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# Health expenditure Australia 2008–09

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**Please note that there is the potential for minor revisions of data in this report. Please check the online version at <www.aihw.gov.au> for any amendments.**

# Foreword

*Health expenditure Australia 2008–09* 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.

As noted in this report, improvements are continually underway to enhance the quality and comparability of the data. This year, the headline figure in this series of reports, health expenditure as a percentage of GDP, has been affected by changes to the methodology used by the Australian Bureau of Statistics to estimate GDP. Australia has been one of the first countries to adopt a newly developed international standard, the System of National Accounts 2008. The new system has increased the scope of production activities included in the measurement of GDP. The changes have increased the size of Australia's GDP. This in turn has had the effect of reducing Australia's health to GDP ratio, particularly in comparison with other countries that have not yet adopted the new standard. This change has been applied retrospectively to previous years to ensure the time series is consistent. The figures for previous years have therefore been revised in this report.

*Health expenditure Australia 2008–09* presents health expenditure data for the years 1998–99 to 2008–09, with detailed matrices at the national level and for each of the states and territories for the years 2006–07 to 2008–09. By providing comprehensive and detailed estimates of what is being spent on health and by whom, this report gives an indication of the affordability of the nation's health system, makes possible informed discussion about where money can be best directed, and will contribute to the development of new federal/state funding arrangements for health care.

Over time, the Institute has developed a comprehensive database of health expenditure statistics for Australia, which extends back to the early 1960s. This report continues to progress this work by basing its data collection on the newly developed Government Health Expenditure National Minimum Data Set which, in future years, will allow greater flexibility to present health expenditure statistics in ways that are more relevant for policy development. Our aim is to continue to ensure that the health expenditure statistics we publish are as precise, informative and policy relevant as possible.

To keep at the forefront of understanding health expenditure, the AIHW has agreed to participate in an OECD project to pilot the revised System of Health Accounts Manual that has been jointly developed by WHO, OECD and Eurostat. Depending on the outcome of the pilot, this involvement may lead to further improvements in health expenditure information in future years.

Penny Allbon
Director
Australian Institute of Health and Welfare

# Contents

# Acknowledgments

This report would not have been possible without the valued cooperation and effort of the data providers in the health authorities of the states and territories and the Australian Government. The Australian Institute of Health and Welfare (AIHW) would like to express its appreciation to these providers for the timely supply of data and assistance with data validation. Other data providers have also been very helpful. The AIHW also wishes to thank the members of the Health Expenditure Advisory Committee who helped to plan this report and provided advice on its content.

The collection and analysis of the data and the writing of this publication was carried out by Stephanie Bowles, Tony Hynes, Richard Juckes, Joseph Kaspar, Adam Majchrzak-Smith, Nick Mann, Michael Navaratnam, Jacqueline Rek, Kate Ridgeway and Michael Whitelaw.

# Abbreviations

| | |
|---|---|
| ABS | Australian Bureau of Statistics |
| AHCAs | Australian Health Care Agreements |
| AIHW | Australian Institute of Health and Welfare |
| COAG | Council of Australian Governments |
| CPI | consumer price index |
| DoHA | Australian Government Department of Health and Ageing |
| DVA | Australian Government Department of Veterans' Affairs |
| GDP | gross domestic product |
| GFCE | government final consumption expenditure |
| GFS | government finance statistics |
| GHE | government health expenditure |
| GP | general practitioner |
| HEAC | Health Expenditure Advisory Committee |
| HFCE | household final consumption expenditure |
| ICHA | International Classification for Health Accounts |
| IPD | implicit price deflator |
| LHC | Lifetime Health Cover |
| MBS | Medicare Benefits Schedule |
| NHA | National Health Accounts |
| 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 $112.8 billion in 2008–09. 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 9.0% of GDP in 2008–09. The $112.8 billion spent on health goods and services during 2008–09 averaged out at $5,190 per Australian.

This report looks at the period from 1998–99 to 2008–09 and includes important information about the costs of health care in Australia, in terms of both the total number of dollars spent and the proportion of Australia's national income that is spent on health. It also looks at the types of health goods and services that attracted funding and where that funding came from. The report also examines Australia's health spending from an international perspective—how it compares with the region and with other developed economies.

## Shares of expenditure

Of the total spent in 2008–09, 94.9% ($107.1 billion) was recurrent expenditure on health goods and services. The remaining 5.1% was capital expenditure ($5.7 billion).

Spending on public hospital services in 2008–09 was estimated at $33.7 billion or 31.5% of total recurrent health expenditure. Expenditure on medical services at $19.8 billion, or 18.5% of recurrent expenditure, and medications, at $15.2 billion (14.2%), were other major contributors to total recurrent health spending.

## Growth in expenditure

Total health expenditure grew by $9.2 billion between 2007–08 and 2008–09, representing growth of 8.9% in nominal terms or 5.8% in real terms (Table A8).

Increased spending on public hospital services of $1.6 billion in real terms was the largest component of the overall increase in spending in 2008–09, accounting for over one-quarter (25.6%) of the increase in that year, followed by spending on medications which grew by 1.3 billion.

Total recurrent funding for medications increased by 9.6% between 2007–08 and 2008–09, well above the average growth of the previous 6 years of 6.9% (2003–04 to 2008–09). This increase has been strongly influenced by a 9.7% growth in expenditure on benefit–paid pharmaceuticals between 2007–08 and 2008–09.

The area of expenditure with the highest percentage growth was health research, which grew by 29.7% in real terms, although this is likely to partly reflect the impact of a changed survey methodology used by the Australian Bureau of Statistics. Patient transport services (largely made up of ambulance services) had the second highest percentage growth in 2008–09—up 15.4%.

Between 1998–99 and 2008–09, Australia's expenditure on health in real terms (after adjustment for inflation), grew at an average of 5.4% per year, compared with average growth in real GDP of 3.2% per year.

## Percentage of GDP

It is important to note that the GDP figure for 2008–09 includes an increased scope of production activities due to Australia adopting a new international standard, the System of National Accounts 2008. As a result, percentages of health expenditure to GDP reported in previous reports in this series are now out of date.

In 2007–08, health expenditure totalled $103.6 billion and its proportion of GDP has been revised to 8.8%.

## Government share of expenditure

Governments funded 69.7% of total health expenditure during 2008–09, up from 68.7% in 2007-08 and up from 67.0% of expenditure in 1998–99.

The Australian Government's share of public hospital funding was 44.3% in 1998–99 and this decreased to 38.6% in 2006–07. The share of public hospital funding provided by the Australian Government has since increased to 39.6% in 2008–09. State and territory governments' share of public hospital expenditure was 51.2% in 2008–09, down from 52.8% in 2007–08 but up from 48.4% in 1998–99.

## Expenditure in each state and territory

In terms of health expenditure occurring in each state and territory (that is, expenditure funded by all sources, not just that by the state or territory governments in question), over half (57%) of the $107.1 billion in national recurrent health expenditure in 2008–09 was spent in the two most populous states, New South Wales ($34.6 billion) and Victoria ($26 billion).

The average annual growth in recurrent health expenditure between 2003–04 and 2008–09 ranged between 4.4% in New South Wales and 7.5% in the Northern Territory. In comparison, the national average growth in recurrent health expenditure was 5.4% in the same period.

## International comparisons

According to the Organisation for Economic Co-operation and Development (OECD) definitions, Australia's health expenditure as a proportion of GDP was 8.7%, which was 0.4 percentage points lower than the median in 2008 for member states of the OECD. United States health expenditure as a proportion of GDP in 2008 was 16.0%. The change to the calculation of GDP adopted by Australia has also impacted on international comparisons reducing Australia's health to GDP ratio, particularly in comparison with other countries that have not yet adopted the new standard.

Government funding of health expenditure as a proportion of total health expenditure was 66.8% for Australia in 2008 as compared to the median for OECD countries of 74.8%.

# 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 1998–99 to 2008–09. 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 Australian Institute of Health and Welfare (AIHW) has used for reporting expenditure on health since 1985 is based on the World Health Organization's (WHO) reporting structure, which it adopted during the 1970s. That WHO structure was generally referred to as the National Health Accounts (NHA). The Australian version is the Australian National Health Accounts. Australia's reporting format has not changed markedly since the Institute's first national health expenditure report in 1985, despite considerable change in the way health care is delivered and financed.

In more recent times, the Organisation for Economic Co-operation and Development (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 AIHW has incorporated the SHA framework into its database and reports to the 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 is 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 37.4% in 2008–09 and the states and territories funded 52.7%, 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.

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 37.4% in 2008–09 and the states and territories funded 52.7%, 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 2008–09, the constant price estimates indicate what expenditure would have been had 2008–09 prices applied in all years.

Throughout this publication there are references to the general rate of inflation. These refer to changes in economy-wide prices, not just consumer prices. The ABS calculates the general rate of inflation using the IPD for 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 invalidate comparisons in expenditure at current prices over longer time periods. This is because the value of the currencies that purchased those goods and services 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 AIHW has identified tools that it can use to calculate average changes in prices for each of the health goods and services categories that make up total health expenditure in Australia. These are known as 'deflators'. Deflators are useful for removing the effect of those price changes. Because the prices of different goods and services move at different rates, no one deflator can be used to deflate all expenditures.

**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 2008–09.

**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.

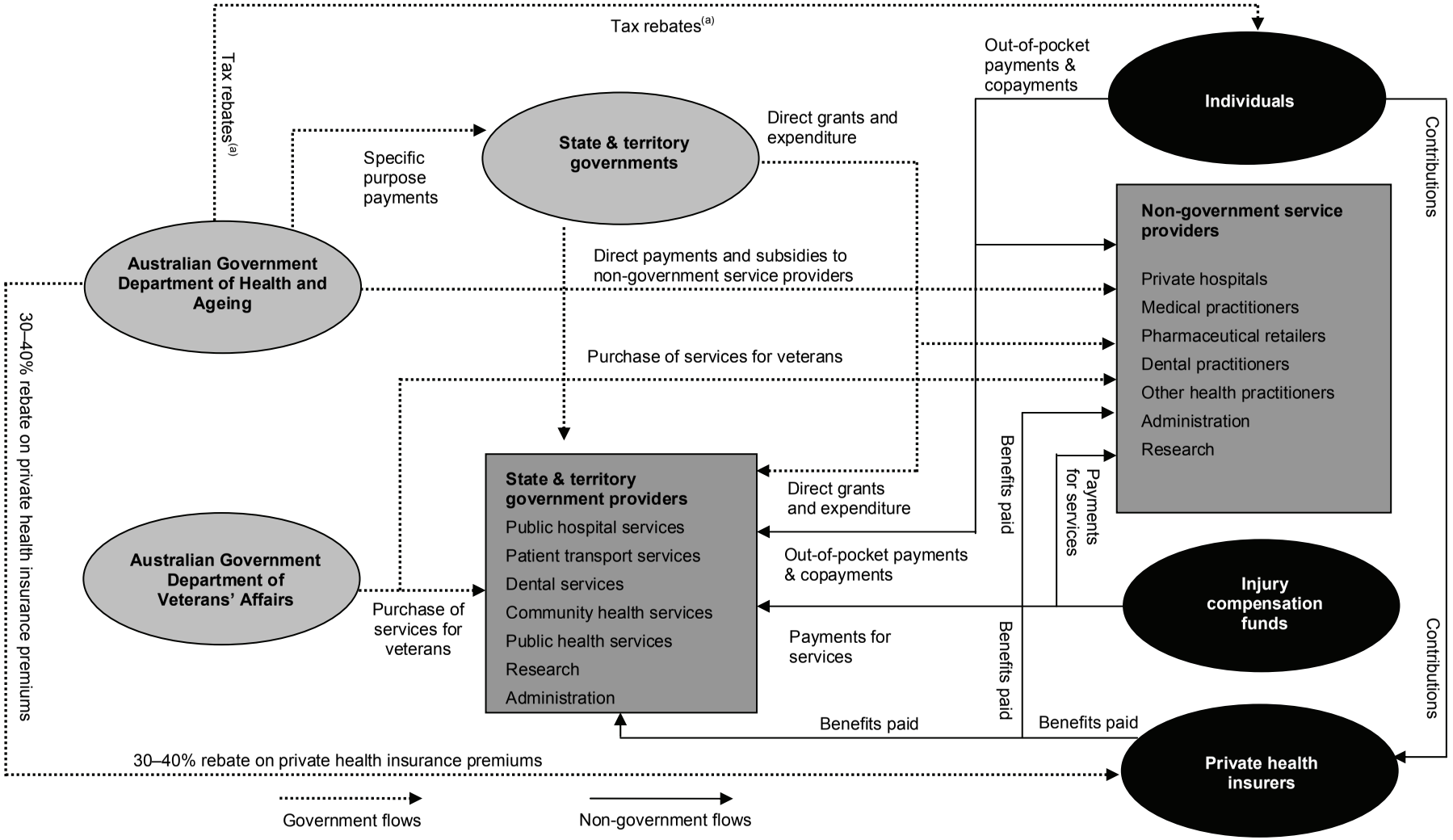
## 1.1 The structure of the health sector and its flow of funds

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 that hospitals receive). Figure 1.1 shows the major flows of funding between the government and non-government sectors and the providers of health goods and services.

