had the lowest (\$7).

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

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

Table 5.5: Health expenditure comparison for selected Asia-Pacific countries, 2006^(a)

Country ^(b)	Health to GDP (%)	Per person ^(b) (A\$)	Government to total (%)	Per person out-of-pocket (A\$)	Out-of-pocket to total (%)
Australia^(c)	8.8	4,419	66.6	825	18.7
Japan	8.1	3,639	81.3	551	15.1
Singapore	3.3	2,163	33.1	1,357	62.7
Malaysia	4.3	766	44.6	311	40.6
Thailand	3.5	372	64.5	101	27.2
China	4.6	304	40.7	150	49.3
Samoa	5.0	272	83.0	35	12.9
Tonga	4.9	255	74.6	55	21.4
Sri Lanka	4.2	241	47.5	109	45.5
Fiji	3.7	231	69.8	55	23.9
Mongolia	5.7	231	73.7	27	11.5
Vietnam	6.6	213	32.3	130	61.0
Bhutan	3.5	198	72.1	55	27.9
Vanuatu	4.1	176	65.0	31	17.5
Philippines	3.8	169	32.9	95	56.0
Timor-Leste	17.7	154	86.0	8	5.2
Solomon Islands	5.1	140	91.5	8	5.7
Cambodia	5.9	135	26.0	84	62.7
India	3.6	122	25.0	83	68.6
Indonesia	2.5	116	50.5	40	34.9
Lao	4.0	113	18.6	70	62.0
Papua New Guinea	3.2	87	82.0	7	7.5
Nepal	5.1	73	30.5	43	59.2
Bangladesh	3.2	52	31.8	31	60.2
Myanmar	2.2	34	13.1	29	86.3

(a) For most countries, 2006 is the latest year for which final data are available.

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

(c) Expenditure based on the OECD SHA framework.

Sources: AIHW health expenditure database; WHO database.

5.3 Australian health expenditure using the OECD system of health accounts framework

The AIHW is responsible for collecting, collating and reporting expenditure on health in Australia each year. It is also the national coordinating body for the provision of most data on health and social expenditures to the OECD and the World Health Organization (WHO). The Institute's responsibilities in this regard include reporting expenditure on health and welfare services, social security and housing.

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

In 2000, the OECD published guidelines for a new method of international reporting for health expenditure. That publication, *A system of health accounts* (SHA) (OECD 2000), was developed to encourage international consistency in the way health expenditure is reported throughout the OECD member countries. The SHA includes an International Classification for Health Accounts (ICHA), which classifies expenditure on health in terms of:

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

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

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

The funder classification follows the System of National Accounts 1993 (OECD 1994) guidelines for the allocation of funds by sector.

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

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

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

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

The OECD'S SHA manual is currently being revised and extended to enhance its suitability as a global standard accounting framework for statistics on health expenditure and financing. It will also enhance the analytical power of the SHA and the usefulness of the statistical guidelines. This process is being coordinated by: the Health Division of the OECD; the Unit of Health and Food Safety Statistics in the Directorate General of Eurostat of the European Commission; and the Department of Health Systems Financing in the Cluster on Health Systems and Services of the WHO.

The AIHW undertook a major restructure of its health expenditure database to allow simultaneous reporting according to the NHA reporting matrix and the existing SHA classifications. This restructure applied to all years from 1998-99. Through the work of the

Health Expenditure Advisory Committee (HEAC), an Australian System of Health Accounts is being developed that can be mapped to the OECD's SHA, but which uses terminology that is relevant to the Australian domestic situation. When this is achieved, the Australian SHA will be better able to provide more detailed and comprehensive data for both national purposes and international comparability.

The following three tables provide a snapshot of the data for 2006–07 and 2007–08, following the OECD SHA format. In 2007–08 (OECD year 2007), the estimate of total health expenditure using the SHA was \$100.5 billion, which is \$3.0 billion lower than the NHA estimate (\$103.6 billion) (tables 2.1 and 5.6).

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

Table 5.6: Total health expenditure, by financing agents, current prices, 2006–07 and 2007–08

SHA code	Description	2006–07		2007–08	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
<i>HF.1</i>	<i>General government</i>	61,459	66.6	67,865	67.5
HF.1.1	General government excluding social security funds	61,459	66.6	67,865	67.5
HF.1.1.1	Central government	37,484	40.6	42,069	41.8
HF.1.1.2, 1.1.3	Provincial/local government	23,975	26.0	25,796	25.7
HF.1.2	Social security funds	..	..	..	..
<i>HF.2</i>	<i>Private sector</i>	30,842	33.4	32,662	32.5
HF.2.1	Private social insurance	..	..	..	..
HF.2.2	Private insurance enterprises (other than social insurance)	7,216	7.8	7,862	7.8
HF.2.3	Private household out-of-pocket expenditure	17,221	18.7	18,130	18.0
HF.2.4	Non-profit institutions serving households (other than social insurance)	n.a.	n.a.	n.a.	n.a.
HF.2.5	Corporations (other than health insurance)	6,405	6.9	6,670	6.6
<i>HF.3</i>	<i>Rest of the world</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Total health expenditure		92,302	100.0	100,527	100.0

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

Source: AIHW health expenditure database.

Table 5.7: Total health expenditure, by mode of production, current prices, 2006–07 and 2007–08

SHA code	Description	2006–07		2007–08	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
Inpatient care^(a)					
HC.1.1, 2.1	Curative & rehabilitative care	32,095	34.8	35,273	35.1
HC.3.1	Long-term nursing care	426	0.5	290	0.3
Services of day-care					
HC.1.2, 2.2	Day cases of curative & rehabilitative care	n.a.	n.a.	n.a.	n.a.
HC.3.2	Day cases of long-term nursing care	..	..	..	..
Outpatient care					
HC.1.3, 2.3	Outpatient curative & rehabilitative care	28,802	31.2	31,527	31.4
HC.1.3.1	Basic medical and diagnostic services	10,299	11.2	11,483	11.4
HC.1.3.2	Outpatient dental care	5,738	6.2	6,094	6.1
HC.1.3.3	All other specialised health care	3,265	3.5	3,565	3.5
HC.1.3.9	All other outpatient curative care	7,683	8.3	8,347	8.3
HC.2.3	Outpatient rehabilitative care	1,817	2.0	2,038	2.0
Home care					
HC.1.4, 2.4	Home care (curative & rehabilitative)	n.a.	n.a.	n.a.	n.a.
HC.3.3	Home care (long-term nursing care)	24	—	31	—
Ancillary services to health care					
HC.4.1	Clinical laboratory	1,578	1.7	1,690	1.7
HC.4.2	Diagnostic imaging	1,879	2.0	1,989	2.0
HC.4.3	Patient transport and emergency rescue	1,788	1.9	2,004	2.0
HC.4.9	All other miscellaneous ancillary services	53	0.1	34	—
Medical goods dispensed to outpatients					
HC.5.1	Pharmaceuticals and other medical non-durables	13,213	14.3	14,397	14.3
HC.5.2	Therapeutic appliances and other medical durables	3,026	3.3	3,114	3.1
<i>Total expenditure on personal health care</i>		82,884	89.8	90,350	89.9
HC.6	Prevention and public health services	1,542	1.7	2,002	2.0
HC.7	Health administration and health insurance	2,387	2.6	2,628	2.6
<i>Total expenditure on collective health care</i>		3,929	4.3	4,630	4.6
<i>Total current expenditure on health care</i>		86,813	94.1	94,980	94.5
Health-related functions					
HC.R.1	Capital formation of health care provider institutions	5,489	5.9	5,546	5.5
Total health expenditure		92,302	100.0	100,527	100.0

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

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

Source: AIHW health expenditure database.

Table 5.8: Total health expenditure, by provider, current prices, 2006–07 and 2007–08

SHA code	Description	2006–07		2007–08	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
HP.1	Hospitals	35,080	38.0	37,871	37.7
HP.2	Nursing and residential care facilities	n.a.	n.a.	n.a.	n.a.
HP.3	Providers of ambulatory health care	32,757	35.5	35,784	35.6
HP.3.1	Offices of physicians	12,698	13.8	14,006	13.9
HP.3.2	Offices of dentists	5,749	6.2	6,106	6.1
HP.3.3–3.9	All other providers of ambulatory health care	14,310	15.5	15,672	15.6
HP.4	Retail sales and other providers of medical goods	15,524	16.8	16,708	16.6
HP.5	Provision and administration of public health programs	1,540	1.7	1,976	2.0
HP.6	General health administration and insurance	7,401	8.0	8,188	8.1
HP.6.1	Government administration of health	3,548	3.8	3,474	3.5
HP.6.2	Social security funds	..	..	..	..
HP.6.3, 6.4, 6.9	Other social insurance	3,853	4.2	4,714	4.7
HP.7	Other industries (rest of the economy)	n.a.	n.a.	n.a.	n.a.
HP.9	Rest of the world	n.a.	n.a.	n.a.	n.a.
Total health expenditure		92,302	100.0	100,527	100.0

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

Source: AIHW health expenditure database.

6 Technical notes

6.1 General

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

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

Health Expenditure Advisory Committee (HEAC)

In 2003, the Institute established the HEAC, comprising data users and providers, to give advice and feedback on its health expenditure reporting in Australia. The committee, which meets twice a year, consists of representatives of Australian Government agencies – DoHA, ABS, DVA, Commonwealth Grants Commission, Medicare Australia and the Private Health Insurance Administration Council (PHIAC) – and each state and territory health department. It also includes a representative from the Ministry of Health New Zealand, and an academic health economist. The terms of reference for this committee are to provide advice to the AIHW on:

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

Government Health Expenditure National Minimum Data Set (GHE NMDS)

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

Current approach

Expenditure and funding data for health goods and services are published annually in the *Health expenditure Australia* reports. These data are obtained from a wide variety of sources in the public and private sectors. The state and territory health authorities currently supply their data to the AIHW using a data collection instrument which contains a mix of provider categories (for example, public hospitals) and function categories (for example, mental health services).

New approach

Policy analysts and developers increasingly want health expenditure information that they can use to identify the cost of specific health activities, such as immunisation programs or mental health programs, as well as how much was spent by providers such as hospitals, medical clinics and dental clinics.

The new approach, outlined below, relies on data provided under the GHE NMDS, which will include government expenditure and funding data for the public, private and community sector health systems. This will identify expenditure on health services, such as hospital, patient transport, medical, other health practitioners, dental, community and public health services; expenditure on activities that support health care systems, such as research and administration; and expenditure on health goods, such as medications and aids and appliances. It will also include the various forms of public and private revenue that are used to fund these expenditures. These data will be supplied to the AIHW by existing data providers.

There will be three categories to capture expenditure and revenue:

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

It is anticipated that data providers will also include information on the nature of the economic transaction involved, such as whether it relates to taxation revenue, sales of goods and services, property income, current or capital transfers.

These categories use classifications that correspond to those used by the OECD in its System of Health Accounts. Information provided on the type of economic transaction will be based on the ABS Economic type framework classification. Some additional classifications have been used in the development of the GHE NMDS. These include:

- ABS Australian and New Zealand Standard Industry Classification
- ABS Government Purpose Classification
- Australian Accounting Standards Board 1049 and 118
- existing National Health Data Dictionary items.

Provision of data under the GHE NMDS will commence for the collection period 1 July 2008 to 30 June 2009.

6.2 Definition of health expenditure

Health expenditure is defined as:

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

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

Expenditure on health is traditionally analysed in terms of recurrent expenditure and capital expenditure. Recurrent expenditure can generally be thought of as goods and services consumed within a year. It includes expenditure on health goods, such as medications and health aids and appliances; health services, such as hospital, dental and medical services;

public health activities and other activities that support health systems, such as research and administration. Capital consumption (depreciation) is also included as part of recurrent expenditure.

Health-related investment is referred to as gross fixed capital formation (as defined in the ABS government finance statistics) or capital expenditure. In this publication the term 'capital expenditure' is used.

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

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

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

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

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

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

6.3 Data and methods used to produce estimates

General

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

There was a small part of public hospital expenditure that was funded by facility fees and charged to private medical practitioners. This is not traditionally identified in the hospital statistics as a separate form of revenue. This facility fees revenue would have been partly funded by claims on Medicare and the benefits paid and hence would be included in the medical services row of our health expenditure matrix. Therefore there is a partial double-count of the public hospital expenditure funded from private practitioner facility fees and medical services in our hospitals and medical services rows of our health expenditure matrix. It is anticipated that with the introduction of the GHE NMDS in 2008-09, the AIHW will be able to remove most of this double count.

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

State and territory expenditure tables

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

It should be noted that estimates of funding by state/territory governments in respect of a particular state/territory table are derived by deducting from gross health expenditure estimates, any Australian Government grants and other revenue received by the state and territory health authorities. This funding relates to funding by any state/territory government on services provided in the state or territory concerned. For example, some services in the particular state/territory may relate to residents of another state or territory and vice versa. Such transactions may eventually be the subject of cross-border reimbursement arrangements between the states and territories concerned. However, such cross-border adjustments are not made in these estimates. In the most recent *Australian hospital statistics 2007-08* report (AIHW 2009a), a table was included that showed a notional

estimate of cross-border flows (based on Diagnosis Related Groups) between jurisdictions, for public patients, by state and territory of usual residence (see Table 7.10, p. 170 in that report).

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

State government contracting of private hospital services

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

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

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

Allocation of Australian Government expenditures by states and territories

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

- specific purpose payments (SPPs) to the states and territories for health purposes
- Medicare benefits payments
- pharmaceutical benefit payments
- Department of Veterans' Affairs expenditure.

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

Expenditure by state and territory governments

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

Data on research, capital expenditure and capital consumption are generally sourced from the ABS. Research expenditure data comes from the Research and Experimental

Development Survey series (ABS 2008a, 2008b, 2008c, 2008d) which is generally only available every second year. Projections are made by the AIHW every second year, for example, 2005–06 and 2007–08. The data for government capital consumption and capital expenditure is sourced from ABS's GFS.

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

Public hospitals and public hospital services

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

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

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

As part of the 2003–04 revisions, most states and territories also allocated their central office expenses to functional areas. Previously, those expenses had been subsumed into the 'administration' expenditure category. As a result, although the public hospital services category after 2003–04 excludes the expenditures mentioned above, that does not mean that expenditure on public hospital services is necessarily lower than would have been the case had these changes not taken place. If the central office expenses that have been allocated to 'public hospital services' are greater in total than the excluded expenditures, expenditure on public hospital services would increase.

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

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

Community and public health services and dental and patient transport services

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

In addition, for community health services, an indeterminate amount of domiciliary care expenditure was included in the community health services data prior to 2003–04. Domiciliary care, which includes home and community care funding, is considered to be

funding for welfare services rather than health services and has, since 2003–04, been excluded from the community health services expenditure estimates.

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

Funding by the non-government sector

Funding by the non-government sector is shown in the various state matrices in three broad 'source of funds' categories:

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

Health insurance funds

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

Private health insurance premium rebates

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

- funding by private health insurance
- funding by the Australian Government.

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

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

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

Individuals

Estimates of expenditure by individuals on:

- dental services
- other health practitioners
- aids and appliances

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

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

Estimates of expenditure by individuals on patient transport services are based on data from the Productivity Commission's Report on Government Services (SCRCSSP 1999, 2003; SCRGSP 2007, 2008, 2009).

Estimates of expenditure by individuals on over-the-counter pharmaceuticals in this report are sourced from Feros 1998, 1999, 2000, 2001; Flanagan 2002a, 2002b, 2003, 2004a, 2004b, 2005a, 2005b, 2006, 2007 and 2008 and Synovate AZTEC.

Other non-government sources

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

Blank cells in expenditure tables

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

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

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

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

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

6.4 Changes in data sources and methodologies used in this report

Capital consumption

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

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

Private hospitals

Until 2006–07, the ABS *Private Hospital Series* (ABS, Cat. No. 4390.0) was the source of total spending on private hospitals in *Health expenditure Australia* reports. For 2007–08, the ABS Private Hospital survey was not done so an alternative methodology needed to be used to derive total private hospital expenditure. The methodology used is best illustrated by the following equation:

Total expenditure = number of separations × cost per separation

The number of private hospital separations for 2007–08 was taken from the AIHW National Hospital Morbidity Database and the cost per separation for 2007–08 was derived by applying the average annual growth rate in cost per separation for 2004–05 to 2006–07 to the cost per separation for 2006–07.

Over-the-counter medications sold in pharmacies

Over-the-counter medicines sold at pharmacies for 2001–02 to 2004–05 were sourced from *Retail pharmacy* (Flanagan 2002a, 2004a, 2005a), having previously been sourced from

Pharmacy 2000 (Feros 1998, 1999, 2000, 2001). Over-the-counter pharmacy data for 2005–06 to 2007–08 were sourced from Synovate AZTEC to enable a more comprehensive breakdown of each category of products sold at pharmacies.

Care needs to be taken when comparing data for 2006–07 and 2007–08 with earlier years as some changes were made to the sample size, projection methods and category definitions by Synovate AZTEC. The 2006–07 and 2007–08 data were prepared using consistent methodology.

Public health

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

The data for 1999–00 to 2007–08 have been published in the AIHW's *National public health expenditure* reports (AIHW 2002, 2004, 2006, 2007b, 2008b) and *Public health expenditure in Australia* reports (2008c, 2009b (in press)). The data collected for these reports are only for key health departments and agencies of the Australian Government and states and territories.

The scope of public health services expenditure in this report has been expanded to include for 1999–00 to 2007–08, departmental costs for the following DoHA regulators: Therapeutic Goods Administration, Office of Gene Technology Regulator and the National Industrial Chemicals Notification and Assessment Scheme. These departmental costs are not included in the *National public health expenditure* or *Public health expenditure in Australia* reports as the data are not within scope for these reports. These costs are included as part of other private expenditure on public health services for years 1999–00 to 2007–08 inclusive, in this report as well as in the online health expenditure data cubes.

6.5 Revision of estimates

Some components of total health expenditure for earlier years have been revised since the publication of *Health expenditure Australia 2006–07* (AIHW 2008a). A summary of the revisions is shown in Table 6.1.

Table 6.1: Comparison of previously published estimates of total health expenditure, current prices, 1998–99 to 2006–07, with current estimates (\$ million)

Year	Health expenditure Australia 2006–07 estimate	Revised estimate	Change
1998–99	48,446	48,428	–18
1999–00	52,541	52,570	29
2000–01	58,415	58,269	–146
2001–02	63,562	63,099	–463
2002–03	69,164	68,798	–366
2003–04	73,633	73,509	–124
2004–05	80,892	81,060	168
2005–06	86,753	86,685	–69
2006–07	94,003	94,938	936

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

Source: AIHW health expenditure database.

The areas of expenditure that had major revisions are discussed below.

Capital consumption

The reallocation of government capital consumption to areas of recurrent health expenditure for all years has resulted in large increases to many areas of expenditure, but particularly to public hospital services.

Capital expenditure

The ABS provides the Institute with government finance statistics that enable the Institute to calculate gross fixed capital formation which represents capital expenditure in *Health expenditure Australia* reports. There were revisions to capital expenditure estimates for financial years 2000–01 to 2006–07 inclusive. These revisions varied between a downwards revision of \$223 million in 2000–01 and an upwards revision of \$200 million in 2006–07.

Public health

As noted above, the scope of public health services expenditure for *Health expenditure Australia* reports was expanded to include departmental costs for the following DoHA regulators: Therapeutic Goods Administration, Office of Gene Technology Regulator and the National Industrial Chemicals Notification and Assessment Scheme. The inclusion of these costs increased total public health expenditure for the years 1999–00 to 2006–07. The increases were \$18 million in 1999–00, with the amount increasing progressively over the next 8 years to be \$97 million in 2006–07. There were also some minor revisions to other government public health expenditure for some years.

Public hospitals and public hospital services

The large increase in expenditure, for all years, on public hospital services was mostly due to the inclusion of government capital consumption costs that could be attributed to public hospital services. Capital consumption costs for state and territory governments attributed to public hospital services are over 80% of the total for most states and territories.

Research

Research expenditure data comes from the ABS Research and Experimental Development Survey series. Revisions to past years data have been incorporated into the latest editions of this series. The updated data have been incorporated into our health expenditure database. The largest revision was an upwards revision of \$88 million in 2003–04. The complete Research and Experimental Development Survey series is only available every second year. Projections are made by the AIHW for every second year, for example, 2005–06 and 2007–08. Revisions were required for these alternate years whenever data for a preceding or ensuing year were revised.

Community health and other

The large increase in expenditure on community health and other was mostly due to the inclusion of government capital consumption costs that could be attributed to this category. Capital consumption costs for state and territory governments that can be attributed to community health and other were as high as 18% of total capital consumption for some states and territories.

Aids and appliances

Out-of-pocket expenditure for individuals has been revised down for 2001–02 and 2002–03 to remove benefits paid out by private health insurers on aids and appliances.

All other medications

The Institute received revised estimates of over-the-counter medications for 2006–07 from Synovate AZTEC. Care needs to be taken when comparing data for 2006–07 and 2007–08 with earlier years as some changes were made to the sample size, projection methods and category definitions by Synovate AZTEC. The 2006–07 and 2007–08 data were prepared using consistent methodology.

Medical services

The upwards revision of \$64 million for 2006–07 was mainly due to the exclusion of two Australian Government programs from the *Health expenditure Australia 2006–07* report. The cost of these two programs was \$58 million.

Revisions by year

Major revisions for each of the years 1998–99 to 2006–07 are detailed below.

The majority of the revisions to recurrent health expenditure for 1998–99 to 2006–07 were caused by the reallocation of government capital consumption from its own category across to other areas of expenditure.

Revision of 1998–99 estimates

Overall, the estimates of total health expenditure for 1998–99 were revised down by \$18 million.

- capital consumption (\$884 million reallocated to areas of recurrent health expenditure)
- public hospitals (up \$687 million)
- community health and other (up \$104 million).

Revision of 1999–00 estimates

Overall, the estimates of total health expenditure for 1999–00 were revised up by \$29 million.

- capital consumption (\$942 million reallocated to areas of recurrent health expenditure)
- public hospitals (up \$709 million)
- community health and other (up \$111 million)
- research (up \$57 million)
- patient transport (up \$45 million)
- public health (up \$18 million).

Revision of 2000–01 estimates

Overall, the estimates of total health expenditure for 2000–01 were revised down by \$146 million.

- capital consumption (\$984 million reallocated to areas of recurrent health expenditure)

- public hospitals (up \$737 million)
- capital expenditure (down \$223 million)
- community health and other (up \$117 million)
- patient transport (up \$51 million)
- public health (up \$48 million)
- research (up \$45 million).

Revision of 2001–02 estimates

Overall, the estimates of total health expenditure for 2001–02 were revised down by \$463 million.

- capital consumption (\$1,029 million reallocated to areas of recurrent health expenditure)
- public hospitals (up \$737 million)
- aids and appliances (down \$329 million)
- community health and other (up \$117 million).

Revision of 2002–03 estimates

Overall, the estimates of total health expenditure for 2002–03 were revised down by \$366 million.

- capital consumption (\$1,073 million reallocated to areas of recurrent health expenditure)
- public hospitals (up \$762 million)
- aids and appliances (down \$341 million)
- community health and other (up \$119 million).

Revision of 2003–04 estimates

Overall, the estimates of total health expenditure for 2003–04 were revised down by \$124 million.

- capital consumption (\$1,160 million reallocated to areas of recurrent health expenditure)
- public hospital services (up \$806 million)
- community health and other (up \$127 million)
- research (up \$88 million)
- public health (up \$80 million).

Revision of 2004–05 estimates

Overall, the estimates of total health expenditure for 2004–05 were revised up by \$168 million.

- capital consumption (\$1,260 million reallocated to areas of recurrent health expenditure)
- public hospital services (up \$1,180 million – due mostly to increases in state and territory government funding but also due to non-capital consumption related increases in funding by DVA and individuals in that year)
- community health and other (up \$136 million)
- public health (up \$92 million).

Revision of 2005-06 estimates

Overall, the estimates of total health expenditure for 2005-06 were revised down by \$69 million.

- capital consumption (\$1,321 million reallocated to areas of recurrent health expenditure)
- public hospital services (up \$988 million)
- community health and other (up \$142 million)
- capital expenditure (down \$109 million)
- public health (up \$90 million)
- research (up \$49 million).

Revision of 2006-07 estimates

Overall, the estimates of total health expenditure for 2006-07 were revised up by \$936 million.

- capital consumption (\$1,430 million reallocated to areas of recurrent health expenditure)
- public hospital services (up \$1,052 million – due mostly to increases in state and territory government funding but also due to non-capital consumption related increases in funding by individuals in that year)
- all other medications (up \$653 million)
- capital expenditure (up \$200 million)
- community health and other (up \$155 million)
- public health (up \$97 million)
- research (up \$66 million)
- medical services (up \$64 million).

Appendix tables

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

Appendix A: National health expenditure tables in current and constant prices, by area of expenditure and source of funds, 2005–06 to 2007–08.

Appendix B: State and territory health expenditure tables in current prices, by area of expenditure and source of funds, 2005–06 to 2007–08.

Appendix C: Detailed disaggregation of expenditure on hospitals, medical services, other health practitioner services and medications, 2006–07.

Appendix D: Health expenditure by disease group and area of expenditure, 2004–05.

Appendix E: Price indexes and deflation.

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

Appendix A: National health expenditure matrices, 2005–06 to 2007–08

Table A1: Total health expenditure, current prices, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	1,519	9,347	1,588	12,454	13,822	26,275	3,624	635	1,578	5,837	32,113	
Public hospital services ^(e)	685	9,217	187	10,089	13,577	23,666	428	352	983	1,763	25,429	
Private hospitals	834	130	1,401	2,365	245	2,609	3,197	283	595	4,074	6,684	
Patient transport services	96	22	42	161	993	1,154	97	209	73	378	1,532	
Medical services	767	11,154	292	12,212	—	12,212	666	1,745	872	3,283	15,495	
Dental services	86	10	348	445	526	971	795	3,599	10	4,404	5,375	
State/territory provider	..	..	..	..	526	526	..	19	..	19	545
Private provider	86	10	348	445	..	445	795	3,580	10	4,385	4,830	
Other health practitioners	132	385	176	693	—	693	402	1,663	280	2,345	3,038	
Community health and other ^(f)	2	423	—	425	3,291	3,716	—	174	133	308	4,024	
Public health	—	797	—	797	624	1,420	—	46	90	136	1,556	
Medications	468	5,664	22	6,153	—	6,153	49	5,281	62	5,392	11,545	
Benefit-paid pharmaceuticals	468	5,578	—	6,046	—	6,046	—	1,240	—	1,240	7,286	
All other medications	—	86	22	107	—	107	49	4,041	62	4,152	4,260	
Aids and appliances	1	275	121	397	—	397	276	2,087	42	2,405	2,803	
Administration	55	939	293	1,287	433	1,720	669	—	—	669	2,389	
Research	2	1,620	—	1,622	275	1,896	—	—	168	168	2,064	
Total recurrent funding	3,126	30,636	2,883	36,646	19,963	56,609	6,578	15,440	3,307	25,325	81,933	
Capital expenditure	—	97	—	97	1,944	2,041	n.a.	n.a.	2,711	2,711	4,752	
Total health funding^(g)	3,126	30,733	2,883	36,743	21,907	58,649	6,578	15,440	6,018	28,036	86,685	
Non-specific tax expenditure	—	332	—	332	—	332	..	-332	..	-332	—	
Total health funding	3,126	31,065	2,883	37,074	21,907	58,981	6,578	15,108	6,018	27,704	86,685	

Notes: See page 122.

Table A2: Total health expenditure, current prices, by area of expenditure and source of funds^(a), 2006–07 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	1,614	9,930	1,695	13,238	15,528	28,766	3,980	625	1,799	6,404	35,171	
Public hospital services ^(e)	770	9,764	207	10,741	15,279	26,020	487	246	1,264	1,996	28,016	
Private hospitals	844	166	1,487	2,497	250	2,747	3,493	380	536	4,408	7,155	
Patient transport services	116	27	45	189	1,190	1,379	107	233	69	409	1,788	
Medical services	803	11,977	313	13,093	—	13,093	735	2,006	932	3,673	16,766	
Dental services	103	11	369	482	532	1,014	865	3,860	10	4,735	5,749	
State/territory provider	..	..	..	..	532	532	..	29	..	29	561
Private provider	103	11	369	482	..	482	865	3,831	10	4,706	5,188	
Other health practitioners	153	489	184	826	—	826	431	1,725	290	2,447	3,273	
Community health and other ^(f)	1	472	—	474	3,786	4,260	—	221	54	276	4,536	
Public health	—	996	—	996	685	1,681	—	28	102	130	1,811	
Medications	454	6,044	20	6,518	—	6,518	47	5,979	67	6,093	12,611	
Benefit-paid pharmaceuticals	454	5,774	—	6,228	—	6,228	—	1,277	—	1,277	7,505	
All other medications	—	270	20	290	—	290	47	4,702	67	4,816	5,106	
Aids and appliances	2	296	129	427	—	427	302	2,252	45	2,599	3,026	
Administration	53	939	319	1,311	310	1,621	749	—	—	749	2,370	
Research	2	1,833	—	1,835	326	2,160	—	—	189	189	2,349	
Total recurrent funding	3,302	33,013	3,073	39,388	22,357	61,745	7,216	16,930	3,558	27,704	89,449	
Capital expenditure	—	108	..	108	2,128	2,236	n.a.	n.a.	3,253	3,253	5,489	
Total health funding^(g)	3,302	33,121	3,073	39,496	24,485	63,981	7,216	16,930	6,811	30,957	94,938	
Non-specific tax expenditure	..	376	..	376	..	376	..	-376	..	-376	—	
Total health funding	3,302	33,498	3,073	39,872	24,485	64,358	7,216	16,553	6,811	30,581	94,938	

Notes: See page 122.

Table A3: Total health expenditure, current prices, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

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

Notes: See page 122.

Table A4: Total health expenditure, constant prices^(h), by area of expenditure and source of funds^(e), 2005–06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	1,635	10,059	1,709	13,403	14,860	28,263	3,901	683	1,699	6,282	34,546	
Public hospital services ^(e)	737	9,920	202	10,858	14,598	25,456	461	379	1,058	1,898	27,353	
Private hospitals	898	140	1,508	2,545	263	2,808	3,440	304	641	4,385	7,192	
Patient transport services	103	24	46	173	1,068	1,241	104	224	78	407	1,648	
Medical services	812	11,817	309	12,938	—	12,938	705	1,849	924	3,478	16,416	
Dental services	94	12	382	488	577	1,065	873	3,951	11	4,834	5,899	
State/territory provider	..	..	..	..	577	577	..	21	..	21	598
Private provider	94	12	382	488	..	488	873	3,930	11	4,813	5,302	
Other health practitioners	135	392	179	706	—	706	409	1,694	285	2,388	3,094	
Community health and other ^(f)	2	458	—	460	3,564	4,024	—	189	144	333	4,357	
Public health	—	857	—	857	671	1,528	—	50	97	147	1,675	
Medications	471	5,709	22	6,202	—	6,202	51	5,448	65	5,563	11,765	
Benefit-paid pharmaceuticals	471	5,618	—	6,088	—	6,088	—	1,248	—	1,248	7,337	
All other medications	—	91	22	114	—	114	51	4,199	65	4,315	4,429	
Aids and appliances	1	289	127	417	—	417	290	2,192	44	2,527	2,944	
Administration	59	1,018	318	1,395	469	1,864	725	—	—	725	2,589	
Research	2	1,756	—	1,757	298	2,055	—	—	182	182	2,237	
Total recurrent funding	3,314	32,390	3,093	38,797	21,506	60,303	7,058	16,280	3,528	26,866	87,169	
Capital expenditure	—	105	..	105	2,062	2,167	n.a.	n.a.	2,856	2,856	5,022	
Total health funding^(g)	3,314	32,496	3,093	38,902	23,568	62,470	7,058	16,280	6,383	29,721	92,192	
Non-specific tax expenditure	..	359	..	359	..	359	..	-360	..	-360	—	
Total health funding	3,314	32,855	3,093	39,262	23,568	62,830	7,058	15,920	6,383	29,362	92,191	

Notes: See page 122.