Non-government providers deliver most non-hospital health care in Australia, among them private medical and dental practitioners, other health practitioners (such as physiotherapists, acupuncturists and podiatrists) and pharmaceutical retailers. 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 is available 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, is funded jointly by the states and territories and the Australian Government.
- Private hospital activity is 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 2007–08, 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 AIHW's online data cubes also incorporate this change for all years back to 1961.

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

## 1.3 Revisions to ABS estimates

Revisions to ABS estimates of GDP have affected the estimates in this publication, as in previous issues. GDP estimates for this publication are sourced from the ABS (ABS 2010a).

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

These changes have been applied retrospectively so health expenditure to GDP ratios for previous years are not consistent with those shown in previous *Health expenditure Australia* reports.

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

## 1.4 Structure of report

The first chapter of this report provides the background to the structure of the Australian health sector and how money flows throughout the system. It also 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 2008–09 (and back to 1998–99) 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.

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

# 2 Total health expenditure

Total expenditure on health goods and services in Australia in 2008–09 was estimated at $112.8 billion (Table 2.1). Of this, 94.9% was recurrent expenditure and 5.1% was capital expenditure (Table A3). Expenditure in 2008–09 was 8.9% higher than in the previous year (an increase of $9.2 billion). This was due to a 5.8% 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 2007–08 and 2008–09 was 5.8%. This was 0.4 percentage points above the average for the decade 1998–99 to 2008–09 (5.4%).

**Table 2.1: Total health expenditure, current and constant prices[a], and annual rates of change, 1998–99 to 2008–09**

| | Amount ($ million) | | Change from previous year (%) | |
|---|---|---|---|---|
| Year | Current | Constant | Nominal change[b] | Real growth[b] |
| 1998–99 | 48,428 | 66,458 | | |
| 1999–00 | 52,570 | 70,585 | 8.6 | 6.2 |
| 2000–01 | 58,269 | 75,468 | 10.8 | 6.9 |
| 2001–02 | 63,099 | 79,200 | 8.3 | 4.9 |
| 2002–03 | 68,798 | 83,640 | 9.0 | 5.6 |
| 2003–04 | 73,509 | 86,419 | 6.8 | 3.3 |
| 2004–05 | 81,061 | 91,902 | 10.3 | 6.3 |
| 2005–06 | 86,685 | 94,456 | 6.9 | 2.8 |
| 2006–07 | 94,938 | 99,995 | 9.5 | 5.9 |
| 2007–08 | 103,563 | 106,597 | 9.1 | 6.6 |
| 2008–09 | 112,799 | 112,799 | 8.9 | 5.8 |
| | | Average annual change (%) | | |
| 1998–99 to 2003–04 | | | 8.7 | 5.4 |
| 2003–04 to 2008–09 | | | 8.9 | 5.5 |
| 1998–99 to 2008–09 | | | 8.8 | 5.4 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

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

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

**Box 2.1: Inflation**

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

**General inflation**

General inflation refers to the average rate of change in prices throughout the economy over time. The 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 D).

**Excess health inflation**

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

Total health expenditure increased in nominal terms from $48.4 billion in 1998–99 to $112.8 billion in 2008–09 (Table 2.1).

## 2.2 Health expenditure and the GDP

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

This is the first *Health expenditure Australia* published since the GDP revision. Health expenditure to GDP ratios in this publication, for 2008–09 and for earlier years, will not be consistent with those published in previous Health expenditure Australia reports.

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

Spending on health accounted for 9.0% of GDP in 2008–09. This was an increase of 0.2 percentage points from 2007–08 and an increase of 1.2 percentage points from the 7.8% of GDP in 1998–99 (Table 2.2). The largest annual increase in the ratio between 1998–99 and 2008–09 occurred in 2000–01 when it increased by 0.3 percentage points from 7.9% to 8.2%.

**Table 2.2: Total health expenditure and GDP, current prices, and annual health to GDP ratios, 1998–99 to 2008–09**

| Year | Total health expenditure ($ million) | GDP | Ratio of health expenditure to GDP (%) |
|---|---|---|---|
| 1998–99 | 48,428 | 622,695 | 7.8 |
| 1999–00 | 52,570 | 663,867 | 7.9 |
| 2000–01 | 58,269 | 708,889 | 8.2 |
| 2001–02 | 63,099 | 759,204 | 8.3 |
| 2002–03 | 68,798 | 804,361 | 8.6 |
| 2003–04 | 73,509 | 864,955 | 8.5 |
| 2004–05 | 81,061 | 925,864 | 8.8 |
| 2005–06 | 86,685 | 1,000,787 | 8.7 |
| 2006–07 | 94,938 | 1,091,327 | 8.7 |
| 2007–08 | 103,563 | 1,181,750 | 8.8 |
| 2008–09 | 112,799 | 1,256,118 | 9.0 |

*Sources:* AIHW health expenditure database and ABS 2010a.

## Differential growth in health expenditure and GDP

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

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

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

Over the decade from 1998–99 to 2008–09, expenditure on health grew at an average of 5.4% per year, compared with an average annual real growth in GDP of 3.2% (Table 2.3). Both GDP and health expenditure grew in every year from 1998–99 to 2008–09.

Apart from 2 years, 2003–04 and 2005–06, health expenditure grew more strongly than GDP for all years since 1998–99. The greatest diversion between the growth of health expenditure and GDP occurred in 2000–01 when the health expenditure and GDP growth rates were 6.9% and 2.0%, respectively.

Growth rates for GDP were generally higher for the period 1998–99 to 2003–04 (averaging 3.4%) compared to average rates for the period 2003–04 to 2008–09 (2.9%). By contrast, annual growth rates for health expenditure were slightly higher on average for the period after 2003–04 (5.5%) than they were before (5.4%).

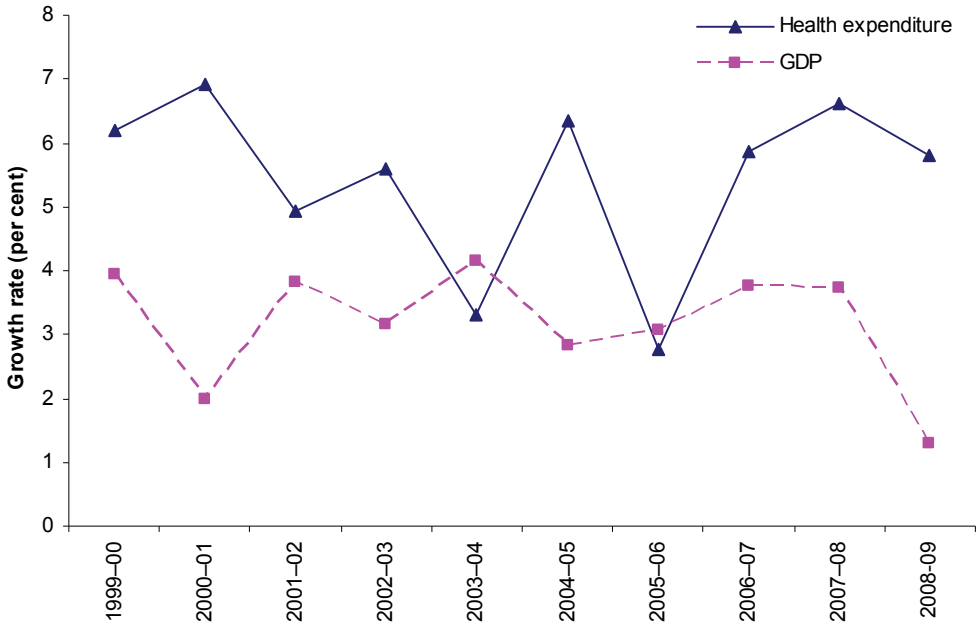
In 2008–09, health expenditure increased by 5.8% and GDP increased by 1.3%, the smallest increase in over 10 years. The real health expenditure growth rate for 2008–09 (5.8%) was 0.8 percentage points lower than the previous year and 0.4 percentage points higher than the average annual growth rate (5.4%) over the decade.

**Table 2.3: Total health expenditure and GDP, constant prices[a], and annual growth rates, 1998–99 to 2008–09**

| | Total health expenditure | | GDP | |
|---|---|---|---|---|
| Year | Amount ($ million) | Growth rate (%) | Amount ($ million) | Growth rate (%) |
| 1998–99 | 66,458 | | 919,182 | |
| 1999–00 | 70,585 | 6.2 | 955,490 | 4.0 |
| 2000–01 | 75,468 | 6.9 | 974,409 | 2.0 |
| 2001–02 | 79,200 | 4.9 | 1,011,728 | 3.8 |
| 2002–03 | 83,640 | 5.6 | 1,043,699 | 3.2 |
| 2003–04 | 86,419 | 3.3 | 1,086,908 | 4.1 |
| 2004–05 | 91,902 | 6.3 | 1,117,777 | 2.8 |
| 2005–06 | 94,456 | 2.8 | 1,152,092 | 3.1 |
| 2006–07 | 99,995 | 5.9 | 1,195,526 | 3.8 |
| 2007–08 | 106,597 | 6.6 | 1,240,119 | 3.7 |
| 2008–09 | 112,799 | 5.8 | 1,256,118 | 1.3 |
| | | Average annual growth rate (%) | | |
| 1998–99 to 2003–04 | | 5.4 | | 3.4 |
| 2003–04 to 2008–09 | | 5.5 | | 2.9 |
| 1998–99 to 2008–09 | | 5.4 | | 3.2 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

*Sources:* AIHW health expenditure database and ABS 2010a.




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

(b) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

*Source:* Table 2.3.

**Figure 2.1: Annual growth[a] of health expenditure and GDP, constant prices[b], 1999–2000 to 2008–09**

## 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 1998–99 (Table 2.4). In some years they moved in the same direction, but at different rates; in others they have moved in different directions.

Health inflation has been lower than general inflation for 7 of the past 10 years. The average excess health inflation over the past 5 years (–1.3%) was 1.2% lower than for the 5 years from 1998–99 to 2003–04. Health inflation was nearly 2 per cent lower (1.9%) than general inflation in 2008–09 (Table 2.4).

The GDP deflator is the generally accepted measure of inflation for the economy and gives a good indication of the 'opportunity cost' of health spending to the economy as a whole. However as the GDP deflator includes the price received for exports, during times of large increases in export prices, the GDP deflator shows increases which are not due to goods and services that consumers themselves consume. If the desire was to measure the impact of health spending on consumers, the price change related to total final consumption expenditure may be a better indicator of general inflation. This would have given an inflation rate of 1.2% in 2008–09 (ABS 2010a) rather than 4.9%, and a positive excess health inflation rate for the year.

**Table 2.4: Annual rates of health inflation, 1998–99 to 2008–09 (per cent)**

| Period | Health inflation[(a)] | General inflation[(b)] | Excess health inflation |
|---|---|---|---|
| 1998–99 to 1999–00 | 2.2 | 2.6 | –0.3 |
| 1999–00 to 2000–01 | 3.7 | 4.7 | –1.0 |
| 2000–01 to 2001–02 | 3.2 | 3.1 | 0.0 |
| 2001–02 to 2002–03 | 3.2 | 2.7 | 0.5 |
| 2002–03 to 2003–04 | 3.4 | 3.3 | 0.1 |
| 2003–04 to 2004–05 | 3.7 | 4.1 | –0.4 |
| 2004–05 to 2005–06 | 4.0 | 4.9 | –0.8 |
| 2005–06 to 2006–07 | 3.5 | 5.1 | –1.6 |
| 2006–07 to 2007–08 | 2.3 | 4.4 | –2.0 |
| 2007–08 to 2008–09 | 2.9 | 4.9 | –1.9 |
| **Average annual growth rate (%)** | | | |
| 1998–99 to 2003–04 | 3.1 | 3.3 | –0.1 |
| 2003–04 to 2008–09 | 3.3 | 4.7 | –1.3 |
| 1998–99 to 2008–09 | 3.2 | 4.0 | –0.7 |

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

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

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

*Sources:* AIHW health expenditure database and ABS 2010a.

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 2008–09, the ratio of health expenditure to GDP was 9.0%, an increase of 0.2 percentage points on the previous year (Table 2.5). This comprised a 4.5% increase in the volume of health goods and services, relative to the increase in GDP volume, and a 1.9% 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 –1.1% (Table 2.5). This comprised a decrease in the volume of health goods and services relative to the increase in GDP volume (–0.3%) and a greater decrease (–0.8%) in health prices relative to general inflation.

**Table 2.5: Components of the annual change in the health expenditure to GDP ratio, 1998–99 to 2008–09 (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 |
| 1998–99 | 7.8 | | | |
| 1999–00 | 7.9 | 1.8 | 2.2 | –0.3 |
| 2000–01 | 8.2 | 3.8 | 4.8 | –1.0 |
| 2001–02 | 8.3 | 1.1 | 1.1 | 0.0 |
| 2002–03 | 8.6 | 2.9 | 2.4 | 0.5 |
| 2003–04 | 8.5 | –0.6 | –0.8 | 0.1 |
| 2004–05 | 8.8 | 3.0 | 3.4 | –0.4 |
| 2005–06 | 8.7 | –1.1 | –0.3 | –0.8 |
| 2006–07 | 8.7 | 0.4 | 2.0 | –1.6 |
| 2007–08 | 8.8 | 0.7 | 2.8 | –2.0 |
| 2008–09 | 9.0 | 2.5 | 4.5 | –1.9 |

(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 2010a.

# 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 2008–09, estimated per person expenditure on health averaged $5,190, which was $323 more per person than in the previous year (Table 2.6). Real growth in per person health expenditure between 1998–99 and 2008–09 averaged 3.9% per year, compared with 5.4% 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, 1998–99 to 2008–09**

| | Amount ($) | | Annual change in expenditure (%) | |
|---|---|---|---|---|
| Year | Current | Constant | Nominal change | Real growth |
| 1998–99 | 2,573 | 3,531 | | |
| 1999–00 | 2,760 | 3,706 | 7.3 | 5.0 |
| 2000–01 | 3,022 | 3,913 | 9.5 | 5.6 |
| 2001–02 | 3,230 | 4,054 | 6.9 | 3.6 |
| 2002–03 | 3,479 | 4,229 | 7.7 | 4.3 |
| 2003–04 | 3,673 | 4,317 | 5.6 | 2.1 |
| 2004–05 | 4,001 | 4,536 | 8.9 | 5.1 |
| 2005–06 | 4,218 | 4,596 | 5.4 | 1.3 |
| 2006–07 | 4,546 | 4,788 | 7.8 | 4.2 |
| 2007–08 | 4,867 | 5,009 | 7.1 | 4.6 |
| 2008–09 | 5,190 | 5,190 | 6.7 | 3.6 |
| | Average annual growth rate (%) | | | |
| 1998–99 to 2003–04 | | | 7.4 | 4.1 |
| 2003–04 to 2008–09 | | | 7.2 | 3.8 |
| 1998–99 to 2008–09 | | | 7.3 | 3.9 |

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

(b) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

*Source:* AIHW health expenditure database.

# 2.4 Recurrent health expenditure

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

Recurrent expenditure usually accounts for around 95% of all expenditure on health goods and services in a year (Table 2.7). In 2008–09, recurrent expenditure was $107.1 billion (94.9% of total expenditure). The remainder is incremental change in the health-related capital stock—capital expenditure.

Total health expenditure and recurrent expenditure both grew at 5.4% per year between 1998–99 and 2008–09. After 2003–04 annual growth averaged 5.5% for total health expenditure and 5.4% for recurrent expenditure (Table 2.8).

**Table 2.7: Total and recurrent health expenditure, current prices, and recurrent expenditure as a proportion of total health expenditure, 1998–99 to 2008–09**

| Year | Total health expenditure ($ million) | Recurrent expenditure ($ million) | Recurrent as a proportion of total health expenditure (%) |
|---|---|---|---|
| 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 | 81,061 | 76,781 | 94.7 |
| 2005–06 | 86,685 | 81,933 | 94.5 |
| 2006–07 | 94,938 | 89,449 | 94.2 |
| 2007–08 | 103,563 | 98,017 | 95 |
| 2008–09 | 112,799 | 107,099 | 94.9 |

*Source:* AIHW health expenditure database.

**Table 2.8: Total and recurrent health expenditure, constant prices[(a)] and annual growth rates, 1998–99 to 2008–09**

| | Total health expenditure | | Recurrent expenditure | |
|---|---|---|---|---|
| Year | ($ million) | Annual growth (%) | ($ million) | Annual growth (%) |
| 1998–99 | 66,458 | | 63,396 | |
| 1999–00 | 70,585 | 6.2 | 66,899 | 5.5 |
| 2000–01 | 75,468 | 6.9 | 71,595 | 7.0 |
| 2001–02 | 79,200 | 4.9 | 75,026 | 4.8 |
| 2002–03 | 83,640 | 5.6 | 79,119 | 5.5 |
| 2003–04 | 86,419 | 3.3 | 82,302 | 4.0 |
| 2004–05 | 91,902 | 6.3 | 87,147 | 5.9 |
| 2005–06 | 94,456 | 2.8 | 89,300 | 2.5 |
| 2006–07 | 99,995 | 5.9 | 94,221 | 5.5 |
| 2007–08 | 106,597 | 6.6 | 100,886 | 7.1 |
| 2008–09 | 112,799 | 5.8 | 107,099 | 6.2 |
| | **Average annual growth rate (%)** | | | |
| 1998–99 to 2003–04 | | 5.4 | | 5.4 |
| 2003–04 to 2008–09 | | 5.5 | | 5.4 |
| 1998–99 to 2008–09 | | 5.4 | | 5.4 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

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

*Source:* AIHW health expenditure database.

## Recurrent expenditure, by state and territory

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

To the greatest extent possible, the Institute has applied consistent estimation methods and data sources across all the states and territories. But there could be differences from one jurisdiction to another in the quality of 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 $107.1 billion in national recurrent health expenditure in 2008–09, over half (57%) was spent in the two most populous states, New South Wales ($34.6 billion) and Victoria ($26 billion) (Table 2.9).

The average annual growth in recurrent health expenditure between 2003–04 and 2008–09 ranged between 4.4% in New South Wales and 7.5% in the Northern Territory (Table 2.10). In contrast, the national average growth in recurrent health expenditure was 5.4% in the same period.

**Table 2.9: Total recurrent health expenditure, current prices, for each state and territory, all sources of funds, 1998–99 to 2008–09 ($ million)**

| Year | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Australia |
|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 2008–09 | 34,578 | 26,090 | 21,063 | 10,996 | 8,436 | 2,472 | 1,987 | 1,477 | 107,099 |

*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, 1998–99 to 2008–09**

| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Australia |
|---|---|---|---|---|---|---|---|---|---|
| Year | | | | | $ million | | | | |
| 1998–99 | 22,403 | 15,325 | 11,323 | 5,791 | 5,040 | 1,555 | 1,223 | 735 | 63,396 |
| 1999–00 | 22,930 | 16,445 | 12,045 | 6,218 | 5,363 | 1,664 | 1,420 | 814 | 66,899 |
| 2000–01 | 24,202 | 17,958 | 13,211 | 6,756 | 5,565 | 1,754 | 1,288 | 862 | 71,595 |
| 2001–02 | 25,378 | 19,055 | 13,469 | 7,053 | 5,775 | 1,994 | 1,414 | 889 | 75,026 |
| 2002–03 | 26,376 | 20,286 | 14,225 | 7,705 | 6,223 | 1,839 | 1,511 | 954 | 79,119 |
| 2003–04 | 27,902 | 20,418 | 14,757 | 8,188 | 6,559 | 1,855 | 1,596 | 1,027 | 82,302 |
| 2004–05 | 29,719 | 21,397 | 15,658 | 8,679 | 6,997 | 1,929 | 1,690 | 1,079 | 87,147 |
| 2005–06 | 29,719 | 22,022 | 16,734 | 8,817 | 7,124 | 2,015 | 1,713 | 1,156 | 89,300 |
| 2006–07 | 31,036 | 23,078 | 18,156 | 9,465 | 7,335 | 2,121 | 1,816 | 1,213 | 94,221 |
| 2007–08 | 32,802 | 24,470 | 19,700 | 10,311 | 7,992 | 2,360 | 1,901 | 1,349 | 100,886 |
| 2008–09 | 34,578 | 26,090 | 21,063 | 10,996 | 8,436 | 2,472 | 1,987 | 1,477 | 107,099 |
| | | | | | Average annual growth rate (%) | | | | |
| 1998–99 to 2003–04 | 4.5 | 5.9 | 5.4 | 7.2 | 5.4 | 3.6 | 5.5 | 6.9 | 5.4 |
| 2003–04 to 2008–09 | 4.4 | 5.0 | 7.4 | 6.1 | 5.2 | 5.9 | 4.5 | 7.5 | 5.4 |
| 1998–99 to 2008–09 | 4.4 | 5.5 | 6.4 | 6.6 | 5.3 | 4.7 | 5.0 | 7.2 | 5.4 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

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

*Source:* AIHW health expenditure database.

## Average recurrent expenditure per person

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

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

On a per person basis, in 2008–09, the estimated national average level of recurrent expenditure on health was $4,928 per person (Table 2.11 and Figure 2.2). In that year, expenditure in Queensland ($4,823 per person) was 2.1% below the national average, while the Northern Territory's average spending ($6,625 per person) was 34.4% higher than the national average. Table 2.12 shows the average recurrent health expenditure per person after adjusting for the effects of inflation. The average annual real growth per person over the period 2003–04 to 2008–09 was highest in the Northern Territory (5.3%). The national average for that period was 3.7% (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, 1998–99 to 2008–09 ($)**

| Year | NSW | Vic | Qld | WA | SA | Tas | NT | Australia[(c)] |
|---|---|---|---|---|---|---|---|---|
| 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 | 4,603 | 4,506 | 4,484 | 4,671 | 4,840 | 4,629 | 5,977 | 4,606 |
| 2008–09 | 4,885 | 4,844 | 4,823 | 4,969 | 5,229 | 4,936 | 6,625 | 4,928 |
| | **Percentage variation from the national average** | | | | | | | |
| 1998–99 | 3.4 | –0.6 | –3.8 | –5.9 | –1.5 | 0.0 | 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 | –0.1 | –2.2 | –2.6 | 1.4 | 5.1 | 0.5 | 29.8 | |
| 2008–09 | –0.9 | –1.7 | –2.1 | 0.8 | 6.1 | 0.2 | 34.4 | |

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

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

(c) Australian average includes ACT.