Table A5: Total health expenditure, constant prices^(h), by area of expenditure and source of funds^(e), 2006–07 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	1,671	10,283	1,755	13,709	16,075	29,785	4,121	648	1,864	6,633	36,418	
Public hospital services ^(e)	797	10,111	215	11,123	15,817	26,941	505	255	1,309	2,068	29,009	
Private hospitals	874	171	1,540	2,586	258	2,844	3,617	393	555	4,565	7,409	
Patient transport services	121	28	47	196	1,232	1,428	111	242	71	424	1,852	
Medical services	824	12,306	321	13,452	—	13,452	755	2,061	959	3,774	17,226	
Dental services	107	11	383	502	553	1,055	901	4,017	10	4,927	5,982	
State/territory provider	..	..	..	..	553	553	..	30	..	30	584
Private provider	107	11	383	502	..	502	901	3,987	10	4,897	5,399	
Other health practitioners	153	489	183	825	—	825	431	1,724	290	2,444	3,270	
Community health and other ^(f)	1	490	—	491	3,927	4,419	—	230	56	286	4,705	
Public health	—	1,031	—	1,031	710	1,741	—	29	106	135	1,875	
Medications	456	6,080	20	6,556	—	6,556	48	6,071	68	6,187	12,743	
Benefit-paid pharmaceuticals	456	5,803	—	6,259	—	6,259	—	1,283	—	1,283	7,542	
All other medications	—	277	20	297	—	297	48	4,788	68	4,904	5,201	
Aids and appliances	2	304	132	439	—	439	311	2,314	46	2,671	3,110	
Administration	55	975	331	1,361	321	1,682	777	—	—	777	2,459	
Research	2	1,903	—	1,905	338	2,243	—	—	196	196	2,440	
Total recurrent funding	3,393	33,900	3,174	40,467	23,157	63,624	7,455	17,334	3,667	28,456	92,080	
Capital expenditure	—	114	..	114	2,196	2,311	n.a.	n.a.	3,329	3,329	5,640	
Total health funding^(g)	3,393	34,015	3,174	40,582	25,353	65,935	7,455	17,334	6,996	31,785	97,720	
Non-specific tax expenditure	..	391	..	391	..	391	..	-391	..	-391	—	
Total health funding	3,393	34,405	3,174	40,973	25,353	66,326	7,455	16,943	6,996	31,394	97,720	

Notes: See page 122.

Table A6: Total health expenditure, constant prices^(h), by area of expenditure and source of funds^(e), 2007–08 (\$ million)

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

Notes: See page 122.

Table A7: Annual growth in health expenditure, current prices, by area of expenditure, 1997-98 to 2007-08 (per cent)

Area of expenditure	1997-98		1998-99		1999-00		2000-01		2001-02		2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		2003-04 to 2007-08		1997-98 to 2002-03		2003-04 to 2007-08			
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		
Total hospitals	8.1	4.5	6.4	8.6	10.0	10.0	8.8	8.5	9.5	9.6	9.6	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Public hospitals ⁽ⁱ⁾ / Public hospital services ^(e)	8.1	4.1	6.1	7.9	10.2	10.2	9.5	9.3	10.2	10.0	10.0	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Private hospitals	8.2	6.2	7.8	11.0	9.4	9.4	6.2	5.6	7.0	8.2	8.2	8.2	7.8	7.8	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	
Patient transport services	5.1	9.5	15.9	12.8	15.3	15.3	9.0	4.3	16.7	12.0	12.0	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Medical services	5.9	7.3	5.2	9.6	7.2	7.2	13.5	5.8	8.2	9.4	9.4	7.5	5.8	8.2	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	
Dental services	3.5	7.7	19.6	16.2	7.3	7.3	9.2	5.6	7.0	6.2	6.2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
State/territory provider	-4.5	22.0	-9.8	13.7	6.5	6.5	11.5	4.0	2.9	9.2	9.2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Private provider	4.7	5.8	24.1	16.5	7.3	7.3	8.9	5.8	7.4	5.9	5.9	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Other health practitioners	4.2	1.4	20.4	14.7	12.4	12.4	5.6	8.5	7.7	3.1	3.1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Community health and other ^(f)	35.1	3.6	8.3	7.5	13.7	13.7	9.3	9.2	12.7	14.5	14.5	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Public health	11.4	19.6	13.8	8.4	12.6	12.6	14.1	1.6	16.4	25.0	25.0	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Medications	9.2	12.4	18.7	10.4	4.3	4.3	8.5	3.0	9.2	8.8	8.8	9.8	8.5	9.2	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Benefit-paid pharmaceuticals	9.9	13.2	21.1	8.3	10.9	10.9	5.8	2.9	3.0	8.1	8.1	9.5	5.8	3.0	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1
All other medications	8.0	11.1	15.0	14.0	-6.1	-6.1	13.7	3.2	19.9	9.9	9.9	10.5	13.7	3.2	19.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9
Aids and appliances	25.6	11.5	35.0	-16.6	9.2	9.2	12.6	7.0	8.0	2.9	2.9
Administration	-15.7	40.5	8.8	-5.1	13.9	13.9	8.3	0.2	-0.8	10.3	10.3	9.6	8.3	0.2	-0.8	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3
Research	11.1	29.9	25.2	9.3	8.7	8.7	11.8	18.1	13.8	16.3	16.3	11.7	11.8	18.1	13.8	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3
Total recurrent expenditure	8.3	8.1	10.9	8.3	8.9	8.9	9.8	6.7	9.2	9.6	9.6	7.8	9.8	6.7	9.2	9.6	9.6	9.6	9.6	9.6	9.6	9.6	8.8	8.8	8.8	8.8	8.8	8.8	8.8	
Capital expenditure	4.1	17.2	9.5	8.7	11.2	11.2	18.6	11.0	15.5	1.0	1.0	-9.2	18.6	11.0	15.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	8.5	8.5	8.5	8.5	8.5	8.5	8.5	
Total health expenditure^(g)	8.1	8.6	10.8	8.3	9.0	9.0	10.3	6.9	9.5	9.1	9.1	6.8	10.3	6.9	9.5	9.1	9.1	9.1	9.1	9.1	9.1	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	

Notes: See page 122.

Table A8: Annual growth in health expenditure, constant prices^(h), by area of expenditure, 1997-98 to 2007-08 (per cent)

Area of expenditure	1997-98		1998-99		1999-00		2000-01		2001-02		2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
Total hospitals	5.1	2.2	3.1	5.4	6.5	..	4.9	4.1	5.4	5.9	..	5.9	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Public hospitals ⁽ⁱ⁾ / Public hospital services ^(e)	5.1	1.8	2.8	4.8	6.7	..	5.7	4.8	6.1	6.2	..	6.2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Private hospitals	5.3	3.9	4.3	7.6	5.8	4.4	2.4	1.3	3.0	4.5	4.2	4.5	4.2	5.4	2.8	6.4	8.5	2.8	4.2	3.3	5.7	1.9	1.8	1.9	1.9	1.9	1.9
Patient transport services	2.0	7.2	12.4	9.6	11.6	..	5.1	0.1	12.4	8.2	..	8.2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Medical services	3.1	4.5	0.8	3.7	1.8	2.0	5.3	0.2	4.9	6.5	..	6.5	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Dental services	0.1	2.2	13.3	10.8	2.6	..	2.6	1.4	1.4	2.1	..	2.1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
State/territory provider	-8.2	16.1	-14.1	8.0	2.0	..	4.8	-0.1	-2.4	4.9	..	4.9	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Private provider	1.3	0.3	17.5	11.1	2.7	..	2.3	1.6	1.8	1.8	..	1.8	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Other health practitioners	1.6	-2.0	12.7	4.7	6.0	..	2.7	3.4	5.7	3.2	..	3.2	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Community health and other ^(f)	31.4	0.7	4.8	4.3	9.6	..	5.3	4.5	8.0	10.4	..	10.4	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Public health	8.6	17.1	10.2	5.0	8.8	..	10.0	-2.6	12.0	20.7	..	20.7	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Medications	8.8	11.7	16.7	10.2	2.9	8.7	7.2	1.6	8.3	7.7	8.3	7.7	8.3	10.0	6.2	..	..	..	..	..	..	..	..	..	..	..	..
Benefit-paid pharmaceuticals	9.3	13.0	21.0	8.2	10.8	9.5	5.5	2.7	2.8	7.5	9.5	7.5	8.9	12.4	4.6	..	..	..	..	..	..	..	..	..	..	..	..
All other medications	8.2	10.0	11.1	13.1	-7.9	7.4	9.9	-0.1	17.4	7.9	7.4	7.9	7.5	6.6	8.6	..	..	..	..	..	..	..	..	..	..	..	..
Aids and appliances	25.5	10.4	30.3	-17.2	6.6	..	9.7	4.3	5.6	0.1	..	0.1	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Administration	-18.0	36.9	5.3	-8.1	9.8	4.7	4.5	-4.0	-5.0	6.3	4.7	6.3	2.4	3.6	0.3	..	..	..	..	..	..	..	..	..	..	..	..
Research	7.5	26.6	21.3	5.7	4.9	6.8	7.7	13.2	9.1	12.0	6.8	12.0	11.3	12.9	10.5	..	..	..	..	..	..	..	..	..	..	..	..
Total recurrent expenditure	5.5	5.4	6.8	4.6	5.1	3.9	5.4	2.5	5.6	6.4	3.9	6.4	5.1	5.5	5.0	..	..	..	..	..	..	..	..	..	..	..	..
Capital expenditure	3.5	18.7	5.1	7.9	8.6	-8.4	15.8	8.5	12.3	-1.7	..	-1.7	6.8	8.6	8.5	..	..	..	..	..	..	..	..	..	..	..	..
Total health expenditure^(g)	5.4	6.0	6.7	4.8	5.3	3.2	5.9	2.9	6.0	6.0	3.2	6.0	5.2	5.7	5.2	..	..	..	..	..	..	..	..	..	..	..	..

Notes: See page 122.

Table A9: Proportions of recurrent health expenditure, current prices, by area of expenditure, 1997-98 to 2007-08 (per cent)

Area of expenditure	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total hospitals	41.5	41.4	40.0	38.4	38.5	38.9	38.9	38.5	39.2	39.3	39.3
Public hospitals ^(h) / Public hospital services ^(e)	32.8	32.8	31.5	30.2	30.1	30.4	30.4	30.3	31.0	31.3	31.4
Private hospitals	8.6	8.6	8.5	8.2	8.5	8.5	8.5	8.2	8.2	8.0	7.9
Patient transport services	1.6	1.6	1.6	1.7	1.7	1.8	1.9	1.9	1.9	2.0	2.0
Medical services	20.2	19.7	19.6	18.6	18.8	18.5	18.5	19.1	18.9	18.7	18.7
Dental services	6.1	5.9	5.8	6.3	6.8	6.7	6.7	6.6	6.6	6.4	6.2
State/territory provider	0.8	0.7	0.8	0.6	0.7	0.7	0.7	0.7	0.7	0.6	0.6
Private provider	5.3	5.2	5.1	5.7	6.1	6.0	6.0	5.9	5.9	5.8	5.6
Other health practitioners	3.5	3.4	3.2	3.5	3.7	3.8	3.8	3.6	3.7	3.7	3.4
Community health and other ^(f)	4.4	5.4	5.2	5.1	5.1	5.3	4.8	4.8	4.9	5.1	5.3
Public health	1.7	1.7	1.9	1.9	1.9	2.0	1.9	2.0	1.9	2.0	2.3
Medications	13.2	13.3	13.9	14.8	15.1	14.5	14.8	14.6	14.1	14.1	14.0
Benefit-paid pharmaceuticals	8.0	8.1	8.5	9.3	9.3	9.4	9.6	9.2	8.9	8.4	8.3
All other medications	5.3	5.2	5.4	5.6	5.9	5.1	5.2	5.4	5.2	5.7	5.7
Aids and appliances	2.9	3.3	3.4	4.2	3.2	3.2	3.3	3.4	3.4	3.4	3.2
Administration	3.4	2.6	3.4	3.4	3.0	3.1	3.1	3.1	2.9	2.6	2.7
Research	1.5	1.6	1.9	2.1	2.2	2.2	2.2	2.3	2.5	2.6	2.8
Total recurrent expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: See page 122.

Notes to Appendix A tables

- (a) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health care. They do not show total expenditure on health goods and services by the different service provider sectors.
- (b) 'Other' comprises Australian Government expenditure on capital consumption and health research not funded by DoHA.
- (c) Includes the 30–40% rebate on health insurance premiums that can be claimed either directly from the Australian Government through the taxation system or it may involve a reduced premium being charged by the private health insurance fund.
- (d) Expenditure on health goods and services by workers compensation and compulsory third-party motor vehicle insurers, as well as other sources of income (for example, rent, interest earned) for service providers.
- (e) Public hospital services exclude certain services undertaken in hospitals. Can include services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).
- (f) 'Other' denotes 'other recurrent health services n.e.c.'.
- (g) Total health funding has not been adjusted to include non-specific tax expenditure as funding by the Australian Government.
- (h) Constant price health expenditure for 1997–98 to 2007–08 is expressed in terms of 2007–08 prices.
- (i) Public hospitals (1997–98 to 2002–03) includes any dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Includes services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).

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

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

Appendix B: State and territory health expenditure matrices, 2005–06 to 2007–08

Table B1: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	529	3,146	499	4,174	5,065	9,239	1,139	155	576	1,870	11,109	
Public hospital services ^(e)	307	3,109	95	3,512	5,065	8,577	217	132	353	703	9,279	
Private hospitals	221	37	404	663	—	663	922	22	223	1,168	1,830	
Patient transport services	23	2	34	59	302	361	78	15	27	120	481	
Medical services	253	3,938	81	4,271	—	4,271	184	638	435	1,258	5,530	
Dental services	30	4	130	163	137	300	296	1,202	2	1,500	1,800	
State/territory provider	..	..	..	..	137	137	..	6	..	6	143
Private provider	30	4	130	163	..	163	296	1,196	2	1,494	1,657	
Other health practitioners	42	132	61	235	—	235	140	539	92	771	1,006	
Community health and other ^(f)	—	99	—	99	1,094	1,194	—	93	5	98	1,292	
Public health	—	258	—	258	139	397	—	32	29	60	457	
Medications	163	1,934	10	2,107	—	2,107	23	1,681	7	1,711	3,818	
Benefit-paid pharmaceuticals	163	1,910	—	2,074	—	2,074	—	420	—	420	2,494	
All other medications	—	24	10	34	—	34	23	1,261	7	1,290	1,324	
Aids and appliances	—	93	45	138	—	138	102	450	8	560	698	
Administration	5	311	91	407	—	407	209	—	—	209	615	
Research	—	462	—	462	68	530	—	—	53	53	583	
Total recurrent funding	1,044	10,377	952	12,373	6,806	19,179	2,172	4,806	1,234	8,211	27,390	
Capital expenditure	—	24	..	24	590	614	n.a.	n.a.	631	631	1,245	
Total health funding^(g)	1,044	10,401	952	12,397	7,396	19,793	2,172	4,806	1,864	8,842	28,635	
Non-specific tax expenditure	..	138	..	138	..	138	..	-138	..	-138	—	
Total health funding	1,044	10,539	952	12,535	7,396	19,931	2,172	4,668	1,864	8,704	28,635	

Notes: See page 148.