*Source:* AIHW health expenditure database.


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

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

(c) 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)], 2008–09 ($)**

**Table 2.12: Average recurrent health expenditure per person[(a)], constant prices[(b)], for each state and territory[(c)], all sources of funds, 1998–99 to 2008–09 ($)**

| Year | NSW | Vic | Qld | WA | SA | Tas | NT | Australia[(d)] |
|---|---|---|---|---|---|---|---|---|
| 1998–99 | 3,514 | 3,287 | 3,259 | 3,152 | 3,374 | 3,297 | 3,840 | 3,368 |
| 1999–00 | 3,555 | 3,488 | 3,411 | 3,338 | 3,570 | 3,529 | 4,192 | 3,513 |
| 2000–01 | 3,706 | 3,762 | 3,675 | 3,578 | 3,689 | 3,719 | 4,385 | 3,713 |
| 2001–02 | 3,842 | 3,941 | 3,669 | 3,684 | 3,808 | 4,223 | 4,477 | 3,840 |
| 2002–03 | 3,965 | 4,145 | 3,780 | 3,974 | 4,077 | 3,871 | 4,786 | 4,001 |
| 2003–04 | 4,170 | 4,121 | 3,827 | 4,160 | 4,270 | 3,859 | 5,114 | 4,112 |
| 2004–05 | 4,415 | 4,265 | 3,967 | 4,340 | 4,524 | 3,980 | 5,287 | 4,301 |
| 2005–06 | 4,378 | 4,328 | 4,138 | 4,325 | 4,565 | 4,127 | 5,545 | 4,345 |
| 2006–07 | 4,523 | 4,460 | 4,384 | 4,537 | 4,651 | 4,314 | 5,704 | 4,511 |
| 2007–08 | 4,713 | 4,640 | 4,635 | 4,810 | 5,012 | 4,762 | 6,201 | 4,741 |
| 2008–09 | 4,885 | 4,844 | 4,823 | 4,969 | 5,229 | 4,936 | 6,625 | 4,928 |

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

(b) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

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

(d) 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], 1998–99 to 2008–09 (per cent)**

| Period | NSW | Vic | Qld | WA | SA | Tas | NT | Australia[d] |
|---|---|---|---|---|---|---|---|---|
| 1998–99 to 1999–00 | 1.2 | 6.1 | 4.7 | 5.9 | 5.8 | 7.0 | 9.2 | 4.3 |
| 1999–00 to 2000–01 | 4.2 | 7.9 | 7.8 | 7.2 | 3.3 | 5.4 | 4.6 | 5.7 |
| 2000–01 to 2001–02 | 3.7 | 4.8 | –0.2 | 3.0 | 3.2 | 13.5 | 2.1 | 3.4 |
| 2001–02 to 2002–03 | 3.2 | 5.2 | 3.0 | 7.9 | 7.1 | –8.3 | 6.9 | 4.2 |
| 2002–03 to 2003–04 | 5.2 | –0.6 | 1.2 | 4.7 | 4.7 | –0.3 | 6.9 | 2.8 |
| 2003–04 to 2004–05 | 5.9 | 3.5 | 3.7 | 4.3 | 6.0 | 3.1 | 3.4 | 4.6 |
| 2004–05 to 2005–06 | –0.8 | 1.5 | 4.3 | –0.3 | 0.9 | 3.7 | 4.9 | 1.0 |
| 2005–06 to 2006–07 | 3.3 | 3.1 | 5.9 | 4.9 | 1.9 | 4.5 | 2.9 | 3.8 |
| 2006–07 to 2007–08 | 4.2 | 4.0 | 5.7 | 6.0 | 7.8 | 10.4 | 8.7 | 5.1 |
| 2007–08 to 2008–09 | 3.6 | 4.4 | 4.1 | 3.3 | 4.3 | 3.6 | 6.8 | 3.9 |
| **Average annual growth rate (%)** | | | | | | | | |
| 1998–99 to 2003–04 | 3.5 | 4.6 | 3.3 | 5.7 | 4.8 | 3.2 | 5.9 | 4.1 |
| 2003–04 to 2008–09 | 3.2 | 3.3 | 4.7 | 3.6 | 4.1 | 5.0 | 5.3 | 3.7 |
| 1998–99 to 2008–09 | 3.4 | 4.0 | 4.0 | 4.7 | 4.5 | 4.1 | 5.6 | 3.9 |

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

(b) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

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

(d) Australian average includes ACT.

*Source:* AIHW health expenditure database.

# 3 Funding of health expenditure

## 3.1 Broad trends

In 2008–09, governments provided $78.6 billion or 69.7% of the total to fund health expenditure in Australia. The contribution of the Australian Government was $48.7 billion (43.2% of total funding) and state, territory and local governments contributed $29.9 billion (26.5%) (tables 3.1 and 3.2).

Non-government funding sources (individuals, private health insurance and other non-government sources) provided the remaining $34.2 billion (30.3%).

Funding by the Australian Government increased between 2007–08 and 2008–09 by $4.0 billion; state, territory and local governments' funding by $3.5 billion; and non-government funding by $1.8 billion.

**Table 3.1: Total funding for health expenditure, current prices, by source of funds, 1998–99 to 2008–09 ($ million)**

| | Government | | | | |
|---|---|---|---|---|---|
| Year | Australian Government[(a)] | State/territory and local | Total | Non-government[(a)] | Total |
| 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 | 26,143 | 81,061 |
| 2005–06 | 37,074 | 21,907 | 58,981 | 27,704 | 86,685 |
| 2006–07 | 39,872 | 24,485 | 64,358 | 30,581 | 94,938 |
| 2007–08 | 44,773 | 26,379 | 71,152 | 32,411 | 103,563 |
| 2008–09 | 48,734 | 29,855 | 78,589 | 34,210 | 112,799 |

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

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

*Source:* AIHW health expenditure database.

At the broad level, the relative shares of funding by the different funding sources altered little between 1998–99 and 2008–09. The Australian Government's contribution ranged from a low of 42.0% in 2006–07 to a high of 44.4% in 2000–01, while the state, territory and local governments' contribution ranged from a low of 23.2% in 2001–02 to a high of 26.5% in 2008–09. Funding by the non-government sector ranged from 30.3% to 33.0% (Table 3.2 and Figure 3.1).

**Table 3.2: Total funding for health expenditure, by source of funds as a proportion of total health expenditure, 1998–99 to 2008–09 (per cent)**

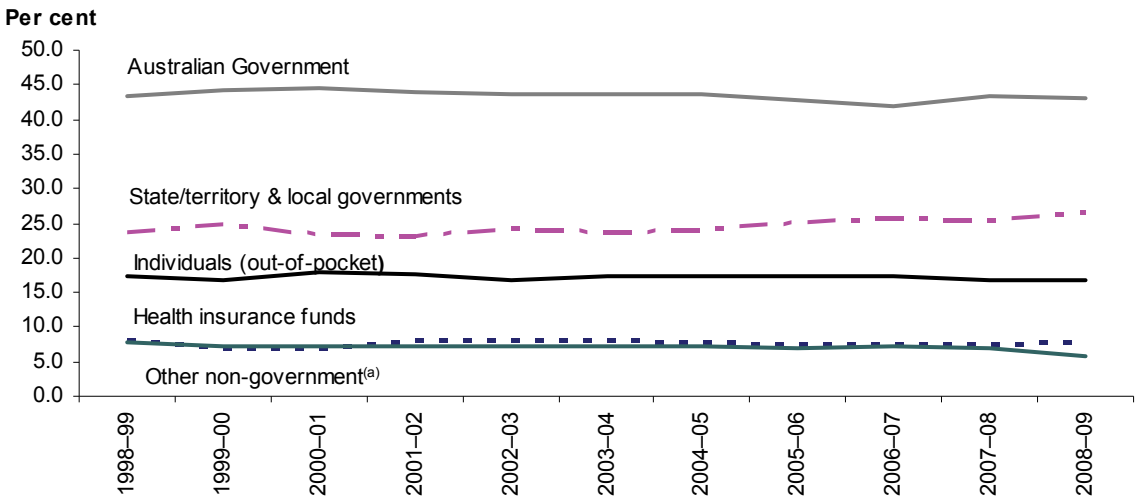
| | Government | | | Non-government | | | |
|---|---|---|---|---|---|---|---|
| Year | Australian Government[(a)] | State/ territory and local | Total | Health insurance funds | Individuals[(a)] | Other | Total |
| 1998–99 | 43.3 | 23.7 | 67.0 | 8.0 | 17.3 | 7.8 | 33.0 |
| 1999–00 | 44.3 | 24.9 | 69.2 | 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 | 17.5 | 7.3 | 32.8 |
| 2004–05 | 43.8 | 24.0 | 67.7 | 7.7 | 17.4 | 7.1 | 32.3 |
| 2005–06 | 42.8 | 25.3 | 68.0 | 7.6 | 17.4 | 6.9 | 32.0 |
| 2006–07 | 42.0 | 25.8 | 67.8 | 7.6 | 17.4 | 7.2 | 32.2 |
| 2007–08 | 43.2 | 25.5 | 68.7 | 7.6 | 16.8 | 6.9 | 31.3 |
| 2008–09 | 43.2 | 26.5 | 69.7 | 7.8 | 16.8 | 5.7 | 30.3 |

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

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

*Source:* AIHW health expenditure database.

The Australian Government's contribution in 2008–09 was 43.2%, which was 0.1 of a percentage point lower than in 1998–99, but unchanged from 2007–08. The contribution of the state, territory and local governments in 2008–09 was 26.5%, 2.8 percentage points higher than in 1998–99 (Table 3.2).




(a) Largely funding by injury compensation insurers.

*Source:* AIHW health expenditure database.

**Figure 3.1: Total health expenditure, by source of funds as a proportion of total health expenditure, 1998–99 to 2008–09 (per cent)**

Health funding can also be expressed as a proportion of GDP. Over the decade from 1998–99 to 2008–09, 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 state, territory and local governments, from 1.8% to 2.4% of GDP (Table 3.3). Funding by the Australian Government increased from 3.4% to 3.9%. Non-government funding sources increased from 2.6% to 2.7% of GDP.