Table B2: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2006–07 (\$ million)

Area of expenditure	Government						Non-government					Total health expenditure
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total		
Total hospitals	543	3,315	541	4,399	5,414	9,813	1,270	208	677	2,155	11,968	
Public hospital services ^(e)	322	3,265	107	3,693	5,414	9,108	250	108	462	820	9,928	
Private hospitals	221	50	434	705	—	705	1,020	100	214	1,334	2,040	
Patient transport services	34	2	38	74	334	408	88	31	22	141	550	
Medical services	259	4,237	88	4,584	—	4,584	206	721	480	1,407	5,991	
Dental services	35	4	136	176	137	312	320	1,245	2	1,567	1,879	
State/territory provider	..	..	..	..	137	137	..	6	..	6	143
Private provider	35	4	136	176	..	176	320	1,239	2	1,561	1,737	
Other health practitioners	49	166	65	279	—	279	152	555	98	806	1,085	
Community health and other ^(f)	—	105	—	105	1,232	1,337	—	81	6	88	1,425	
Public health	—	326	—	326	160	486	—	10	33	43	529	
Medications	157	2,063	9	2,230	—	2,230	22	1,882	9	1,913	4,143	
Benefit-paid pharmaceuticals	157	1,977	—	2,134	—	2,134	—	435	—	435	2,569	
All other medications	—	87	9	96	—	96	22	1,448	9	1,478	1,574	
Aids and appliances	—	99	48	147	—	147	113	478	10	601	748	
Administration	—	292	103	395	—	395	242	—	—	242	637	
Research	—	541	—	541	89	630	—	—	61	61	690	
Total recurrent funding	1,078	11,150	1,028	13,255	7,366	20,622	2,413	5,211	1,397	9,022	29,644	
Capital expenditure	—	27	..	27	487	514	n.a.	n.a.	923	923	1,437	
Total health funding^(g)	1,078	11,177	1,028	13,282	7,853	21,135	2,413	5,211	2,321	9,945	31,081	
Non-specific tax expenditure	..	149	..	149	..	149	..	-149	..	-149	—	
Total health funding	1,078	11,326	1,028	13,431	7,853	21,284	2,413	5,063	2,321	9,797	31,081	

Notes: See page 148.

Table B3: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	549	3,745	623	4,918	5,407	10,325	1,366	107	795	2,269	12,593	
Public hospital services ^(e)	321	3,690	129	4,141	5,407	9,548	283	49	559	890	10,438	
Private hospitals	228	54	494	777	—	777	1,084	58	237	1,378	2,155	
Patient transport services	42	5	43	89	369	459	95	38	21	153	612	
Medical services	280	4,671	105	5,055	—	5,055	230	802	525	1,558	6,613	
Dental services	36	79	153	268	161	428	335	1,274	2	1,611	2,039	
State/territory provider	..	..	..	..	161	161	..	6	..	6	167
Private provider	36	79	153	268	..	268	335	1,267	2	1,605	1,872	
Other health practitioners	52	227	71	349	—	349	155	527	106	789	1,138	
Community health and other ^(f)	—	138	—	139	1,297	1,436	—	79	6	86	1,522	
Public health	—	442	—	442	163	605	—	14	36	50	655	
Medications	162	2,246	9	2,417	—	2,417	21	2,046	11	2,078	4,495	
Benefit-paid pharmaceuticals	162	2,154	—	2,316	—	2,316	—	445	—	445	2,761	
All other medications	—	92	9	101	—	101	21	1,602	11	1,633	1,735	
Aids and appliances	—	110	55	165	—	165	121	498	6	624	789	
Administration	—	318	137	454	—	454	300	—	—	300	754	
Research	—	642	—	642	110	752	—	—	71	71	823	
Total recurrent funding	1,121	12,621	1,197	14,939	7,508	22,446	2,622	5,385	1,579	9,587	32,033	
Capital expenditure	—	27	..	27	624	651	n.a.	n.a.	1,049	1,049	1,700	
Total health funding^(g)	1,121	12,648	1,197	14,966	8,132	23,097	2,622	5,385	2,628	10,635	33,733	
Non-specific tax expenditure	..	151	..	151	..	151	..	-151	..	-151	—	
Total health funding	1,121	12,799	1,197	15,117	8,132	23,248	2,622	5,234	2,628	10,485	33,733	

Notes: See page 148.

Table B4: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	353	2,252	416	3,021	3,125	6,146	949	162	533	1,645	7,791	
Public hospital services ^(e)	163	2,221	44	2,429	3,125	5,554	101	106	400	607	6,161	
Private hospitals	190	31	372	593	—	593	848	56	133	1,037	1,630	
Patient transport services	29	—	2	31	211	242	5	104	22	131	374	
Medical services	176	2,751	80	3,007	—	3,007	183	390	145	718	3,725	
Dental services	14	3	62	80	122	202	142	1,274	2	1,418	1,620	
State/territory provider	..	..	..	..	122	122	..	—	..	—	122
Private provider	14	3	62	80	..	80	142	1,274	2	1,418	1,498	
Other health practitioners	29	94	35	158	—	158	79	595	82	755	913	
Community health and other ^(f)	—	56	—	56	615	671	—	—	3	3	674	
Public health	—	194	—	194	155	349	—	—	20	20	369	
Medications	104	1,436	2	1,542	—	1,542	5	1,422	26	1,454	2,996	
Benefit-paid pharmaceuticals	104	1,416	—	1,520	—	1,520	—	311	—	311	1,831	
All other medications	—	20	2	22	—	22	5	1,111	26	1,142	1,164	
Aids and appliances	—	69	22	91	—	91	51	615	13	678	770	
Administration	4	206	78	288	—	288	177	—	—	177	465	
Research	—	521	—	521	113	634	—	—	71	71	705	
Total recurrent funding	710	7,582	697	8,989	4,342	13,331	1,591	4,562	917	7,070	20,401	
Capital expenditure	—	22	..	22	571	593	n.a.	n.a.	651	651	1,244	
Total health funding^(g)	710	7,604	697	9,011	4,913	13,924	1,591	4,562	1,568	7,721	21,645	
Non-specific tax expenditure	..	83	..	83	..	83	..	-83	..	-83	—	
Total health funding	710	7,687	697	9,094	4,913	14,007	1,591	4,479	1,568	7,637	21,645	

Notes: See page 148.

Table B5: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2006-07 (\$ million)

Area of expenditure	Government						Non-government						Total health expenditure
	Australian Government						Non-government						
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure		
Total hospitals	396	2,416	438	3,249	3,231	6,481	1,028	116	633	1,778	8,259		
Public hospital services ^(e)	199	2,377	49	2,626	3,231	5,857	116	34	508	658	6,514		
Private hospitals	197	39	388	624	—	624	912	83	125	1,121	1,744		
Patient transport services	35	—	3	39	239	278	7	119	23	149	427		
Medical services	182	2,961	86	3,230	—	3,230	203	450	151	804	4,034		
Dental services	18	3	68	89	113	202	160	1,381	2	1,543	1,745		
State/territory provider	..	..	..	..	113	113	..	11	..	11	124
Private provider	18	3	68	89	..	89	160	1,381	2	1,543	1,632		
Other health practitioners	34	127	36	197	—	197	85	619	81	786	983		
Community health and other ^(f)	—	57	—	57	695	753	—	4	3	7	760		
Public health	—	224	—	224	178	402	—	—	23	23	425		
Medications	100	1,516	2	1,619	—	1,619	5	1,600	27	1,633	3,252		
Benefit-paid pharmaceuticals	100	1,454	—	1,554	—	1,554	—	317	—	317	1,872		
All other medications	—	62	2	64	—	64	5	1,283	27	1,315	1,380		
Aids and appliances	—	74	24	98	—	98	56	653	13	722	820		
Administration	—	216	81	297	—	297	191	—	—	191	487		
Research	—	607	—	607	130	737	—	—	78	78	815		
Total recurrent funding	765	8,202	739	9,706	4,587	14,292	1,735	4,943	1,035	7,713	22,005		
Capital expenditure	—	25	..	25	755	780	n.a.	n.a.	606	606	1,386		
Total health funding^(g)	765	8,226	739	9,730	5,342	15,072	1,735	4,943	1,642	8,319	23,391		
Non-specific tax expenditure	..	97	..	97	..	97	..	-97	..	-97	—		
Total health funding	765	8,323	739	9,827	5,342	15,169	1,735	4,846	1,642	8,222	23,391		

Notes: See page 148.

Table B6: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	388	2,724	509	3,620	3,633	7,254	1,116	344	348	1,808	9,062	
Public hospital services ^(e)	185	2,678	54	2,918	3,633	6,551	119	285	229	633	7,184	
Private hospitals	202	46	455	702	—	702	997	59	119	1,175	1,878	
Patient transport services	39	1	5	45	240	285	12	127	24	162	447	
Medical services	190	3,263	102	3,555	—	3,555	224	479	150	854	4,409	
Dental services	18	23	80	122	116	237	175	1,343	2	1,521	1,758	
State/territory provider	..	..	..	..	116	116	..	10	..	10	126
Private provider	18	23	80	122	..	122	175	1,343	2	1,521	1,642	
Other health practitioners	36	178	42	256	—	256	91	553	79	723	979	
Community health and other ^(f)	—	77	—	78	751	829	—	10	3	13	842	
Public health	—	334	—	334	189	523	—	—	25	25	548	
Medications	99	1,660	2	1,762	—	1,762	5	1,678	27	1,710	3,473	
Benefit-paid pharmaceuticals	99	1,592	—	1,691	—	1,691	—	329	—	329	2,020	
All other medications	—	68	2	71	—	71	5	1,349	27	1,381	1,452	
Aids and appliances	—	83	28	111	—	111	61	619	15	695	806	
Administration	—	219	91	310	—	310	198	—	—	198	508	
Research	—	695	—	695	153	848	—	—	86	86	934	
Total recurrent funding	772	9,257	859	10,888	5,082	15,970	1,883	5,153	759	7,795	23,765	
Capital expenditure	—	25	..	25	301	326	n.a.	n.a.	439	439	764	
Total health funding^(g)	772	9,282	859	10,913	5,383	16,295	1,883	5,153	1,197	8,234	24,529	
Non-specific tax expenditure	..	99	..	99	..	99	..	-99	..	-99	—	
Total health funding	772	9,380	859	11,011	5,383	16,394	1,883	5,054	1,197	8,135	24,529	

Notes: See page 148.

Table B7: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	320	1,801	314	2,434	2,318	4,752	716	106	226	1,049	5,801	
Public hospital services ^(e)	52	1,762	13	1,828	2,290	4,118	29	20	95	144	4,261	
Private hospitals	267	39	301	607	28	635	686	86	132	905	1,539	
Patient transport services	27	7	—	34	310	343	—	6	8	14	357	
Medical services	196	2,190	61	2,447	—	2,447	140	369	79	588	3,035	
Dental services	22	2	67	91	135	225	153	433	1	587	812	
State/territory provider	..	..	..	..	135	135	..	—	..	—	135
Private provider	22	2	67	91	..	91	153	433	1	587	678	
Other health practitioners	33	75	35	143	—	143	81	350	36	466	610	
Community health and other ^(f)	—	81	—	81	674	755	—	38	1	39	795	
Public health	—	148	—	148	114	262	—	7	16	23	284	
Medications	105	1,062	5	1,172	—	1,172	11	1,094	7	1,112	2,284	
Benefit-paid pharmaceuticals	105	1,045	—	1,150	—	1,150	—	235	—	235	1,385	
All other medications	—	17	5	22	—	22	11	859	7	877	899	
Aids and appliances	—	52	23	75	—	75	52	404	4	460	535	
Administration	5	174	60	239	51	290	138	—	—	138	428	
Research	—	208	—	208	32	240	—	—	18	18	258	
Total recurrent funding	709	5,798	566	7,072	3,633	10,705	1,291	2,807	397	4,494	15,199	
Capital expenditure	—	15	..	15	413	428	n.a.	n.a.	579	579	1,007	
Total health funding^(g)	709	5,813	566	7,087	4,046	11,133	1,291	2,807	975	5,073	16,205	
Non-specific tax expenditure	..	53	..	53	..	53	..	-53	..	-53	—	
Total health funding	709	5,866	566	7,141	4,046	11,186	1,291	2,753	975	5,019	16,205	

Notes: See page 148.

Table B8: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2006–07 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	340	1,917	338	2,596	2,996	5,592	795	106	237	1,138	6,730	
Public hospital services ^(e)	73	1,871	13	1,957	2,965	4,921	31	21	144	196	5,117	
Private hospitals	267	47	325	639	32	671	764	86	93	942	1,613	
Patient transport services	30	8	—	38	403	441	—	5	8	14	454	
Medical services	204	2,345	64	2,613	—	2,613	150	437	92	679	3,292	
Dental services	27	2	70	99	140	239	165	477	1	643	882	
State/territory provider	..	..	..	..	140	140	..	1	..	1	141
Private provider	27	2	70	99	..	99	165	476	1	642	741	
Other health practitioners	38	93	37	168	—	168	86	360	41	487	655	
Community health and other ^(f)	—	97	—	97	718	815	—	89	2	91	907	
Public health	—	199	—	199	122	321	—	8	18	26	347	
Medications	104	1,149	4	1,257	—	1,257	10	1,262	9	1,280	2,537	
Benefit-paid pharmaceuticals	104	1,096	—	1,200	—	1,200	—	246	—	246	1,446	
All other medications	—	53	4	57	—	57	10	1,016	9	1,035	1,091	
Aids and appliances	1	57	24	82	—	82	57	441	4	502	584	
Administration	—	180	66	246	41	287	156	—	—	156	443	
Research	—	232	—	232	39	271	—	—	23	23	294	
Total recurrent funding	743	6,278	604	7,625	4,459	12,084	1,419	3,185	436	5,040	17,124	
Capital expenditure	—	17	..	17	560	577	n.a.	n.a.	887	887	1,464	
Total health funding^(g)	743	6,295	604	7,642	5,019	12,661	1,419	3,185	1,323	5,927	18,588	
Non-specific tax expenditure	..	64	..	64	..	64	..	-64	..	-64	—	
Total health funding	743	6,359	604	7,706	5,019	12,725	1,419	3,121	1,323	5,863	18,588	

Notes: See page 148.

Table B9: Total health expenditure, current prices, Queensland, by area of funds^(a), 2007-08 (\$ million)

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

Notes: See page 148.

Table B10: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2005-06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	142	904	164	1,210	1,410	2,620	373	115	93	581	3,202	
Public hospital services ^(e)	58	891	13	962	1,208	2,170	30	77	35	142	2,312	
Private hospitals	84	14	150	248	202	450	343	38	58	440	890	
Patient transport services	7	6	3	16	57	73	8	47	6	60	133	
Medical services	55	957	30	1,042	—	1,042	69	154	77	301	1,343	
Dental services	9	1	42	52	52	103	96	383	3	482	585	
State/territory provider	..	..	..	..	52	52	..	5	..	5	57
Private provider	9	1	42	52	..	52	96	378	3	477	529	
Other health practitioners	12	35	19	66	—	66	42	56	20	118	184	
Community health and other ^(f)	—	66	—	66	341	406	—	12	41	53	460	
Public health	—	75	—	75	76	151	—	5	7	12	163	
Medications	37	491	2	529	—	529	4	481	12	497	1,026	
Benefit-paid pharmaceuticals	37	482	—	519	—	519	—	115	—	115	634	
All other medications	—	9	2	10	—	10	4	366	12	381	392	
Aids and appliances	—	26	14	40	—	40	31	368	5	404	444	
Administration	2	93	29	124	128	253	66	—	—	66	319	
Research	—	142	—	142	22	164	—	—	13	13	177	
Total recurrent funding	264	2,796	302	3,362	2,086	5,448	689	1,622	276	2,587	8,035	
Capital expenditure	—	12	..	12	154	165	n.a.	n.a.	502	502	667	
Total health funding^(g)	264	2,808	302	3,374	2,240	5,613	689	1,622	778	3,089	8,702	
Non-specific tax expenditure	..	25	..	25	..	25	..	-25	..	-25	—	
Total health funding	264	2,833	302	3,398	2,240	5,638	689	1,597	778	3,064	8,702	

Notes: See page 148.

Table B11: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2006–07 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	144	970	175	1,288	1,647	2,936	411	113	105	629	3,565	
Public hospital services ^(e)	59	951	15	1,025	1,452	2,477	35	68	42	145	2,622	
Private hospitals	85	19	160	263	195	459	376	45	63	484	943	
Patient transport services	7	8	2	17	63	79	5	40	6	51	130	
Medical services	56	1,030	33	1,120	—	1,120	79	186	81	346	1,466	
Dental services	10	1	45	56	57	112	105	428	2	535	647	
State/territory provider	..	..	..	..	57	57	..	6	..	6	62
Private provider	10	1	45	56	..	56	105	422	2	529	585	
Other health practitioners	13	45	19	77	—	77	44	64	20	128	204	
Community health and other ^(f)	—	74	—	74	543	618	—	10	19	30	647	
Public health	—	95	—	95	75	169	—	6	8	14	183	
Medications	36	534	2	571	—	571	4	555	11	571	1,142	
Benefit-paid pharmaceuticals	36	505	—	542	—	542	—	120	—	120	662	
All other medications	—	28	2	30	—	30	4	435	11	450	480	
Aids and appliances	1	28	14	43	—	43	33	414	5	452	495	
Administration	—	97	31	128	52	180	73	—	—	73	253	
Research	—	153	—	153	26	179	—	—	14	14	193	
Total recurrent funding	267	3,033	321	3,621	2,463	6,084	754	1,816	271	2,841	8,925	
Capital expenditure	—	13	..	13	165	178	n.a.	n.a.	497	497	674	
Total health funding^(g)	267	3,046	321	3,634	2,627	6,261	754	1,816	768	3,338	9,599	
Non-specific tax expenditure	..	30	..	30	..	30	..	-30	..	-30	—	
Total health funding	267	3,076	321	3,664	2,627	6,291	754	1,786	768	3,308	9,599	

Notes: See page 148.

Table B12: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

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

Notes: See page 148.

Table B13: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	120	773	131	1,024	1,032	2,056	300	33	61	393	2,449	
Public hospital services ^(e)	79	766	14	859	1,029	1,888	31	3	33	67	1,954	
Private hospitals	41	6	118	165	4	168	268	30	28	327	495	
Patient transport services	7	3	1	11	57	68	3	34	8	45	113	
Medical services	51	855	28	935	—	935	65	97	105	267	1,202	
Dental services	8	1	34	43	50	92	78	143	1	222	315	
State/territory provider	..	..	..	..	50	50	..	3	..	3	53
Private provider	8	1	34	43	..	43	78	140	1	219	262	
Other health practitioners	10	30	19	59	—	59	44	40	33	117	176	
Community health and other ^(f)	—	45	—	45	281	326	—	16	75	91	418	
Public health	—	61	—	61	56	117	—	—	7	7	124	
Medications	36	481	2	519	—	519	4	382	6	392	911	
Benefit-paid pharmaceuticals	36	473	—	509	—	509	—	99	—	99	609	
All other medications	—	8	2	9	—	9	4	283	6	293	302	
Aids and appliances	—	22	12	34	—	34	27	166	9	202	236	
Administration	2	75	23	101	185	285	53	—	—	53	339	
Research	—	137	—	137	19	156	—	—	7	7	163	
Total recurrent funding	234	2,483	251	2,968	1,680	4,648	573	912	313	1,798	6,446	
Capital expenditure	—	11	..	11	142	153	n.a.	n.a.	81	81	234	
Total health funding^(g)	234	2,494	251	2,979	1,822	4,801	573	912	394	1,879	6,679	
Non-specific tax expenditure	..	16	..	16	..	16	..	-16	..	-16	—	
Total health funding	234	2,510	251	2,995	1,822	4,817	573	896	394	1,863	6,679	

Notes: See page 148.

Table B14: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2006–07 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	114	822	136	1,072	1,226	2,298	319	33	62	414	2,712	
Public hospital services ^(e)	73	814	15	901	1,221	2,122	35	5	42	81	2,203	
Private hospitals	41	8	121	170	5	176	285	28	20	333	509	
Patient transport services	7	3	2	12	74	87	4	36	8	47	134	
Medical services	52	905	30	987	—	987	71	102	97	271	1,258	
Dental services	9	1	36	46	51	97	84	153	1	238	335	
State/territory provider	..	..	..	..	51	51	..	4	..	4	55
Private provider	9	1	36	46	..	46	84	149	1	234	280	
Other health practitioners	11	36	20	68	—	68	47	40	31	119	186	
Community health and other ^(f)	—	46	—	46	280	325	—	16	4	21	346	
Public health	—	80	—	80	63	143	—	—	8	8	151	
Medications	35	507	2	544	—	544	4	427	7	438	982	
Benefit-paid pharmaceuticals	35	484	—	520	—	520	—	101	—	101	620	
All other medications	—	23	2	24	—	24	4	326	7	337	361	
Aids and appliances	—	24	12	36	—	36	29	176	10	215	251	
Administration	—	75	25	100	187	287	59	—	—	59	346	
Research	—	153	—	153	21	174	—	—	8	8	182	
Total recurrent funding	228	2,651	263	3,142	1,903	5,045	618	984	236	1,837	6,882	
Capital expenditure	—	12	..	12	89	101	n.a.	n.a.	219	219	320	
Total health funding^(g)	228	2,663	263	3,154	1,992	5,146	618	984	455	2,056	7,202	
Non-specific tax expenditure	..	18	..	18	..	18	..	-18	..	-18	—	
Total health funding	228	2,681	263	3,173	1,992	5,164	618	965	455	2,038	7,202	

Notes: See page 148.

Table B15: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

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

Notes: See page 148.

Table B16: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	33	213	41	287	283	570	94	11	34	139	709	
Public hospital services ^(e)	14	211	4	230	273	502	10	6	23	39	541	
Private hospitals	19	1	37	58	10	68	84	5	11	100	168	
Patient transport services	3	—	—	4	14	18	—	—	1	2	20	
Medical services	21	239	7	267	—	267	16	33	13	62	329	
Dental services	2	—	7	9	13	22	16	53	—	70	92	
State/territory provider	..	..	..	..	13	13	..	4	..	4	16
Private provider	2	—	7	9	..	9	16	50	—	66	75	
Other health practitioners	4	10	4	19	—	19	9	32	8	48	67	
Community health and other ^(f)	—	10	—	10	70	80	—	6	—	6	86	
Public health	—	27	—	27	18	45	—	—	3	3	47	
Medications	14	153	1	168	—	168	2	127	2	131	299	
Benefit-paid pharmaceuticals	14	148	—	163	—	163	—	32	—	32	195	
All other medications	—	4	1	5	—	5	2	95	2	99	104	
Aids and appliances	—	7	3	10	—	10	8	47	2	58	68	
Administration	1	29	8	38	39	77	18	—	—	18	95	
Research	—	32	—	32	6	38	—	—	1	1	39	
Total recurrent funding	80	719	71	871	443	1,314	163	310	65	538	1,851	
Capital expenditure	—	5	..	5	33	38	n.a.	n.a.	154	154	192	
Total health funding^(g)	80	724	71	876	476	1,352	163	310	219	692	2,043	
Non-specific tax expenditure	..	4	..	4	..	4	..	—4	..	—4	—	
Total health funding	80	728	71	880	476	1,356	163	306	219	688	2,043	

Notes: See page 148.

Table B17: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2006–07 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	46	224	43	313	342	655	101	6	36	142	797	
Public hospital services ^(e)	25	222	5	252	325	577	11	2	26	39	616	
Private hospitals	21	2	38	61	17	78	89	4	9	103	181	
Patient transport services	2	1	—	3	29	32	—	—	1	2	34	
Medical services	22	255	7	284	—	284	17	37	14	68	352	
Dental services	2	—	7	9	16	26	17	58	—	75	101	
State/territory provider	..	..	..	..	16	16	..	1	..	1	18
Private provider	2	—	7	9	..	9	17	57	—	74	83	
Other health practitioners	5	12	4	21	—	21	9	31	8	49	70	
Community health and other ^(f)	—	11	—	11	105	116	—	9	1	9	125	
Public health	—	28	—	28	20	48	—	—	3	3	51	
Medications	14	160	1	174	—	174	2	147	2	151	325	
Benefit-paid pharmaceuticals	14	151	—	165	—	165	—	32	—	32	197	
All other medications	—	9	1	10	—	10	2	115	2	119	129	
Aids and appliances	—	7	4	11	—	11	8	52	2	62	73	
Administration	—	25	8	34	—	34	19	—	—	19	53	
Research	—	27	—	27	7	34	—	—	1	1	35	
Total recurrent funding	91	751	74	915	519	1,434	173	340	69	582	2,016	
Capital expenditure	—	6	..	6	35	41	n.a.	n.a.	71	71	112	
Total health funding^(g)	91	756	74	921	554	1,475	173	340	140	653	2,128	
Non-specific tax expenditure	..	5	..	5	..	5	..	—5	..	—5	—	
Total health funding	91	761	74	925	554	1,480	173	336	140	648	2,128	

Notes: See page 148.

Table B18: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

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

Notes: See page 148.

Table B19: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	21	123	17	162	321	483	39	23	43	105	587	
Public hospital services ^(e)	11	123	3	137	321	457	7	4	36	47	505	
Private hospitals	11	—	14	25	—	25	32	19	7	57	82	
Patient transport services	—	—	1	1	12	13	3	—	1	4	17	
Medical services	15	157	3	175	—	175	6	56	8	70	245	
Dental services	2	—	4	6	8	14	10	71	—	81	95	
State/territory provider	..	..	..	..	8	8	..	1	..	1	9
Private provider	2	—	4	6	..	6	10	70	—	80	87	
Other health practitioners	2	5	2	10	—	10	5	35	7	47	57	
Community health and other ^(f)	—	6	—	6	102	107	—	9	8	16	124	
Public health	—	17	—	17	19	36	—	1	4	6	42	
Medications	7	71	—	78	—	78	1	65	2	67	145	
Benefit-paid pharmaceuticals	7	69	—	76	—	76	—	20	—	20	96	
All other medications	—	2	—	2	—	2	1	45	2	47	49	
Aids and appliances	—	4	2	5	—	5	3	22	1	27	32	
Administration	34	15	3	52	30	82	7	—	—	7	89	
Research	2	112	—	114	13	127	—	—	4	4	131	
Total recurrent funding	83	511	33	626	505	1,131	74	280	78	433	1,564	
Capital expenditure	—	3	..	3	33	36	n.a.	n.a.	69	69	105	
Total health funding^(g)	83	514	33	630	538	1,167	74	280	147	502	1,670	
Non-specific tax expenditure	..	10	..	10	..	10	..	-10	..	-10	—	
Total health funding	83	524	33	640	538	1,178	74	270	147	492	1,670	

Notes: See page 148.

Table B20: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2006–07 (\$ million)

Area of expenditure	Government					Non-government					Total health expenditure
	Australian Government					Non-government					
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total		
Total hospitals	25	131	17	370	544	40	19	41	100	643	
Public hospital services ^(e)	14	130	3	370	518	8	4	33	45	562	
Private hospitals	11	1	14	—	26	32	15	8	55	81	
Patient transport services	—	—	1	12	13	3	—	1	4	17	
Medical services	27	172	3	—	202	7	63	8	77	280	
Dental services	2	—	4	8	14	10	75	—	85	99	
State/territory provider	..	..	..	8	8	..	1	..	1	9
Private provider	2	—	4	..	6	10	74	—	84	90	
Other health practitioners	5	7	2	—	14	5	36	7	48	62	
Community health and other ^(f)	—	7	—	97	104	—	8	20	27	131	
Public health	—	21	—	19	40	—	1	5	6	47	
Medications	7	75	—	—	81	1	74	1	76	157	
Benefit-paid pharmaceuticals	7	71	—	—	77	—	20	—	20	98	
All other medications	—	4	—	—	4	1	54	1	56	60	
Aids and appliances	—	4	2	—	6	4	24	1	29	35	
Administration	53	15	3	30	102	8	—	—	8	109	
Research	2	112	—	14	128	—	—	4	4	132	
Total recurrent funding	121	545	32	550	1,248	76	299	88	464	1,712	
Capital expenditure	—	4	..	22	26	n.a.	n.a.	30	30	56	
Total health funding^(g)	121	548	32	572	1,273	76	299	119	494	1,767	
Non-specific tax expenditure	..	12	..	..	12	..	-12	..	-12	—
Total health funding	121	560	32	572	1,285	76	287	119	482	1,767	

Notes: See page 148.

Table B21: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	39	154	19	212	411	623	42	12	62	116	739	
Public hospital services ^(e)	25	153	4	182	411	593	9	3	52	64	657	
Private hospitals	13	1	15	29	—	29	33	9	11	52	82	
Patient transport services	—	—	1	1	11	12	3	—	1	4	16	
Medical services	42	172	3	217	—	217	7	58	9	74	291	
Dental services	4	—	5	9	8	17	10	77	—	88	105	
State/territory provider	..	..	..	..	8	8	..	1	..	1	9
Private provider	4	—	5	9	..	9	10	76	—	87	95	
Other health practitioners	12	9	2	23	—	23	5	28	8	40	63	
Community health and other ^(f)	—	7	—	8	113	121	—	5	2	8	128	
Public health	—	27	—	27	23	50	—	1	6	7	56	
Medications	8	83	—	91	—	91	1	84	1	87	177	
Benefit-paid pharmaceuticals	8	78	—	86	—	86	—	21	—	21	106	
All other medications	—	5	—	5	—	5	1	64	1	66	71	
Aids and appliances	—	5	2	7	—	7	4	25	1	30	36	
Administration	56	14	4	74	—	74	9	—	—	9	83	
Research	1	123	—	124	14	139	—	—	4	4	142	
Total recurrent funding	160	595	37	792	580	1,372	80	291	93	465	1,837	
Capital expenditure	—	4	..	4	34	38	n.a.	n.a.	10	10	48	
Total health funding^(g)	160	599	37	795	614	1,410	80	291	104	475	1,885	
Non-specific tax expenditure	..	12	..	12	..	12	..	-12	..	-12	—	
Total health funding	160	611	37	808	614	1,422	80	279	104	463	1,885	

Notes: See page 148.

Table B22: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2005-06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	1	134	6	141	267	408	14	30	12	56	464	
Public hospital services ^(e)	—	134	—	134	267	401	1	5	9	15	415	
Private hospitals	1	1	6	7	—	8	13	25	3	41	49	
Patient transport services	—	4	—	4	31	35	—	2	—	2	37	
Medical services	1	66	1	68	—	68	3	8	8	18	86	
Dental services	—	—	2	2	10	12	4	40	—	43	55	
State/territory provider	..	..	..	..	10	10	..	—	..	—	10
Private provider	—	—	2	2	..	2	4	39	—	43	45	
Other health practitioners	—	3	1	4	—	4	2	17	3	22	26	
Community health and other ^(f)	—	62	—	62	114	176	—	—	—	—	176	
Public health	—	18	—	18	47	65	—	1	4	5	70	
Medications	1	37	—	38	—	38	—	28	—	28	67	
Benefit-paid pharmaceuticals	1	34	—	35	—	35	—	6	—	6	41	
All other medications	—	3	—	3	—	3	—	22	—	22	25	
Aids and appliances	—	2	1	3	—	3	2	14	1	16	19	
Administration	—	38	—	38	—	38	1	—	—	1	39	
Research	—	6	—	6	1	7	—	—	1	1	8	
Total recurrent funding	3	370	11	384	469	854	26	140	28	193	1,047	
Capital expenditure	—	5	..	5	8	13	n.a.	n.a.	45	45	58	
Total health funding^(g)	3	375	11	389	477	867	26	140	73	238	1,105	
Non-specific tax expenditure	..	1	..	1	..	1	..	-2	..	-2	—	
Total health funding	3	376	11	391	477	868	26	138	73	237	1,105	

Notes: See page 148.

Table B23: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2006-07 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government											
	DVA	DoHA and other ^(b)	Premium rebates ^(c)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(d)	Total	Total health expenditure	
Total hospitals	7	135	7	148	300	448	15	23	9	48	496	
Public hospital services ^(e)	6	134	—	140	300	440	1	5	7	12	453	
Private hospitals	1	1	6	8	—	8	15	18	2	36	44	
Patient transport services	—	5	—	5	37	42	—	1	—	2	43	
Medical services	1	72	1	74	—	74	3	9	8	20	94	
Dental services	—	—	2	2	9	11	4	45	—	49	61	
State/territory provider	..	..	..	..	9	9	..	—	..	—	10
Private provider	—	—	2	2	..	2	4	45	—	49	51	
Other health practitioners	—	3	1	5	—	5	2	19	3	24	29	
Community health and other ^(f)	—	76	—	76	116	192	—	3	—	3	195	
Public health	—	23	—	23	49	72	—	3	5	7	79	
Medications	1	40	—	41	—	41	—	31	—	32	73	
Benefit-paid pharmaceuticals	1	35	—	36	—	36	—	6	—	6	42	
All other medications	—	5	—	5	—	5	—	25	—	26	31	
Aids and appliances	—	2	1	3	—	3	2	16	1	18	22	
Administration	—	39	1	40	—	40	1	—	—	1	41	
Research	—	8	—	8	—	8	—	—	—	—	9	
Total recurrent funding	9	404	12	425	511	936	28	151	26	205	1,142	
Capital expenditure	—	6	..	6	15	21	n.a.	n.a.	19	19	39	
Total health funding^(g)	9	410	12	431	526	957	28	151	44	224	1,181	
Non-specific tax expenditure	..	2	..	2	..	2	..	-2	..	-2	—	
Total health funding	9	411	12	432	526	958	28	150	44	222	1,181	

Notes: See page 148.