**Table 3.3: Total health expenditure, current prices, by source of funds as a proportion of GDP, 1998–99 to 2008–09 (per cent)**

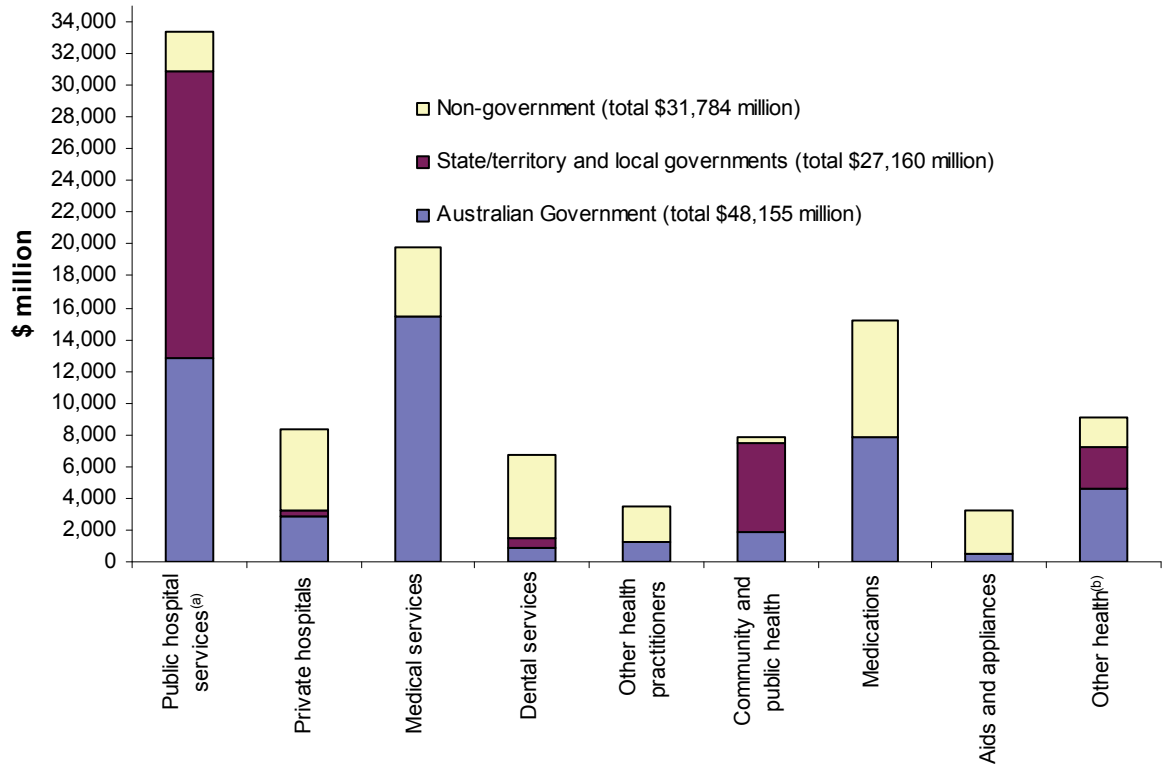
| | Government | | | | |
|---|---|---|---|---|---|
| Year | Australian Government[(a)] | State/territory and local | Total | Non-government[(a)] | Total |
| 1998–99 | 3.4 | 1.8 | 5.2 | 2.6 | 7.8 |
| 1999–00 | 3.5 | 2.0 | 5.5 | 2.4 | 7.9 |
| 2000–01 | 3.6 | 1.9 | 5.6 | 2.7 | 8.2 |
| 2001–02 | 3.7 | 1.9 | 5.6 | 2.7 | 8.3 |
| 2002–03 | 3.7 | 2.1 | 5.8 | 2.7 | 8.6 |
| 2003–04 | 3.7 | 2.0 | 5.7 | 2.8 | 8.5 |
| 2004–05 | 3.8 | 2.1 | 5.9 | 2.8 | 8.8 |
| 2005–06 | 3.7 | 2.2 | 5.9 | 2.8 | 8.7 |
| 2006–07 | 3.7 | 2.2 | 5.9 | 2.8 | 8.7 |
| 2007–08 | 3.8 | 2.2 | 6.0 | 2.7 | 8.8 |
| 2008–09 | 3.9 | 2.4 | 6.3 | 2.7 | 9.0 |

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

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

*Sources*: AIHW health expenditure database and ABS 2010a.

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




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

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

*Source:* Table A3.

**Figure 3.2: Recurrent health expenditure, by area of expenditure and source of funds, current prices, 2008–09**

After allowing for inflation, real growth in the Australian Government's funding for health averaged 5.3% a year from 1998–99 to 2008–09. At the same time, funding by the state, territory and local governments grew at an average of 5.9% per year and non-government funding by 5.2% a year (Table 3.4).

In 2008–09, the Australian Government's funding grew by 5.9%, while funding by state, territory and local governments and by non-government sources grew by 9.3% and 2.9%, respectively.

**Table 3.4: Funding of total health expenditure, constant prices[a], and annual growth in funding, by source of funds, 1998–99 to 2008–09**

| | Government | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government[a] | | State/territory and local | | Total | | Non-government[a] | | Total | |
| Year | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) |
| 1998–99 | 28,965 | . . | 15,561 | . . | 44,527 | . . | 21,931 | . . | 66,458 | . . |
| 1999–00 | 31,501 | 8.8 | 17,427 | 12.0 | 48,928 | 9.9 | 21,656 | –1.3 | 70,585 | 6.2 |
| 2000–01 | 33,680 | 6.9 | 17,673 | 1.4 | 51,353 | 5.0 | 24,115 | 11.4 | 75,468 | 6.9 |
| 2001–02 | 34,881 | 3.6 | 18,543 | 4.9 | 53,424 | 4.0 | 25,777 | 6.9 | 79,200 | 4.9 |
| 2002–03 | 36,429 | 4.4 | 20,625 | 11.2 | 57,054 | 6.8 | 26,585 | 3.1 | 83,640 | 5.6 |
| 2003–04 | 37,472 | 2.9 | 20,694 | 0.3 | 58,166 | 1.9 | 28,253 | 6.3 | 86,419 | 3.3 |
| 2004–05 | 39,943 | 6.6 | 22,513 | 8.8 | 62,456 | 7.4 | 29,446 | 4.2 | 91,902 | 6.3 |
| 2005–06 | 40,072 | 0.3 | 24,323 | 8.0 | 64,395 | 3.1 | 30,062 | 2.1 | 94,456 | 2.8 |
| 2006–07 | 41,791 | 4.3 | 26,145 | 7.5 | 67,936 | 5.5 | 32,059 | 6.6 | 99,995 | 5.9 |
| 2007–08 | 46,038 | 10.2 | 27,308 | 4.4 | 73,346 | 8.0 | 33,251 | 3.7 | 106,597 | 6.6 |
| 2008–09 | 48,734 | 5.9 | 29,855 | 9.3 | 78,589 | 7.1 | 34,210 | 2.9 | 112,799 | 5.8 |
| | | | | Average annual growth rate (%) | | | | | | |
| 1998–99 to 2003–04 | | 5.3 | | 5.9 | | 5.5 | | 5.2 | | 5.4 |
| 2003–04 to 2008–09 | | 5.4 | | 7.6 | | 6.2 | | 3.9 | | 5.5 |
| 1998–99 to 2008–09 | | 5.3 | | 6.7 | | 5.8 | | 4.5 | | 5.4 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix E for further details.

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

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

*Source:* AIHW health expenditure database.

## 3.2 Australian Government funding

The Australian Government provided $48.8 billion to fund health expenditure in 2008–09. This represented 43.2% of total government health funding (calculated from Table 3.1). This was made up of:

- funding by the Australian Government Department of Veterans' Affairs (DVA) of goods and services provided to eligible veterans and their dependants ($3.5 billion or 7.2% of the Australian Government total)
- specific purpose payments (SPPs) to the states and territories for health purposes ($11.7 billion or 24.1%)
- rebates and subsidies for privately insured persons under the Private Health Insurance Act 2007 ($3.6 billion or 7.5%)
- 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) ($29.4 billion or 60.3%)
- non-specific tax expenditure ($0.5 billion or 1.0%).

**Table 3.5: Funding of health expenditure by the Australian Government, current prices, by type of expenditure, 1998–99 to 2008–09 ($ million)**

| Year | DVA | Grants to states (SPPs) | Health insurance premium rebates[(a)] | Own program expenditure | Non-specific tax expenditure | Total |
|---|---|---|---|---|---|---|
| 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 |
| 2008–09 | 3,507 | 11,705 | 3,643 | 29,397 | 483 | 48,734 |

(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 2008–09, its funding totalled $3.5 billion (Table 3.6). Almost half of this (48.0%) was for hospitals—public hospital services (22.0%) and private hospitals (26.0%).

**Table 3.6: Department of Veterans' Affairs health expenditure, by area of expenditure, 2008–09**

| Area of expenditure | Amount ($m) | Proportion (%) |
|---|---|---|
| Public hospital services[(a)] | 773 | 22.0 |
| Private hospitals | 910 | 26.0 |
| Patient transport services | 140 | 4.0 |
| Medical services | 860 | 24.5 |
| Dental services | 103 | 2.9 |
| Other health practitioners | 187 | 5.3 |
| Community health | 2 | — |
| Medications | 478 | 13.6 |
| Aids and appliances | 1 | — |
| Administration | 50 | 1.4 |
| Research | 2 | 0.1 |
| **Total** | **3,507** | **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 5-year Australian Health Care Agreements (AHCAs) between the Commonwealth and each state and territory government (see Box 4.2, page 49). The AHCA payments were primarily to fund expenditure on public hospital services. The SPPs for highly specialised drugs were also categorised as funding for public hospital services for these estimates. The AHCA has been replaced by the National Health Agreement after July 2009.

Another 'health' SPP that provides substantial Commonwealth funding to the states and territories arises from the 5-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. The current agreement is the third PHOFA 5-year agreement that covers from 2004–05 to 2008–09.

## 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 2008–09, 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 ($3.5 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 2008–09, the Australian Government provided $29.4 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 2008–09 was set at 20 cents in the dollar and applied only to the amount by which those expenditures exceeded the prescribed threshold of $1,500.

The individual expenditures that are subject to this form of rebate cannot be separately identified. Therefore it is not possible to allocate this form of funding to particular area(s) of health expenditure. The related expenditures are assumed to have been included in the estimates of health expenditure and they would be shown as being funding by individuals in the various health expenditure matrices. A broad adjustment is made to redistribute the total funding through these tax expenditures to funding by the Australian Government. In 2008–09, the total value of these tax expenditures was estimated at $483 million (Table 3.5).

## 3.3 State and territory governments and local government authorities

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

Approximately two-thirds (66.4 %) of recurrent funding by state/territory and local governments was for public hospital services. The state and territory governments provided a total of $18 billion to fund public hospital services in 2008–09 (calculated from Table A3).

Funding for health by state, territory and local governments grew at an average of 5.9% per year between 1998–99 and 2008–09 (Table 3.4).

# 3.4 Non-government funding

Non-government funding for health was estimated at $34.2 billion, or 30.3% of total funding in 2008–09 (Table 3.7).

In the year before the introduction of the health insurance premium rebates in 1998–99, the non-government sector's share of funding was 33.0%. 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 fluctuated around 32% but dropped to 30.3% in 2008–09. The average annual real growth in funding for non-government sources from 2003–04 to 2008–09 was 3.8% (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 55.0% ($18.9 billion) of estimated non-government funding of health goods and services during 2008–09 (calculated from Table 3.7). This was 16.8% of total funding of health expenditure (government and non-government). Private health insurance funds provided 7.8% of total funding ($8.8 billion) in 2008–09, with the balance—5.7% ($6.5 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 2008–09, the proportion of total health funding provided by private health insurance funds decreased by 0.2 of a percentage point (8.0% to 7.8%, funding by individuals decreased by 0.5 of a percentage point (17.3% to 16.8%), and other non-government sources of funding declined from 7.8% to 5.7% (Table 3.7).

**Table 3.7: Non-government sector funding of total health expenditure, by source of funds, current prices, 1998–99 to 2008–09**

| | Private health insurance funds[a] | | Individuals[b] | | Other non-government[c] | | All non-government sources | |
|---|---|---|---|---|---|---|---|---|
| Year | Amount ($m) | Proportion (%) | Amount ($m) | Proportion (%) | Amount ($m) | Proportion (%) | Amount ($m) | Proportion (%) |
| 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 | 12,828 | 17.5 | 5,381 | 7.3 | 24,127 | 32.8 |
| 2004–05 | 6,220 | 7.7 | 14,131 | 17.4 | 5,792 | 7.1 | 26,143 | 32.3 |
| 2005–06 | 6,578 | 7.6 | 15,108 | 17.4 | 6,018 | 6.9 | 27,704 | 32.0 |
| 2006–07 | 7,216 | 7.6 | 16,553 | 17.4 | 6,811 | 7.2 | 30,581 | 32.2 |
| 2007–08 | 7,862 | 7.6 | 17,416 | 16.8 | 7,133 | 6.9 | 32,411 | 31.3 |
| 2008–09 | 8,827 | 7.8 | 18,916 | 16.8 | 6,467 | 5.7 | 34,210 | 30.3 |

(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 29).