Table B24: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2007–08 (\$ million)

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

Notes: See page 148.

Notes to Appendix B tables

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

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

Appendix C: Detailed disaggregation of selected areas of health expenditure, 2006–07

Table C1: Hospital expenditure, current prices, by area of expenditure, 2006–07 (\$ million)

Area of expenditure	Total expenditure
Total hospitals	35,171
Admitted patients	28,582
Same-day admissions	4,820
Curative care	4,798
Rehabilitative care	19
Long-term care	1
Palliative care	1
Other n.e.c.	—
Overnight admissions	23,762
Curative care	21,621
Rehabilitative care	1,214
Long-term care	693
Palliative care	230
Other n.e.c.	4
Non-admitted patients	6,589
Public hospital services^(a)	28,016
Admitted patients	21,785
Same-day admissions	3,058
Curative care	3,051
Rehabilitative care	6
Long-term care	—
Palliative care	1
Other n.e.c.	—
Overnight admissions	18,727
Curative care	16,920
Rehabilitative care	946
Long-term care	661
Palliative care	198
Other n.e.c.	1
Non-admitted patients	6,231
Private hospitals	7,155
Admitted patients	6,797
Same-day admissions	1,762
Curative care	1,747
Rehabilitative care	13
Long-term care	1
Palliative care	1
Other n.e.c.	—
Overnight admissions	5,035
Curative care	4,701
Rehabilitative care	268
Long-term care	32
Palliative care	32
Other n.e.c.	3
Non-admitted patients	358

Notes: See page 154.

Table C2: Health expenditure, current prices, by selected area of expenditure and source of funds^(b), Australia, 2006–07 (\$ million)

Area of expenditure	Australian Government			Non-government			Total health expenditure
	Direct outlays	Premium rebates ^(c)	Total	Private health insurance	Individuals	Other ^(d)		Total
In hospital ^(e)	1,664	313	1,977	735	1,077	—	1,812
Public hospitals	320	60	380	141	207	—	348
Private hospitals	1,345	253	1,597	593	870	—	1,464
Out of hospital	9,706	—	9,706	—	929	—	929
General practitioners	4,011	—	4,011	—	275	—	275
Specialists	2,571	—	2,571	—	440	—	440
Imaging/pathology	3,124	—	3,124	—	214	—	214
Other medical	1,409	—	1,409	—	—	932	932
Allied health services (Medicare)	107	—	107	—	21	—	21
Optometrical services (Medicare)	240	—	240	—	2	—	2
Non-Medicare other health practitioner	295	184	479	431	1,702	290	2,424
Benefit-paid pharmaceuticals	6,228	—	6,228	—	1,277	—	1,277
General patients	1,064	—	1,064	—	619	—	619
Safety net	174	—	174	—	22	—	22
No safety net	890	—	890	—	596	—	596
Concessional patients	4,401	—	4,401	—	533	—	533
Safety net	1,067	—	1,067	—	—	—	—
No safety net	3,334	—	3,334	—	533	—	533
Other	762	—	762	—	126	—	126
All other medications	270	20	290	47	4,702	67	4,816
Under copayment PBS items	—	—	—	—	734	—	734
Private prescriptions	—	20	20	47	577	67	691
Other pharmacy medications	—	—	—	—	1,850	—	1,850
Other retail medications	—	—	—	—	1,541	—	1,541
All other medications n.e.c.	270	—	270	—	—	—	—

Notes: See page 154.

Table C3: Medicare expenditure, current prices, by area of expenditure, source of funds^(b) and by state and territory of patient residence, 2006-07 (\$ million)

Area of expenditure	Australian Government			Non-government			Total health expenditure	
	Direct Outlays	Premium rebates ^(c)	Total	Private insurance	Individuals	Total		
NSW								
	In hospital ^(e)	500	88	587	206	386	592	1,179
	Public hospitals	134	24	158	55	104	159	316
	Private hospitals	365	64	430	151	283	433	863
Medical services	Out of hospital	3,553	—	3,553	—	335	335	3,888
	General practitioners	1,452	—	1,452	—	77	77	1,529
	Specialists	965	—	965	—	186	186	1,151
	Imaging/pathology	1,136	—	1,136	—	72	72	1,207
Other health practitioners	Allied health services	38	—	38	—	8	8	46
	Optometrical services	81	—	81	—	1	1	81
Vic								
	In hospital ^(e)	449	86	535	203	237	439	975
	Public hospitals	83	16	99	38	44	81	180
	Private hospitals	366	70	436	165	193	358	794
Medical services	Out of hospital	2,391	—	2,391	—	213	213	2,604
	General practitioners	1,001	—	1,001	—	70	70	1,071
	Specialists	637	—	637	—	94	94	731
	Imaging/pathology	753	—	753	—	49	49	802
Other health practitioners	Allied health services	34	—	34	—	7	7	40
	Optometrical services	58	—	58	—	—	—	58
Qld								
	In hospital ^(e)	371	64	435	150	249	399	833
	Public hospitals	34	6	40	14	23	36	76
	Private hospitals	337	58	395	136	226	362	757
Medical services	Out of hospital	1,846	—	1,846	—	188	188	2,034
	General practitioners	758	—	758	—	61	61	819
	Specialists	471	—	471	—	85	85	556
	Imaging/pathology	617	—	617	—	43	43	660
Other health practitioners	Allied health services	17	—	17	—	3	3	20
	Optometrical services	50	—	50	—	—	—	50
WA								
	In hospital ^(e)	147	33	181	79	96	175	355
	Public hospitals	29	7	36	15	19	34	70
	Private hospitals	118	27	145	63	77	140	285
Medical services	Out of hospital	810	—	810	—	90	90	901
	General practitioners	330	—	330	—	29	29	358
	Specialists	201	—	201	—	37	37	238
	Imaging/pathology	280	—	280	—	24	24	304
Other health practitioners	Allied health services	9	—	9	—	2	2	11
	Optometrical services	22	—	22	—	—	—	22
SA								
	In hospital ^(e)	137	30	167	71	58	129	296
	Public hospitals	22	5	27	12	9	21	48
	Private hospitals	114	25	140	60	48	108	248
Medical services	Out of hospital	721	—	721	—	45	45	766
	General practitioners	312	—	312	—	14	14	326
	Specialists	195	—	195	—	20	20	215
	Imaging/pathology	214	—	214	—	10	10	225
Other health practitioners	Allied health services	6	—	6	—	1	1	7
	Optometrical services	18	—	18	—	—	—	18

(continued)

Table C3 (continued): Medicare expenditure, current prices, by area of expenditure, source of funds^(b) and by state and territory of patient residence, 2006–07 (\$ million)

Area of expenditure	Australian Government			Non-government			Total health expenditure	
	Direct Outlays	Premium rebates ^(c)	Total	Private insurance	Individuals	Total		
Tas								
	In hospital ^(e)	34	7	41	17	19	36	77
	Public hospitals	6	1	8	3	4	7	15
	Private hospitals	27	6	33	13	16	29	62
Medical services	Out of hospital	198	—	198	—	18	18	216
	General practitioners	86	—	86	—	6	6	92
	Specialists	54	—	54	—	6	6	59
	Imaging/pathology	59	—	59	—	6	6	64
Other health practitioners	Allied health services	2	—	2	—	—	—	2
	Optometrical services	6	—	6	—	—	—	6
ACT								
	In hospital ^(e)	24	3	27	7	28	35	61
	Public hospitals	5	1	5	1	5	7	12
	Private hospitals	19	2	21	5	23	28	49
Medical services	Out of hospital	140	—	140	—	35	35	174
	General practitioners	51	—	51	—	13	13	64
	Specialists	39	—	39	—	13	13	53
	Imaging/pathology	49	—	49	—	9	9	58
Other health practitioners	Allied health services	1	—	1	—	—	—	2
	Optometrical services	4	—	4	—	—	—	4
NT								
	In hospital ^(e)	4	1	5	3	3	6	12
	Public hospitals	1	—	1	1	1	1	2
	Private hospitals	3	1	4	2	3	5	9
Medical services	Out of hospital	47	—	47	—	6	6	53
	General practitioners	22	—	22	—	4	4	26
	Specialists	9	—	9	—	1	1	11
	Imaging/pathology	16	—	16	—	1	1	17
Other health practitioners	Allied health services	—	—	—	—	—	—	—
	Optometrical services	2	—	2	—	—	—	2

Notes: See page 154.

Notes to Appendix C tables

- (a) Public hospital services exclude certain services undertaken in hospitals. Can include services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).
- (b) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health care. They do not show total expenditure on health goods and services by the different service provider sectors.
- (c) Includes the 30–40% rebate on health insurance premiums that can be claimed either directly from the Australian Government through the taxation system or it may involve a reduced premium being charged by the private health insurance fund.
- (d) ‘Other’ includes expenditure on health goods and services by workers compensation and compulsory third-party motor vehicle insurers, as well as other sources of income (for example, interest earned) for service providers.
- (e) Estimates are based on DRG cost weight-adjusted proportions of separations in public and private hospitals, sourced from the AIHW National Hospital Morbidity database.

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

Appendix D: Health expenditure on Disease groups

Estimates of health expenditure on disease and injury have been revised since the release of *Australia's health 2008* (AIHW 2008d) and *Health expenditure Australia 2006–07* (AIHW 2008a). Although total allocated expenditure has remained unchanged, there have been revisions to expenditure by broad disease group.

Which diseases have the most spent on them?

Of the \$52.7 billion of recurrent expenditure allocated to disease and injury groups in 2004–05, more than half (57% or \$29.8 billion) was accounted for by the following seven groups (Table D1):

- cardiovascular diseases – \$5.9 billion (11% of total allocated health expenditure)
- oral health – \$5.3 billion (10%)
- mental disorders – \$4.1 billion (8%)
- musculoskeletal diseases – \$4.0 billion (7%)
- neoplasms – \$3.8 billion (7%)
- injuries – \$3.4 billion (6%)
- respiratory diseases – \$3.3 billion (6%)

There is no necessary connection between how much is spent on a specific disease and the amount of burden (arising from premature deaths and disability) from that disease.

Oral health, for example, accounted for over 10% of allocated health expenditure in 2004–05, yet is responsible for less than 1% of the total disease and injury burden in Australia. On the other hand, neoplasms consumed 7% of allocated health expenditure, but are responsible for nearly one-fifth (19%) of premature death and disability in Australia (Table D1).

Why is there no necessary connection between expenditure and burden? First, the burden estimates are estimates of the health problems that exist in spite of the current prevention and treatment strategies. They do not tell us what the burden would have been if no expenditure was devoted to those diseases. So the low burden for oral health of 1% represents the success of the \$5.3 billion expenditure in this area.

Second, the current commitment of resources to a particular disease – regardless of its contribution to total burden – may well represent a good investment if, without it, the burden would have been much higher. The only way to assess whether current levels of disease expenditure are 'worth it', is to consider the cost and effectiveness (in terms of burden avoided) of current programs (Begg et al. 2007). Such analysis is beyond the scope of this report.

The mental disorders burden is 13% of the total burden. This does not mean that mental disorders expenditure should be 13% of total expenditure. Policy makers should consider whether there should be an increase in the current 8% of health expenditure spent on mental health, if a proposed new mental health program provides a benefit which exceeds its cost.

For all diseases combined, 46% of allocated health expenditure was for admitted patients in hospitals, 23% of expenditure was for out-of-hospital medical services, 15% for prescription pharmaceuticals, 10% for dental services, 3% for research and 3% for community mental health, public health cancer screening and optometrical services combined (calculated from Table D1).

Table D1: Allocated health expenditure in Australia, by disease group and area of health expenditure, 2004–05 (\$ million)

Disease group	Admitted patients ^(a)	Out-of-hospital medical services	Optometrical and dental services	Prescription pharmaceuticals ^{(b)(c)}	Community and public health ^(d)	Research	Total expenditure allocated by disease	Per cent of total allocated expenditure	Per cent of DALYs in 2003 ^(e)
Infectious & parasitic	482	451	..	199	..	184	1,315	2.5	1.7
Respiratory	1,477	1,039	..	725	..	69	3,311	6.3	8.4
Maternal conditions	1,539	116	..	4	..	12	1,671	3.2	0.1
Neonatal causes	422	20	..	1	..	12	455	0.9	1.3
Neoplasms	2,381	570	..	236	222	378	3,787	7.2	19.4
Diabetes mellitus	371	288	..	275	..	55	989	1.9	5.5
Endocrine, nutritional and metabolic	448	500	..	1,042	..	110	2,100	4.0	1.1
Mental disorders	1,411	538	..	854	1,177	148	4,128	7.8	13.3
Nervous system disorders	985	782	218	464	..	291	2,739	5.2	11.9
<i>Alzheimer's and other dementias</i>	169	32	..	91	..	35	327	0.6	3.6
<i>Other nervous system</i>	816	750	218	373	..	256	2,412	4.6	8.3
Cardiovascular	3,009	1,133	..	1,636	..	164	5,942	11.3	18.0
Digestive system	1,849	447	..	764	..	48	3,107	5.9	2.2
Genitourinary	1,431	779	..	111	..	24	2,345	4.5	2.5
Skin diseases	398	454	..	102	..	13	966	1.8	0.8
Musculoskeletal	2,003	1,181	..	680	..	92	3,956	7.5	4.0
Congenital anomalies	209	24	..	2	..	54	290	0.6	1.3
Oral health	186	22	5,064	6	..	27	5,305	10.1	0.9
Injuries	2,422	845	..	124	..	14	3,405	6.5	7.0
Signs, symptoms, ill-defined conditions and other contact with health system ^(f)	3,195	2,712	..	919	..	22	6,848	13.0	0.7
Total	24,221	11,900	5,282	8,144	1,399	1,715	52,660	100.0	100.0

(a) Includes public and private acute hospitals, and psychiatric hospitals. Also includes medical services provided to private admitted patients in hospital.

(b) Includes all pharmaceuticals for which a prescription is needed, including benefit-paid prescriptions, private prescriptions and under copayment prescriptions.

(c) Excludes over-the-counter medicaments such as vitamins and minerals, patient medicines, first aid and wound care products, analgesics, feminine hygiene products, cold sore preparations, and a number of complementary health products that are sold in both pharmacies and other retail outlets.

(d) Comprises expenditure on community mental health services and public health cancer screening programs.

(e) 'Disability-adjusted life years' comprise years lost due to premature death and years of 'healthy life' lost due to disability (Begg et al. 2007).

(f) 'Signs, symptoms and ill-defined conditions' includes diagnostic and other services for signs, symptoms and ill-defined conditions where the cause of the problem is unknown. 'Other contact with the health system' includes fertility control, reproduction and development; elective plastic surgery; general prevention, screening and health examination; and treatment and aftercare for unspecified disease.

Note: The total expenditure and proportions presented in this table are not comparable with total expenditure and proportions from 2000–01 due to the exclusion of a number of areas of expenditure from the 2004–05 estimates.

Source: AIHW Disease expenditure database; Begg et al. 2007.

Appendix E: Price indexes and deflation

The term ‘current prices’ refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and the level of use of goods and services in the economy (the volume component).

Constant price expenditure aims to remove the effects of inflation. So changes in constant price expenditures attempt to reflect changes in just the amount (volume) of goods and services in the economy. The transformation of a current price expenditure number into its constant price counterpart is called ‘deflation’ and the price indexes used in this transformation are called ‘deflators’.