(c) Includes funding by injury compensation insurers and other private funding. All non-government sector capital expenditure is also included here, as the details of funding of non-government capital expenditure is not known. If funding 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 4.9% per year between 1998–99 and 2008–09. The other two non-government funding sources—individuals and other non-government—had average growth rates of 5.2% and 2.5% per year respectively over the same period (Table 3.8). The lower average growth rate for private health insurance funds from 2003–04 to 2008–09 (4.5%) compared to the growth rate from 1998–99 to 2003–04 (6.0%) 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, 1998–99 to 2008–09**

| | Private health insurance funds[b] | | Individuals[c] | | Other non-government[d] | | All non-government sources[b][c] | |
|---|---|---|---|---|---|---|---|---|
| Year | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) |
| 1998–99 | 5,449 | . . | 11,406 | . . | 5,076 | . . | 21,931 | . . |
| 1999–00 | 4,960 | –9.0 | 11,634 | 2.0 | 5,062 | –0.3 | 21,656 | –1.3 |
| 2000–01 | 5,496 | 10.8 | 13,328 | 14.6 | 5,291 | 4.5 | 24,115 | 11.4 |
| 2001–02 | 6,529 | 18.8 | 13,647 | 2.4 | 5,602 | 5.9 | 25,777 | 6.9 |
| 2002–03 | 6,804 | 4.2 | 13,801 | 1.1 | 5,980 | 6.8 | 26,585 | 3.1 |
| 2003–04 | 7,077 | 4.0 | 14,894 | 7.9 | 6,282 | 5.1 | 28,253 | 6.3 |
| 2004–05 | 7,169 | 1.3 | 15,757 | 5.8 | 6,520 | 3.8 | 29,446 | 4.2 |
| 2005–06 | 7,254 | 1.2 | 16,280 | 3.3 | 6,527 | 0.1 | 30,062 | 2.1 |
| 2006–07 | 7,654 | 5.5 | 17,267 | 6.1 | 7,137 | 9.4 | 32,059 | 6.6 |
| 2007–08 | 8,110 | 6.0 | 17,813 | 3.2 | 7,328 | 2.7 | 33,251 | 3.7 |
| 2008–09 | 8,827 | 8.8 | 18,916 | 6.2 | 6,467 | –11.7 | 34,210 | 2.9 |
| | | | Average annual growth rate (%) | | | | | |
| 1998–99 to 2003–04 | | 5.4 | | 5.5 | | 4.4 | | 5.2 |
| 2003–04 to 2008–09 | | 4.5 | | 4.9 | | 0.6 | | 3.9 |
| 1998–99 to 2008–09 | | 4.9 | | 5.2 | | 2.5 | | 4.5 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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 29).

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

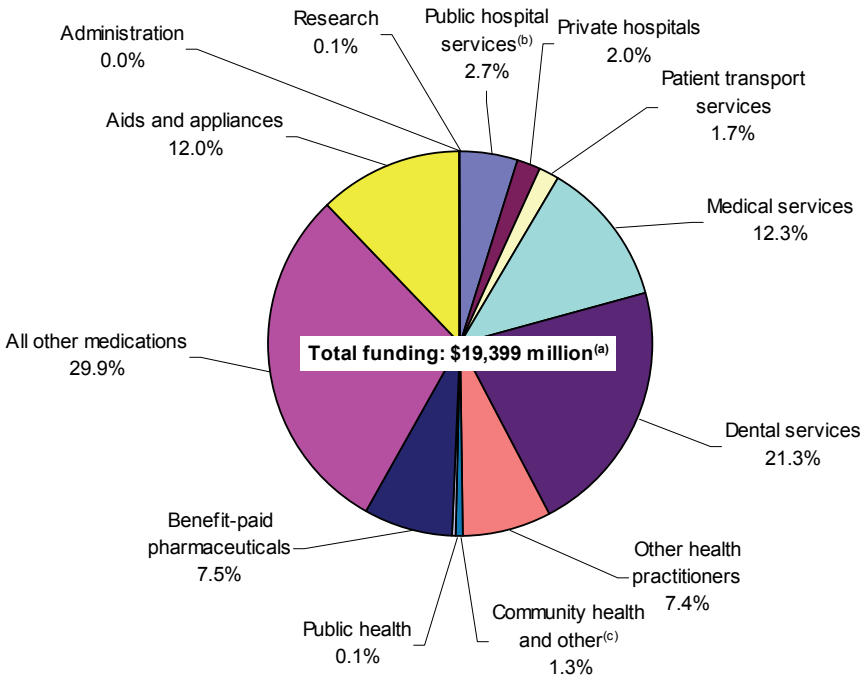
*Note:* Components may not add to totals due to rounding.

*Source:* AIHW health expenditure database.

## Individuals

Real growth in funding by individuals between 1998–99 and 2008–09 was 5.2% per year, 0.2 of a percentage point below the real growth in total funding for health expenditure (5.4%) (tables 3.8 and 3.4).

In 2008–09, individuals spent an estimated $19.4 billion in recurrent funding for health goods and services (Figure 3.3). Over one-third (37.4%) of this was for medications (7.5% being by way of copayments on PBS and RPBS benefit-paid items and 29.9% for other medications). A further 21.3% of funding by individuals was for dental services; 12.0% for health aids and appliances; and 12.3% for medical services. A further 7.4% was spent on services by other health practitioners.




(a) Individuals' expenditure has not been not adjusted down for non-specific tax expenditures. This accounts for the $483 million difference between the total in this figure and the individuals' total reported in Table 3.8.

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

(c) 'Other' refers to other recurrent health services n.e.c.

*Source:* Table A3.

**Figure 3.3: Individuals' funding(a) of recurrent health expenditure, by area of expenditure, current prices, 2008–09**

Per person health funding by individuals (that is, averaged over the whole population) grew at an average of 3.8% per year from 1998–99 to 2008–09 (Table 3.9). Over this period, funding for benefit-paid pharmaceuticals grew at 7.0% per year compared to 6.1% for all other medications. In contrast, average per person out-of-pocket expenditure on medical services grew 9.1% 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, 1998–99 to 2008–09**

| | 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Amount ($) | Growth (%) | Amount ($) | Growth (%) | Amount ($) | Growth (%) | Amount ($) | Growth (%) | Amount ($) | Growth (%) | Amount ($) | Growth (%) | Amount ($) | Growth (%) | Amount ($) | Growth (%) | Amount ($) | Growth (%) | Amount ($) | Growth (%) |
| 1998–99 | 50 | . . | 10 | . . | 80 | . . | 145 | . . | 70 | . . | 6 | . . | 34 | . . | 148 | . . | 76 | . . | 617 | . . |
| 1999–00 | 46 | –6.9 | 11 | 4.7 | 79 | –0.9 | 143 | –1.2 | 66 | –6.0 | 3 | –53.0 | 36 | 7.1 | 160 | 8.5 | 79 | 4.6 | 623 | 0.9 |
| 2000–01 | 50 | 7.8 | 12 | 9.0 | 81 | 2.0 | 167 | 17.2 | 64 | –1.9 | — | –100.0 | 41 | 12.3 | 172 | 7.2 | 117 | 47.7 | 703 | 12.9 |
| 2001–02 | 44 | –12.4 | 13 | 9.9 | 83 | 3.4 | 181 | 8.2 | 68 | 6.1 | — | — | 44 | 7.1 | 194 | 13.3 | 84 | –27.6 | 712 | 1.3 |
| 2002–03 | 29 | –34.8 | 14 | 4.7 | 93 | 11.6 | 188 | 3.5 | 73 | 6.4 | — | — | 49 | 11.6 | 175 | –9.9 | 93 | 10.1 | 712 | — |
| | | | | | | | | | *Break in series[b]* | | | | | | | | | | | |
| 2003–04 | 26 | . . | 11 | . . | 98 | 5.3 | 194 | . . | 78 | . . | 11 | — | 52 | 7.5 | 193 | 9.8 | 97 | . .. | 759 | 6.6 |
| 2004–05 | 31 | 20.8 | 11 | 1.4 | 91 | –7.1 | 199 | 2.6 | 83 | 7.2 | 10 | –5.0 | 57 | 9.7 | 210 | 8.8 | 102 | 4.6 | 795 | 4.6 |
| 2005–06 | 34 | 9.4 | 11 | 4.8 | 92 | 0.4 | 199 | –0.2 | 86 | 3.2 | 12 | 21.2 | 61 | 6.0 | 211 | 0.6 | 105 | 2.8 | 810 | 2.0 |
| 2006–07 | 32 | –6.8 | 12 | 6.1 | 100 | 9.7 | 199 | — | 86 | 0.1 | 13 | 6.2 | 62 | 1.0 | 234 | 11.0 | 109 | 3.9 | 846 | 4.4 |
| 2007–08 | 39 | 23.9 | 13 | 5.6 | 105 | 5.1 | 192 | –3.7 | 77 | –10.4 | 13 | 2.3 | 62 | 1.1 | 250 | 6.7 | 104 | –4.1 | 856 | 1.1 |
| 2008–09 | 61 | 55.8 | 15 | 21.7 | [e]190 | .. | [e]66 | .. | [e]7 | .. | [e]112 | .. | 67 | 7.4 | 267 | 7.0 | 108 | 2.9 | 893 | 4.3 |
| **Average annual growth rate (%)** | | | | | | | | | | | | | | | | | | | | |
| 1998–99 to 2003–04 | | –13.0 | | 7.0 | | 4.0 | | 6.7 | | 1.0 | | –100.0 | | 9.5 | | 4.4 | | 5.3 | | 3.7 |
| 2004–05 to 2008–09 | | 18.9 | | 7.7 | | 14.2 | | –19.5 | | –39.0 | | 60.5 | | 5.0 | | 6.8 | | 2.0 | | 3.3 |
| 1998–99 to 2008–09 | | . . | | . . | | 9.1 | | . . | | . . | | . . | | 7.0 | | 6.1 | | . . | | 3.8 |

(a) Constant price health expenditure for 1997–98 to 2008–09 is expressed in terms of 2008–09 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.

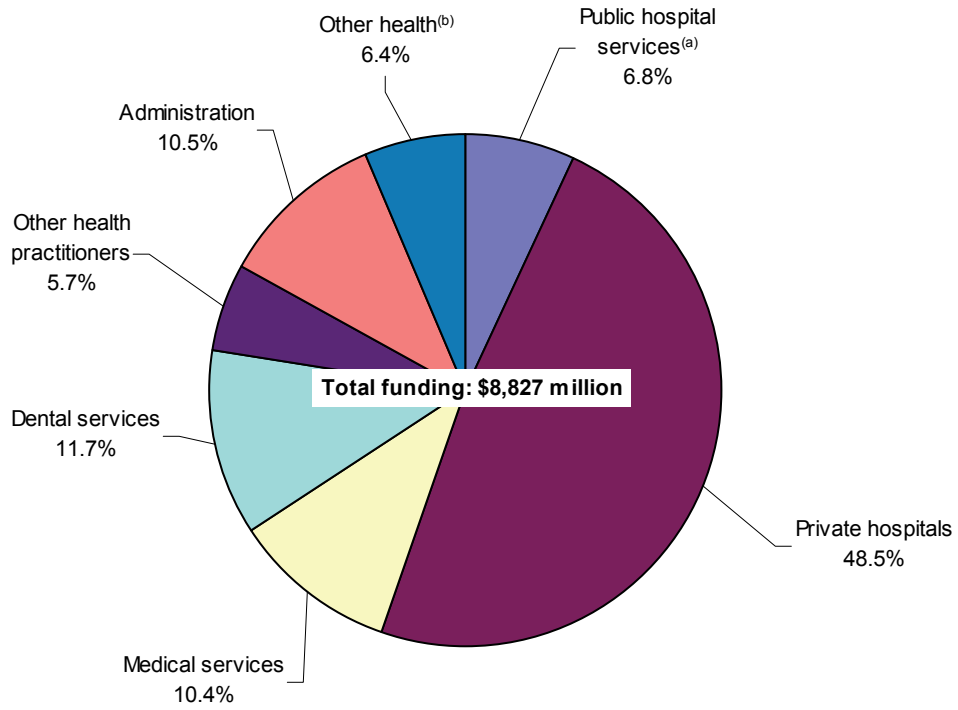
(e) While the totals have not been affected the allocations between Medical services, Dental services, Other health practitioners and Community and Public health has changed as a result of the new GHE NMDS and are not comparable with previous years.

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

*Source:* AIHW health expenditure database.

## Private health insurance

During 2008–09, private hospitals received 48.5% ($4.3 billion) of the $8.8 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 (11.7% or $1.0 billion), administration (10.5% or $0.9 billion) and medical services (10.4% or $0.9 billion). The funding for medical services includes some of the fees charged for in-hospital medical services that are provided to private admitted patients in hospitals. Patient transport services and medications received funding of $147 million and $49 million, respectively, from health insurance funds in 2008–09 (Table 3.10).




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

(b) Other health comprises patient transport services, medications and aids and appliances.

*Source:* Table 3.10.

**Figure 3.4: Funding of recurrent health expenditure by private health insurance funds, by area of expenditure, current prices, 2008–09**

### General benefits and administration

Gross health benefits paid through the health insurance funds in 2008–09 amounted to $11.2 billion—up $1.0 billion from $10.2 billion in 2007–08 and up $2.0 billion since 2006–07

(Table 3.10). A further $1.3 billion was used to fund administration during 2008–09; this was 2.3% higher than in 2007–08 (PHIAC 2009a,b).

The premium rebates paid by the Australian Government through the tax system or directly to private health insurance funds increased from $3.1 billion in 2006–07 to $3.6 billion in 2008–09 (Table 3.10). The reserves of the health insurance funds increased between 2007–08 and 2008–09, with operating profits (before abnormals and extraordinary items) of $0.4 billion in 2008–09 (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 at an average annual growth rate of 4.1% over the period 2002–03 to 2004–05 (Table 3.12). Its rate of growth then averaged 3.5% per year, taking it to $8.8 billion in 2008–09. The gross amounts paid through health insurance funds grew at a slower rate of 3.2% per year from 2002–03 to 2004–05 and then by 5.1% per year to 2008–09 (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 funding 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 AIHW allocates the rebates across all the expenses incurred by the funds each year—including both health and non-health goods and services (such as funeral benefits, domestic assistance and so on); management expenses; and any adjustment to provisions for outstanding and unpresented 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, 2006–07 to 2008–09 ($ million)**

| Area of expenditure | 2006–07 Gross benefits paid | 2006–07 Premium rebates[a] | 2006–07 Net benefits paid | 2007–08 Gross benefits paid | 2007–08 Premium rebates[a] | 2007–08 Net benefits paid | 2008–09 Gross benefits paid | 2008–09 Premium rebates[a] | 2008–09 Net benefits paid |
|---|---|---|---|---|---|---|---|---|---|
| **Expenditure** | | | | | | | | | |
| Hospitals | 5,674 | 1,695 | 3,980 | 6,255 | 1,960 | 4,295 | 6,921 | 2,019 | 4,890 |
| Public hospital services[b] | 695 | 207 | 487 | 777 | 244 | 534 | 875 | 255 | 608 |
| Private hospitals | 4,980 | 1,487 | 3,493 | 5,478 | 1,716 | 3,762 | 6,046 | 1,764 | 4,282 |
| Patient transport[c] | 152 | 45 | 107 | 187 | 58 | 128 | 207 | 60 | 147 |
| Medical services | 1,047 | 313 | 735 | 1,183 | 371 | 813 | 1,298 | 379 | 919 |
| Dental services | 1,234 | 369 | 865 | 1,350 | 423 | 927 | 1,459 | 426 | 1,034 |
| Other health practitioners | 615 | 184 | 431 | 649 | 203 | 446 | 706 | 206 | 500 |
| Community and public health | 1 | — | — | 2 | 1 | 1 | 2 | 1 | 2 |
| Medications | 67 | 20 | 47 | 67 | 21 | 46 | 70 | 20 | 49 |
| Aids and appliances | 431 | 129 | 302 | 473 | 148 | 325 | 514 | 150 | 364 |
| **Total health benefits and levies** | **9,221** | **2,754** | **6,467** | **10,167** | **3,185** | **6,981** | **11,177** | **3,261** | **7,904** |
| Health administration | 1,068 | 319 | 749 | 1,282 | 402 | 881 | 1,311 | 382 | 929 |
| **Total expenditure on health goods and services** | **10,289** | **3,073** | **7,216** | **11,449** | **3,587** | **7,862** | **12,488** | **3,643** | **8,833** |
| **Items not included in estimates on health goods and services** | | | | | | | | | |
| Non-health ancillaries | 19 | 6 | 14 | 24 | 7 | 16 | 24 | 7 | 17 |
| Outstanding claims adjustment | 123 | 37 | 86 | 128 | 40 | 88 | 167 | 49 | 118 |

(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, 2009; ATO 2009; PHIAC 2006, 2007, 2008, 2009a,b.

**Table 3.11: Health insurance funds' reported expenses and revenues, current prices, 2006–07 to 2008–09 ($ million)**

| Operating expenses and revenue of funds | 2006–07 | 2007–08 | 2008–09 |
|---|---|---|---|
| **Expenses** | | | |
| Total cost of benefits[a] | 9,306 | 10,248 | 11,203 |
| State levies (patient transport services) | 126 | 137 | 146 |
| Management expenses | 1,068 | 1,282 | 1,311 |
| **Total expenses** | **10,500** | **11,667** | **12,660** |
| **Revenues** | | | |
| Contributions income | 11,127 | 12,189 | 13,078 |
| Other revenues | 672 | 49 | –9 |
| **Total revenue** | **11,799** | **12,238** | **13,069** |
| Operating profit (loss) before abnormals and extraordinary items | 1,288 | 562 | 405 |

(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, 2009a,b.

**Table 3.12: Expenditure on health goods and services and administration funded through private health insurance funds, constant prices[a], and annual growth rates, 1998–99 to 2008–09**

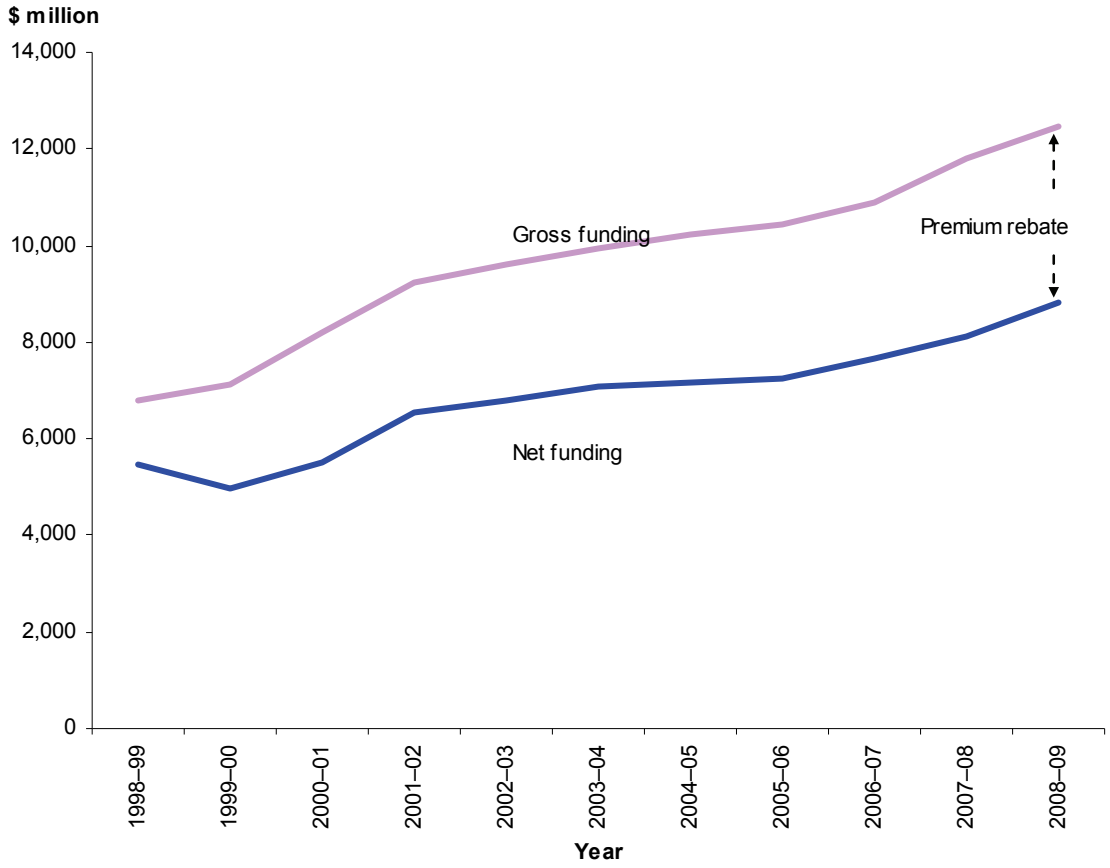
| | Gross amounts paid through health insurance funds | | Premium rebates | | | | Net amounts funded from health insurance funds' own resources[b] | |
|---|---|---|---|---|---|---|---|---|
| | | | Through reduced premiums | | Through taxation system | | | |
| Year | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) |
| 1998–99 | 6,811 | . . | 1,109 | . . | 253 | . . | 5,449 | . . |
| 1999–00 | 7,130 | 4.7 | 1,906 | 71.9 | 263 | 3.9 | 4,960 | –9.0 |
| 2000–01 | 8,204 | 15.1 | 2,474 | 29.8 | 233 | –11.3 | 5,496 | 10.8 |
| 2001–02 | 9,253 | 12.8 | 2,504 | 1.2 | 220 | –5.5 | 6,529 | 18.8 |
| 2002–03 | 9,601 | 3.8 | 2,604 | 4.0 | 193 | –12.2 | 6,804 | 4.2 |
| 2003–04 | 9,932 | 3.4 | 2,679 | 2.9 | 176 | –9.1 | 7,077 | 4.0 |
| 2004–05 | 10,217 | 2.9 | 2,881 | 7.6 | 167 | –4.9 | 7,169 | 1.3 |
| 2005–06 | 10,433 | 2.1 | 3,016 | 4.7 | 163 | –2.5 | 7,254 | 1.2 |
| 2006–07 | 10,913 | 4.6 | 3,093 | 2.5 | 167 | 2.1 | 7,654 | 5.5 |
| 2007–08 | 11,811 | 8.2 | 3,526 | 14.0 | 175 | 4.8 | 8,110 | 6.0 |
| 2008–09 | 12,470 | 5.6 | 3,466 | –1.7 | 177 | 1.4 | 8,827 | 8.8 |
| | | | **Average annual growth rate (%)** | | | | | |
| 2002–03 to 2004–05 | | 3.2 | | 5.2 | | –10.6 | | 4.1 |
| 2004–05 to 2008–09 | | 5.1 | | 4.7 | | –0.2 | | 3.5 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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.




(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix E for further details.

*Source:* Table 3.12.