Price indexes

There are a wide variety of price indexes (deflators) for the Australian health sector, and these may be distinguished in several ways:

- By the scope of the index – the economic variable to which the price indexes refer (such as all health expenditure, capital consumption, capital expenditure, and so on); the economic agents over which the indexes are aggregated (such as all agents, households, all government, state and territory governments, and so on); or by the segment of health services to which the indexes refer (such as all health services, medical services, pharmaceuticals, and so on).
- By the technical manner in which the indexes are constructed – such as implicit price deflators (IPDs) or directly computed indexes (base-weighted, current-weighted or symmetric indexes, chained or unchained indexes, and so on).

Different indexes are appropriate for different analytical purposes. For this report, the AIHW prefers indexes whose scope matches the particular health services being analysed rather than broadbrush indexes that cover all health services. Chain indexes, which give better measures of pure price change, are preferred to IPDs. But the suite of available indexes is not always ideal, and in some cases it has been necessary to resort to proxies for the preferred indexes. Note that neither the consumer price index (CPI) nor its health services subgroup is appropriate for measuring movements in overall prices of health goods and services, nor for deflating macro expenditure aggregates. This is because the CPI measures movements in the prices faced by households only. The overall CPI and its components do not, for example, include government subsidies, benefit payments and non-marketed services provided by governments.

The deflators that the AIHW uses in this report are either annually re-weighted Laspeyres (base period weighted) chain price indexes or implicit price deflators (IPDs). The chain price indexes are calculated at a detailed level, and they provide a close approximation to measures of pure price change while IPDs are affected by compositional changes. The IPD for GDP is the broadest measure of price change available in the national accounts; it provides an indication of the overall changes in the prices of goods and services produced in Australia. The reference year for both the chain price indexes and the IPDs in this report is 2007–08. Constant price estimates therefore indicate what expenditure would have been had 2007–08 prices applied in all years. The change in constant price expenditures is a measure of changes in the volume of health goods and services.

There are nine different deflators used in this report (Table E1). Most deflators are very specific to the type of expenditure they are applied to. For example, all hospitals use the government final consumption expenditure (GFCE) hospitals and nursing homes deflator.

Table E1: Area of health expenditure, by type of deflator applied

Area of expenditure	Deflator applied
Public hospitals ^(a) / Public hospital services ^(a)	GFCE hospitals and nursing homes
Private hospitals	GFCE hospitals and nursing homes
Patient transport services	GFCE hospitals and nursing homes
Medical services	Medicare medical services fees charged
Dental services	Dental services ^(b)
Other health practitioners	Other health practitioners ^(b)
Community health and other	Professional health workers wage rate index ^(b)
Public health	GFCE hospitals and nursing homes
Benefit-paid pharmaceuticals	PBS pharmaceuticals
All other medications	HFCE on chemist goods
Aids and appliances	Aids and appliances ^(b)
Administration	Professional health workers wage rate index
Research	Professional health workers wage rate index
Capital expenditure	Gross fixed capital formation
Capital consumption	Gross fixed capital formation
Non-specific tax expenditure	Professional health workers wage rate index

(a) See Box 4.1 for details on the distinction between public hospitals and public hospital services.

(b) These deflators were first used in *Health expenditure Australia 2005–06* (AIHW 2007a) and replaced those used in previous editions.

The following deflators are sourced from the ABS: GFCE hospitals and nursing homes, professional health workers wage rate index, HFCE on chemist goods, gross fixed capital formation and gross domestic product. The ABS deflators use 2006–07 as their base year but for this report the AIHW has re-referenced them to 2007–08. The chain price index for Medicare medical services fees charged and the IPD for PBS pharmaceuticals have been derived by the AIHW from Medicare Australia and Pharmaceutical Pricing Authority data respectively. The IPDs for dental services, other health practitioners and aids and appliances have been derived by the AIHW from ABS and PHIAC data. The total health price index is discussed in detail below.

Total health price index

The total health price index (THPI) is the AIHW's index of annual ratios of total national health expenditure at current prices, to estimated total national health expenditure at constant prices. All values in the THPI for this report are referenced to 2007–08, (that is, the values are given a value of 100 in 2007–08). Thus, because in most years there is positive health inflation, prices in all years prior to the reference year would be expected to be lower than those applying in the reference year. Therefore all years prior to the reference year would usually have an index number of less than 100.

The AIHW's method for deriving constant price estimates also allows it to produce THPIs for each state and territory. As the national THPI is a measure of the change in average health prices from year to year, at the national level it can be utilised as a broad deflator for the health sector. It is not the deflator that is used to convert current price expenditures to

constant price estimates in the AIHW's national health accounts. This is done at the individual expenditure component level.

The national THPI provides the most useful available measure of overall health inflation in Australia. As such, it has now been integrated into the indexation formula for payments in support of the National Healthcare Agreement under the Intergovernmental Agreement on Federal Financial Relations, implicitly in 2009–10 and explicitly thereafter.

Table E2 shows the THPI and other industry-wide indexes used in this report, referenced to 2007–08, while Table E3 shows the corresponding annual growth rates for each of these indexes over the past decade.

Table E2: Total health price index and industry-wide indexes (reference year 2007-08 = 100)

Index	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total health price index ^(a)	71.91	73.74	75.50	78.41	81.01	83.88	86.83	90.43	94.03	97.15	100.00
Government final consumption expenditure on hospitals and nursing homes	71.64	73.58	75.24	77.74	80.18	82.93	85.94	89.11	92.93	96.57	100.00
Medicare medical services fees charged ^(b)	64.10	65.83	67.64	70.61	74.70	78.72	82.90	89.35	94.37	97.34	100.00
Dental services ^(a)	62.62	64.71	68.10	71.99	75.48	78.88	82.24	87.52	91.08	96.13	100.00
Other health practitioners ^(a)	67.90	69.76	71.96	76.71	83.89	88.91	91.00	93.63	98.16	100.11	100.00
Professional health workers wage rates	67.96	70.20	72.13	74.77	77.69	80.96	84.55	88.27	92.14	96.24	100.00
PBS pharmaceuticals ^(a)	97.83	98.38	98.57	98.71	98.77	98.85	98.94	99.09	99.30	99.52	100.00
HFCE on chemist goods	85.00	84.80	85.49	88.15	88.55	89.73	91.91	94.77	97.24	98.72	100.00
Aids and appliances ^(a)	79.22	79.03	79.68	82.16	82.53	84.53	90.40	92.75	95.24	97.28	100.00
Australian Government gross fixed capital formation	131.85	126.10	120.44	120.24	115.87	109.50	101.09	99.41	98.11	98.35	100.00
State, territory and local government gross fixed capital formation	86.58	87.01	87.43	88.83	88.46	89.21	89.06	91.23	93.94	96.91	100.00
Private gross fixed capital formation	83.21	83.89	84.40	88.26	89.18	89.89	91.08	93.48	95.32	97.64	100.00
Gross domestic product	71.85	71.89	73.37	76.93	79.11	81.45	84.29	87.48	91.54	95.78	100.00

(a) IPD, constructed by the AIHW.

(b) Chain price index, constructed by the AIHW.

Table E3: Growth rates for the total health price index and industry-wide indexes, 1997-98 to 2007-08 (per cent)

Index	1997-98 to	1998-99 to	1999-00 to	2000-01 to	2001-02 to	2002-03 to	2003-04 to	2004-05 to	2005-06 to	2006-07 to	2007-08
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2007-08
Total health price index ^(a)	2.5	2.4	3.9	3.3	3.5	3.5	4.2	4.0	3.3	2.9	2.9
Government final consumption expenditure on hospitals and nursing homes	2.7	2.3	3.3	3.1	3.4	3.6	3.7	4.3	3.9	3.6	3.6
Medicare medical services fees charged ^(b)	2.7	2.8	4.4	5.8	5.4	5.3	7.8	5.6	3.1	2.7	2.7
Dental services ^(a)	3.3	5.2	5.7	4.8	4.5	4.3	6.4	4.1	5.5	4.0	4.0
Other health practitioners ^(a)	2.7	3.2	6.6	9.4	6.0	2.3	2.9	4.8	2.0	-0.1	-0.1
Professional health workers wage rates	3.3	2.8	3.7	3.9	4.2	4.4	4.4	4.4	4.4	3.9	3.9
PBS pharmaceuticals ^(a)	0.6	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.5	0.5
HFCE on chemist goods	-0.2	0.8	3.1	0.4	1.3	2.4	3.1	2.6	1.5	1.3	1.3
Aids and appliances ^(a)	-0.2	0.8	3.1	0.4	2.4	6.9	2.6	2.7	2.1	2.8	2.8
Australian Government gross fixed capital formation	-4.4	-4.5	-0.2	-3.6	-5.5	-7.7	-1.7	-1.3	0.2	1.7	1.7
State, territory and local government gross fixed capital formation	0.5	0.5	1.6	-0.4	0.9	-0.2	2.4	3.0	3.2	3.2	3.2
Private gross fixed capital formation	0.8	0.6	4.6	1.0	0.8	1.3	2.6	2.0	2.4	2.4	2.4
Gross domestic product	0.1	2.1	4.9	2.8	3.0	3.5	3.8	4.6	4.6	4.4	4.4

(a) IPD, constructed by the AIHW.

(b) Chain price index, constructed by the AIHW.

Appendix F: Population

The per person estimates of expenditure are calculated using estimates of annual mean resident population, which are based on quarterly estimated resident population data from the ABS (ABS 2009b).

The mean resident population (mean population) is calculated by the following formula:

$$\text{mean population} = \frac{a + 4b + 2c + 4d + e}{12}$$

where a is the population at the end of the quarter immediately preceding the 12-month period, and b, c, d and e are the populations at the end of each of the four succeeding quarters. The weights used in the formulation of the mean annual population have been derived using a mathematical technique which involves the fitting of two quadratic polynomial functions to a series of points (ABS 1997:38).

Table F1 and Table F2 show the Australian mean resident population and state and territory mean resident population, while Table F3 shows annual population growth. Table F4 shows the number of insured persons with hospital treatment cover between 1997–98 and 2007–08.

Table F1: Australian mean resident population, 1997–98 to 2007–08

Year	Population ('000)
1997–98	18,617.0
1998–99	18,820.9
1999–00	19,043.9
2000–01	19,284.1
2001–02	19,536.8
2002–03	19,776.2
2003–04	20,016.2
2004–05	20,261.7
2005–06	20,551.0
2006–07	20,885.7
2007–08	21,246.1

Sources: ABS 2009b and AIHW health expenditure database.

Table F2: Mean resident population, by state and territory, 1997–98 to 2007–08 ('000)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1997–98	6,309.2	4,618.1	3,422.2	1,808.9	1,485.6	472.9	309.1	188.4	18,617.0
1998–99	6,376.2	4,663.1	3,474.2	1,837.1	1,493.7	471.8	310.8	191.3	18,820.9
1999–00	6,449.8	4,715.3	3,531.4	1,863.2	1,502.1	471.6	313.8	194.2	19,043.9
2000–01	6,531.0	4,774.0	3,594.4	1,888.5	1,508.4	471.5	317.1	196.5	19,284.1
2001–02	6,605.6	4,835.0	3,671.0	1,914.5	1,516.5	472.3	320.9	198.5	19,536.8
2002–03	6,652.2	4,894.1	3,763.7	1,938.8	1,526.2	475.0	324.3	199.4	19,776.2
2003–04	6,691.1	4,954.1	3,856.4	1,968.3	1,536.1	480.6	326.4	200.8	20,016.2
2004–05	6,732.1	5,016.6	3,947.0	1,999.8	1,546.4	484.7	328.6	204.1	20,261.7
2005–06	6,788.7	5,088.5	4,043.6	2,038.4	1,560.3	488.4	332.2	208.5	20,551.0
2006–07	6,862.0	5,174.3	4,141.8	2,086.3	1,577.2	491.7	337.3	212.6	20,885.7
2007–08	6,944.3	5,266.3	4,242.2	2,140.9	1,594.5	495.5	342.7	217.3	21,246.1

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

Source: AIHW health expenditure database.

Table F3: Annual population growth, by state and territory, 1997–98 to 2007–08 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1997–98 to 1998–99	1.1	1.0	1.5	1.6	0.5	-0.2	0.6	1.5	1.1
1998–99 to 1999–00	1.2	1.1	1.6	1.4	0.6	0.0	0.9	1.5	1.2
1999–00 to 2000–01	1.3	1.2	1.8	1.4	0.4	0.0	1.1	1.2	1.3
2000–01 to 2001–02	1.1	1.3	2.1	1.4	0.5	0.2	1.2	1.0	1.3
2001–02 to 2002–03	0.7	1.2	2.5	1.3	0.6	0.6	1.0	0.4	1.2
2002–03 to 2003–04	0.6	1.2	2.5	1.5	0.6	1.2	0.6	0.7	1.2
2003–04 to 2004–05	0.6	1.3	2.4	1.6	0.7	0.9	0.7	1.6	1.2
2004–05 to 2005–06	0.8	1.4	2.4	1.9	0.9	0.8	1.1	2.2	1.4
2005–06 to 2006–07	1.1	1.7	2.4	2.3	1.1	0.7	1.5	1.9	1.6
2006–07 to 2007–08	1.2	1.8	2.4	2.6	1.1	0.8	1.6	2.2	1.7
Average annual growth rate									
1997–98 to 2002–03	1.1	1.2	1.9	1.4	0.5	0.1	1.0	1.1	1.2
2002–03 to 2007–08	0.9	1.5	2.4	2.0	0.9	0.8	1.1	1.7	1.4
1997–98 to 2007–08	1.0	1.3	2.2	1.7	0.7	0.5	1.0	1.4	1.3

Source: AIHW health expenditure database.

Table F4: Number of insured persons with hospital treatment coverage, 1997–98 to 2007–08

Year	NSW & ACT	Vic	Qld	WA	SA	Tas	NT	Australia
1997–98	2,091,486	1,413,287	1,017,037	638,659	475,901	162,257	45,725	5,844,352
1998–99	2,041,511	1,383,185	994,244	642,593	461,174	156,829	45,454	5,724,990
1999–00	2,374,514	1,585,831	1,143,486	712,177	523,524	170,858	52,624	6,563,012
2000–01	3,163,640	2,159,479	1,525,041	920,404	693,120	209,843	70,071	8,741,597
2001–02	3,149,329	2,152,371	1,551,111	913,562	691,659	210,382	66,913	8,735,325
2002–03	3,143,669	2,129,396	1,552,171	906,975	685,336	208,070	64,740	8,690,357
2003–04	3,133,488	2,112,666	1,557,221	907,028	677,275	204,592	63,519	8,655,789
2004–05	3,141,827	2,112,766	1,576,205	920,629	674,882	205,013	63,337	8,694,657
2005–06	3,169,613	2,128,507	1,614,167	949,550	679,193	204,546	63,821	8,809,398
2006–07	3,225,824	2,180,529	1,675,599	991,121	689,397	206,560	66,127	9,035,157
2007–08	3,331,903	2,267,809	1,774,475	1,055,205	708,720	212,894	72,645	9,423,650

Source: PHIA.

Glossary

Accrual accounting	The method of accounting now most commonly used by governments in Australia. Relates expenses, revenues and accruals to the period in which they are incurred (see also <i>Cash accounting</i>).
Admitted patient	A patient who undergoes a hospital's formal admission process to receive treatment and/or care. This treatment and/or care is provided over a period of time and can occur in hospital and/or in the person's home (for hospital-in-the-home patients).
Aids and appliances	Durable medical goods dispensed to ambulatory patients that are used more than once, for therapeutic purposes, such as glasses, hearing aids, wheelchairs and orthopaedic appliances and prosthetics that are not implanted surgically but are external to the user of the appliance. Excludes prostheses fitted as part of admitted patient care in a hospital.
Australian Government administered expenses	Expenses incurred by the Australian Government Department of Health and Ageing (DoHA) in administering resources on behalf of the government to contribute to the specified outcome. For example, most grants in which the grantee has some control over how, when and to whom funds can be expended, including Public Health Outcome Funding Agreements (PHOFAs) payments and specific purpose payments to state and territory governments) (see also <i>Australian Government departmental expenses</i>).
Australian Government departmental expenses	Those expenses incurred by the Australian Government Department of Health and Ageing (DoHA) in the production of the Department's outputs. This mostly consists of the cost of employees but also includes suppliers of goods and services, particularly those where the Australian Government retains full control of how, when and to whom funds are to be provided.
Australian Government expenditure	Total expenditure actually incurred by the Australian Government on its own health programs. It does not include the funding provided by the Australian Government to the states and territories by way of grants under section 96 of the Constitution.
Australian Government funding	The sum of Australian Government expenditure and section 96 grants to states and territories. This also includes the 30–40% private health insurance premium rebates.
Australian Health Care Agreements (AHCAs)	The Australian Government, via a series of 5-year agreements, provides funding to each state and territory to support the provision of free public hospital services and some related state health services to all Australians. See Box 4.2 for details.
Average annual growth rate	To calculate the average annual growth rate in health expenditure between 1997–98 and 2007–08 you would apply the following formula: $\left(\frac{\$ \text{million in 2007–08}}{\$ \text{million in 1997–98}}\right)^{(1/10)} - 1 \times 100.$
Benefit-paid pharmaceuticals	Pharmaceuticals that are listed in the schedule of pharmaceuticals under the Pharmaceutical Benefits Scheme (PBS) and the Repatriation Pharmaceutical Benefits Scheme (RPBS) for which pharmaceutical benefits have been paid or are payable. Does not include listed pharmaceutical items the full cost of which is met from the patient copayment under the PBS or RPBS.
Bulk-billed service under Medicare	If a practitioner agrees to the bulk-billing method, the patient assigns his/her right to a Medicare benefit to the practitioner as full payment for the medical service. The practitioner (or any other person or company) cannot make any additional charge for the service. The practitioner then claims the Medicare benefit from Medicare in full payment of the service.
Capital consumption	Is sometimes referred to as depreciation and represents the amount of fixed capital used up each year in the provision of health goods and services.
Capital expenditure	Expenditure on fixed assets (for example, new buildings and equipment with a useful life that extends beyond one year). This does not include changes in inventories. This term is used in this publication to refer to what the ABS calls Gross fixed capital formation. See <i>capital formation</i> .
Capital formation	Gross fixed capital formation is the value of acquisitions less disposals of new or existing fixed assets. Assets consist of tangible or intangible assets that have come into existence as outputs from processes of production, and that are

	<p>themselves used repeatedly or continuously in other processes of production over periods of time longer than 1 year. See <i>Australian national accounts: concepts, sources and methods</i> (ABS cat. no. 5216.0, November 2000) for further details.</p>
Cash accounting	<p>Relates receipts and payments to the period in which the cash transfer actually occurred. Does not have the capacity to reflect non-cash transactions, such as depreciation (see also <i>Accrual accounting</i>).</p>
Chain price index	<p>An annually re-weighted index providing a close approximation to measures of pure price change.</p>
Community health services	<p>Non-residential health services offered by establishments to patients/clients, in an integrated and coordinated manner in a community setting, or the coordination of health services elsewhere in the community. Such services are provided by, or on behalf of state and territory governments.</p> <p>Includes, for example:</p> <ul style="list-style-type: none"> • well baby clinics • health services provided to particular groups, such as Aboriginal and Torres Strait Islander people, women, youth and migrants, as well as family planning services, alcohol and drug treatment services, and so forth. • specialised mental health programs for patients with mental illness that are delivered in a community setting.
Constant prices	<p>Constant price expenditure adjusts current prices for the effects of inflation, that is, it aims to remove the effects of inflation. Constant price estimates for expenditure aggregates have been derived using either annually re-weighted chain price indexes or implicit price deflators (IPDs). The reference year for both the chain price indexes and the IPDs is 2007–08 in this report. Constant price estimates indicate what expenditure would have been had 2007–08 prices applied in all years. Hence, expenditures in different years can be compared on a dollar-for-dollar basis, using this measure of changes in the volume of health goods and services.</p>
Current prices	<p>The term 'current prices' refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and volume.</p>
Dental services	<p>A range of services provided by registered dental practitioners. Includes oral and maxillofacial surgery items; orthodontic, pedodontic and periodontic services; cleft lip and palate services; dental assessment and treatment; and other dental items listed in the MBS.</p>
Excess health inflation	<p>The difference where the health inflation rate exceeds the general inflation rate; that is, the rate of increase in the price of goods and services in the health care sector exceeds the rate of increase in the price of goods and services in the economy as a whole.</p>
General inflation	<p>The increase in the general price level of goods and services in the economy.</p>
Government finance statistics (GFS)	<p>Provides details of revenues, expenses, cash flows, assets and liabilities of the Australian public sector and comprises units which are owned and/or controlled by the Australian Government, state and territory governments and local governments. See ABS 2005 for further details.</p>
Government Purpose Classification	<p>An ABS classification that classifies current outlays, capital outlays and selected other transactions of the non-financial public sector in terms of the government purposes for which the transactions are made. See ABS 2005 for further details.</p>
Gross domestic product (GDP)	<p>A statistic commonly used to indicate national income. It is the total market value of goods and services produced within a given period after deducting the cost of goods and services used up in the process of production but before deducting allowances for the consumption of fixed capital.</p>
Health administration	<p>Activities related to the formulation and administration of government and non-government policy in health and in the setting and enforcement of standards for health personnel and for hospitals, clinics, and so forth. Includes the regulation and licensing of providers of health services. Where possible, administrative costs related to the delivery of particular health goods and services are added to the direct expenditure on those goods and services.</p>

Health inflation	The increase in the price level of goods and services in the health sector.
Health research	<p>Research undertaken at tertiary institutions, in private non-profit organisations and in government facilities that has a health socioeconomic objective.</p> <p>Excludes commercially oriented research funded by private business, the costs of which are assumed to be included in the prices charged for the goods and services (for example medications that have been developed and/or supported by research activities).</p>
Highly specialised drugs	Under Section 100 of the National Health Act, certain drugs can only be supplied to patients through hospitals because only the hospitals can provide the facilities or staff necessary to oversee the appropriate use of the drugs. These drugs are funded by the Australian Government.
Hospital services	Services of a type that are normally provided to a patient who is receiving admitted patient services or non-admitted patient services in a hospital but <i>excludes</i> dental services, community health services, patient transport services, public health activities and health research undertaken within the hospital. Can include services provided off-site, such as hospital in the home, dialysis or other services.
Household final consumption expenditure (HFCE)	Net expenditure on goods and services by households and by private non-profit institutions serving households.
Implicit price deflator (IPD)	An index obtained using the ratio of current price expenditure to constant price expenditure.
Individuals' out-of-pocket funding	Payments by individuals where they meet the full cost of a good or service as well as where they share the cost of goods and services with third-party payers, for example, private health insurance funds or the Australian Government.
Injury compensation insurers	Workers compensation and compulsory third-party motor vehicle insurers.
Inpatient	An OECD term that roughly equates with the Australian 'admitted patient' classification (see <i>Admitted patient</i>).
Jurisdictions	State, territory and local governments.
Local government	A public sector unit where the political authority underlying its function is limited to a local government area or other region within a state or territory, or the functions involve policies that are primarily of concern at the local level.
Medical durables	Therapeutic devices, such as glasses, hearing aids and wheelchairs that can be used more than once.
Medical services	<p>Includes services provided by, or on behalf of, registered medical practitioners that are funded by the Medicare Benefits Schedule (MBS), DVA, compulsory motor vehicle third party insurance, workers compensation insurance, private health insurance funds, Australian Government premium rebates allocated to medical services, Medicare copayments and other out-of-pocket payments.</p> <p>Most medical services in Australia are provided on a fee for service basis and attract benefits from the Australian Government under Medicare. This includes both private in-hospital medical services and out-of-hospital medical services.</p> <p>It also includes non-MBS medical services, such as the provision of vaccines for overseas travel, as well as some expenditure by the Australian Government under funding arrangements that are alternatives to the fees for service.</p> <p>Excludes medical services provided to public admitted patients in public hospitals and medical services provided to public patients at outpatient clinics in public hospitals.</p>
Medical expenses tax rebate	<p>This tax rebate applies in regard to a wide range of health expenditures, not just expenses associated with doctors as its name might suggest. It is currently the only component of the category 'non-specific tax expenditure'. As the name indicates, 'non-specific tax expenditures' are those tax expenditures that cannot be specifically allocated to the various areas of health expenditure.</p> <p>Individuals are able to claim a rebate in respect of that part of their eligible personal health expenses that exceeds a threshold in an income year. For the 2007–08 income year, the tax rebate was 20 cents for each \$1 by which a taxpayer's net medical expenses exceeded \$1,500 (the threshold).</p>

	<p>These tax expenditures are a form of funding only. The related expenditures have already been allocated to particular area(s) of health expenditure, but it is not possible to allocate this form of funding to particular health expenditure areas.</p> <p>The Australian Department of the Treasury estimates other tax expenditures in the health area, such as the cost of exempting low income earners from the Medicare levy. These tax expenditures are not included in the Australian NHA framework.</p>
Medications	Comprises benefit-paid pharmaceuticals and other medications.
Nominal expenditure	Expenditure expressed in terms of current prices.
Non-admitted patient	Patients who receive care from a recognised non-admitted patient service/clinic of a hospital.
Non-specific tax expenditure	See <i>medical expenses tax rebate</i> .
Other health practitioner services	Services provided by health practitioners (other than doctors and dentists). These include chiropractors, optometrists, physiotherapists, speech therapists, audiologists, dietitians, podiatrists, homeopaths, naturopaths, practitioners of Chinese medicine and other forms of traditional medicine.
Other medications	<p>Pharmaceuticals for which no PBS or RPBS benefit was paid and other medications.</p> <p>Includes:</p> <ul style="list-style-type: none"> • pharmaceuticals listed in the PBS or RPBS, the total costs of which are equal to, or less than, the statutory patient contribution for the class of patient concerned • pharmaceuticals dispensed through private prescriptions that do not fulfil the criteria for payment of benefit under the PBS or RPBS • over-the-counter medicines including pharmacy-only medicines, aspirin, cough and cold medicines, vitamins and minerals, herbal and other complementary medicines, and a range of medical non-durables, such as bandages, bandaids and condoms.
Other recurrent health services n.e.c.	Miscellaneous expenditures that could not, at that time, be allocated to the specific health expenditure areas in the matrix.
Over-the-counter medicines	Therapeutic medicinal preparations that can be purchased from pharmacies and supermarkets.
Over-the-counter therapeutic medical non-durables	Non-prescription therapeutic goods that tend to be single-use items, such as bandages, elastic stockings, condoms and other mechanical contraceptive devices, from pharmacies or supermarkets.
Patient transport services	<p>Expenditure by organisations primarily engaged in providing transportation of patients by ground or air, along with health (or medical) care. These services are often provided during a medical emergency but are not restricted to emergencies. The vehicles are equipped with lifesaving equipment operated by medically trained personnel. Includes public ambulance services or flying doctor services, such as Royal Flying Doctor Service and Care Flight. Also includes patient transport programs, such as patient transport vouchers or support programs to assist isolated patients with travel to obtain specialised health care.</p> <p>For 2003–04 onwards, this category includes patient transport expenses that are included in the operating costs of public hospitals.</p>
Pharmaceutical Benefits Scheme (PBS)	A national, government-funded scheme that subsidises the cost of a wide range of pharmaceutical drugs, and that covers all Australians to help them afford standard medications.
Private Health Insurance Incentives Scheme (PHIIS)	The PHIIS, which was introduced on 1 July 1997, was to encourage more people to take out private health insurance by providing a subsidy to low-income earners who did, and a tax penalty to high-income earners who did not. Middle-income earners were not the target of this policy and as such they were neither eligible for the tax subsidy nor liable to incur a tax penalty, regardless of their private health insurance status. The scheme ceased operation on 31 December 1998.

Private hospital	A health care provider facility, other than a public hospital, that has been established under state or territory legislation as a hospital or freestanding day procedure unit and authorised to facilitate the provision of hospital services to patients. A private hospital is not defined by whether it is privately owned but by whether it is <i>not</i> a public hospital (as defined below). Private hospital expenditure includes expenditures incurred by a private hospital in providing contracted and/or ad hoc treatments for public patients.
Private patient	A person admitted to a private hospital, or a person admitted to a public hospital who is treated by a doctor of their own choice and/or who has private ward accommodation. This means that the patient will be charged for medical services, food and accommodation.
Public health activities	<p>Nine types of activities undertaken or funded by the key jurisdictional health departments that address issues related to populations, rather than individuals. These activities comprise:</p> <ul style="list-style-type: none"> • communicable disease control • selected health promotion • organised immunisation • environmental health • food standards and hygiene • breast cancer, cervical and bowel cancer screening • prevention of hazardous and harmful drug use • public health research. <p>These activities do not include treatment services.</p>
Public health services	<p>Services provided and/or funded by governments that are aimed at protecting and promoting the health of the whole population or specified population subgroups and/or preventing illness or injury in the whole population or specified population subgroups.</p> <p>Public health services do not include treatment services.</p> <p>For 1999–00 onwards public health services also include departmental costs for the following departmental regulators: Therapeutic Goods Administration, Office of Gene Technology Regulator and the National Industrial Chemicals Notification and Assessment Scheme. These departmental costs are not included in the <i>National public health expenditure</i> or <i>Public health expenditure in Australia</i> reports.</p>
Public hospital	A health care provider facility that has been established under state or territory legislation as a hospital or as a freestanding day procedure unit. Public hospitals are operated by, or on behalf of, the government of the state or territory in which they are established and are authorised under that state/territory's legislation to provide or facilitate the provision of hospital services to patients. Public hospitals are recognised under the AHCAs and include some hospitals, such as some denominational hospitals, that are privately owned. Defence force hospitals are not included in the scope of public hospitals.
Public hospital services	The balance of public hospital expenditure remaining, after community health services, public health services, non-admitted dental services, patient transport services and health research activities that are undertaken by public hospitals have been removed and reallocated to their own expenditure categories.
Public patient	A patient admitted to a public hospital who is treated by doctors of the hospital's choice and accepts shared ward accommodation if necessary. This means that the patient is not charged.
Purchasing power parity (PPP)	This exchange rate is one which adjusts for differences in the prices of goods and services between countries. It shows how much the same good or service will cost across countries.

Real expenditure	Expenditure that has been adjusted to remove the effects of inflation (for example, expenditure for all years has been compiled using 2007–08 prices). Removing the effects of inflation enables comparisons to be made between expenditures in different years on an equal dollar-for-dollar basis. Changes in real expenditure measure the change in the volume of goods and services produced.
Rebates of health insurance premiums	<p>Introduced in January 1999, a non-means tested rebate on private health insurance premiums replaced the PHHS subsidy. There are two types of rebates of health insurance premiums.</p> <p>The first rebate is where the 30–40% rebate is taken as a reduced premium payable by the individual with private health cover (with the health claiming payment from the Australian Government).</p> <p>The second rebate is taken as an income tax rebate, where individuals with private health cover elect to claim the rebate through the tax system at the end of the financial year for the 30–40% rebate, having paid the health funds 100% of their premiums up front.</p>
Recurrent expenditure	Expenditure incurred by organisations on a recurring basis, for the provision of health goods and services. This excludes capital expenditure. For all years recurrent expenditure includes capital consumption.
Repatriation Pharmaceutical Benefits Scheme (RPBS)	This scheme provides assistance to eligible veterans (with recognised war or service-related disabilities) and their dependants for both pharmaceuticals listed on the PBS and a supplementary repatriation list, at the same cost as patients entitled to the concessional payment under the PBS.
Specific purpose payments (SPPs)	Australian Government payments to the states and territories under the provisions of section 96 of the Constitution, to be used for purposes specified in agreements between the Australian Government and individual state and territory governments. Some are conditional on states and territories incurring a specified level or proportion of expenditure from their own resources.
State and territory dental services	School dental programs, community dental services and hospital dental programs funded by state and territory health authorities.
Therapeutic	Having to do with the treating or curing of a disease.
Total health price index (THPI)	The ratio of total national health expenditure at current prices, to total national health expenditure at constant prices.

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