**Figure 3.5: Funding of recurrent health expenditure through private health insurance, constant prices[(a)], 1998–99 to 2008–09**

In 2008–09, it was estimated that net health funding by private health insurance providers averaged $912 per person covered (Table 3.13). In South Australia the average funding per person covered ($1,017) was well above the national average, while for people in the Northern Territory and Australian Capital Territory it was well below the average at $506 and $568, respectively. All states and territories recorded reductions in the amount funded per person with health insurance cover from 1998–99 to 2000–01. From 2000–01 to 2008–09 the trend in funding was generally upwards in all 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, 1998–99 to 2008–09 ($)**

| Year | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Australia |
|---|---|---|---|---|---|---|---|---|---|
| 1998–99 | 962 | 926 | 973 | 922 | 1,122 | 912 | 515 | 561 | 952 |
| 1999–00 | 740 | 748 | 769 | 781 | 893 | 732 | 437 | 450 | 756 |
| 2000–01 | 630 | 584 | 653 | 653 | 738 | 684 | 386 | 383 | 629 |
| 2001–02 | 743 | 694 | 789 | 771 | 883 | 805 | 440 | 472 | 747 |
| 2002–03 | 762 | 746 | 848 | 795 | 927 | 839 | 395 | 428 | 783 |
| 2003–04 | 790 | 783 | 889 | 821 | 940 | 885 | 587 | 457 | 818 |
| 2004–05 | 805 | 791 | 895 | 824 | 942 | 857 | 547 | 435 | 824 |
| 2005–06 | 789 | 816 | 893 | 805 | 940 | 878 | 554 | 443 | 823 |
| 2006–07 | 827 | 841 | 905 | 812 | 960 | 886 | 538 | 452 | 847 |
| 2007–08 | 847 | 858 | 909 | 821 | 971 | 898 | 532 | 487 | 861 |
| 2008–09 | 904 | 918 | 954 | 867 | 1,017 | 891 | 568 | 506 | 912 |
| | | | | Average annual growth rate (%) | | | | | |
| 1998–99 to 2003–04 | –3.9 | –3.3 | –1.8 | –2.3 | –3.5 | –0.6 | 2.6 | –4.0 | –3.0 |
| 2003–04 to 2008–09 | 2.7 | 3.2 | 1.4 | 1.1 | 1.6 | 0.1 | –0.7 | 2.0 | 2.2 |
| 1998–99 to 2008–09 | –0.6 | –0.1 | –0.2 | –0.6 | –1.0 | –0.2 | 1.0 | –1.0 | –0.4 |

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

(b) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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 2008–09, the average fee charged for hospital services for insured patients increased with the age of the patient. For example, the average fee charged for hospital services for patients aged <14 years was $172 per person covered in that age group, and for patients aged ≥85 years the average fee was $4,135 per person covered (Table 3.14). At the same time, the average copayment for patients aged < 14 years was $51 per person covered and this increased to $1,003 for patients aged ≥ 85 years (Table 3.14).

For the older age groups (≥ 65 years), copayments for males were, on the average, higher than for females. Insured female patients aged ≤ 14 met, on average, a copayment of $45 while those aged 65–84 years had an average copayment of $967. Males in the same age groups had copayments of $56 and $1,223 per person, respectively.

Females in the age category 20-44 spent, on average, more than twice the rate of males ($280 and $131 respectively). This ratio represents the greatest difference between the sexes in hospital services copayments. The high ratio difference for this age category reflects the higher outlays on hospital services 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. The difference was greatest in the age category 45–64 years, where the average amount paid in respect of males was $363 and for females was $483 per female 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, 2008–09 ($)**

| | 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 | 56 | 97 | 131 | 393 | 1,223 | 1,244 |
| Benefits paid | 131 | 141 | 180 | 543 | 1,965 | 3,387 |
| *Fees charged* | 187 | 238 | 311 | 936 | 3,187 | 4,631 |
| **Females** | | | | | | |
| Out of pocket | 45 | 93 | 280 | 397 | 967 | 912 |
| Benefits paid | 112 | 176 | 550 | 598 | 1,739 | 3,034 |
| *Fees charged* | 156 | 269 | 830 | 995 | 2,707 | 3,946 |
| **All persons** | | | | | | |
| Out of pocket | 51 | 95 | 210 | 395 | 1,089 | 1,003 |
| Benefits paid | 122 | 158 | 375 | 571 | 1,847 | 3,131 |
| *Fees charged* | 172 | 253 | 585 | 966 | 2,936 | 4,135 |
| | **Ancillary benefits paid, fees charged and out-of pocket expenditure** | | | | | |
| **Males** | | | | | | |
| Out of pocket | 115 | 176 | 206 | 363 | 416 | 379 |
| Benefits paid | 141 | 196 | 209 | 324 | 348 | 291 |
| *Fees charged* | 256 | 371 | 415 | 688 | 764 | 670 |
| **Females** | | | | | | |
| Out of pocket | 126 | 217 | 294 | 483 | 448 | 386 |
| Benefits paid | 150 | 231 | 287 | 416 | 373 | 260 |
| *Fees charged* | 276 | 448 | 581 | 900 | 821 | 646 |
| **All persons** | | | | | | |
| Out of pocket | 120 | 196 | 253 | 425 | 432 | 384 |
| Benefits paid | 145 | 213 | 251 | 372 | 361 | 268 |
| *Fees charged* | 266 | 409 | 503 | 797 | 794 | 653 |

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

*Source:* PHIAC 2009b.

## Injury compensation insurers

In 2008–09, injury compensation insurers funded $2,210 million of expenditure on health goods and services—$1,357 million by workers compensation insurers and $853 million by motor vehicle third-party insurers (Table 3.15).

Over the period 1998–99 to 2008–09, real funding by workers compensation insurers rose on average by 2.1% per year while the annual real growth over this decade for motor vehicle third-party insurers was 2.8%.

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, 1998–99 to 2008–09**

| | Workers compensation insurers | | Motor vehicle accident third-party insurers | | Total injury compensation insurers | |
|---|---|---|---|---|---|---|
| Year | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) |
| 1998–99 | 1,102 | | 647 | | 1,749 | |
| 1999–00 | 1,122 | 1.8 | 654 | 1.1 | 1,776 | 1.5 |
| 2000–01 | 1,116 | –0.5 | 655 | 0.2 | 1,771 | –0.3 |
| 2001–02 | 1,136 | 1.8 | 770 | 17.5 | 1,906 | 7.6 |
| 2002–03 | 1,225 | 7.8 | 783 | 1.7 | 2,007 | 5.3 |
| 2003–04 | 1,310 | 7.0 | 715 | –8.7 | 2,024 | 0.8 |
| 2004–05 | 1,279 | –2.4 | 784 | 9.7 | 2,062 | 1.9 |
| 2005–06 | 1,284 | 0.4 | 794 | 1.4 | 2,078 | 0.8 |
| 2006–07 | 1,292 | 0.6 | 831 | 4.7 | 2,124 | 2.2 |
| 2007–08 | 1,373 | 6.2 | 898 | 8.0 | 2,270 | 6.9 |
| 2008–09 | 1,357 | –1.1 | 853 | –4.9 | 2,210 | –2.6 |
| | | | Average annual growth rate (%) | | | |
| 1998–99 to 2003–04 | | 3.5 | | 2.0 | | 3.0 |
| 2003–04 to 2008–09 | | 0.7 | | 3.6 | | 1.8 |
| 1998–99 to 2008–09 | | 2.1 | | 2.8 | | 2.4 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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 $107.1 billion recurrent health expenditure in 2008–09, around half was for public hospital services and medical services (31.2% and 18.5% respectively). Expenditure on medications accounted for a further 14.2% (Table 4.1 and Figure 4.1).

Spending on private hospitals remained steady around 8.5% until 2003–04, and then decreased in the subsequent years down to 7.8% in 2008–09. The public hospitals' share of recurrent expenditure fell between 1998–99 and 2003–04. Public hospital services increased by 0.8 of a percentage point, from 30.4% to 31.2% between 2003–04 and 2008–09.

In real terms, recurrent expenditure grew by 68.9%, at an average of 5.4% a year, between 1998–99 and 2008–09 (Table 4.2).

With the exception of expenditure on other health practitioners (which fell by 2.5%), all other areas of expenditure experienced real growth in 2008–09. Other health practitioners had positive real growth from 2003–04 onwards, with a high of 5.6% in 2006–07, until 2008–09 when it had its first year of negative real growth.

The areas of increased expenditure included:

- medications—9.6%
- public hospital services—5.0%
- private hospitals—4.5%
- dental services—6.3%
- medical services—4.6%.

Expenditure on most of the components of the 'other health' category also experienced substantial growth in 2008–09. Health research expenditure grew in real terms by 29.7%; patient transport services by 15.4%; health administration by 10.5%; and aids and appliances by 6.8% (Table A8). Expenditure on public health, however, decreased in real terms by 3.1%.

Expenditure on hospitals accounted for the largest proportion of real growth in recurrent health expenditure between 2003–04 and 2008–09 (36.7%). Of this, 29.9% was related to public hospital services and 6. 8% to private hospitals. Expenditure on medications accounted for 19.5% of the growth over that period, and medical services for 13.3% (calculated from Table 4.2). Together, these three areas of expenditure accounted for 69.6% of the growth in expenditure during the last 5 years. The combined expenditure of these three

areas as a percentage of GDP rose in real terms from 5.4% in 2003–04 to 6.1% in 2008–09 (calculated from tables 2.3 and 4.2).

Expenditure on research showed the highest real growth in total recurrent expenditure between 1998–99 and 2008–09 (averaging 13.5% per year) (Table A8). Growth in expenditure on medications averaged 8.6% per year and medical services had an average annual real growth of 3.5% (Table A8).

**Table 4.1: Total funding of recurrent health expenditure, current prices, by area of expenditure, and proportion of total recurrent, 1998–99 to 2008–09**

| | Public hospitals[a] | | Private hospitals | | Medical services | | Dental services[a] | | Other health practitioners[b] | | Medications | | Other health[a][c] | | Total recurrent |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | 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) |
| 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 |
| 1999–00 | 15,635 | 31.5 | 4,204 | 8.5 | 9,710 | 19.6 | 2,895 | 5.8 | 1,585 | 3.2 | 6,874 | 13.9 | 8,662 | 17.5 | 49,564 |
| 2000–01 | 16,582 | 30.2 | 4,532 | 8.2 | 10,218 | 18.6 | 3,461 | 6.3 | 1,909 | 3.5 | 8,161 | 14.8 | 10,115 | 18.4 | 54,978 |
| 2001–02 | 17,900 | 30.1 | 5,030 | 8.5 | 11,203 | 18.8 | 4,023 | 6.8 | 2,189 | 3.7 | 9,013 | 15.1 | 10,164 | 17.1 | 59,522 |
| 2002–03[c] | 19,723 | 30.4 | 5,505 | 8.5 | 12,004 | 18.5 | 4,316 | 6.7 | 2,460 | 3.8 | 9,401 | 14.5 | 11,413 | 17.6 | 64,822 |
| | | | | | | | *Break in time series[a]* | | | | | | | | |
| 2003–04[c] | 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 2008–09 | 33,421 | 31.2 | 8,354 | 7.8 | 19,820 | 18.5 | 6,715 | 6.3 | 3,426 | 3.2 | 15,206 | 14.2 | 20,157 | 18.8 | 107,099 |

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

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

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

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

*Source:* AIHW health expenditure database.

**Table 4.2: Total funding of recurrent health expenditure, constant prices[a], by area of expenditure, and annual growth rates, 1998–99 to 2008–09**

| 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 ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) |
| 1998–99 | 20,340 | . . | 5,389 | . . | 13,999 | . . | 3,066 | . . | 2,875 | . . | 6,678 | . . | 10,314 | . . | 62,660 | . . |
| 1999–00 | 20,789 | 2.2 | 5,613 | 4.2 | 14,622 | 4.4 | 3,178 | 3.7 | 2,806 | –2.4 | 7,463 | 11.8 | 11,721 | 13.6 | 66,192 | 5.6 |
| 2000–01 | 21,448 | 3.2 | 5,883 | 4.8 | 14,741 | 0.8 | 3,598 | 13.2 | 3,164 | 12.8 | 8,712 | 16.7 | 13,247 | 13.0 | 70,794 | 7.0 |
| 2001–02 | 22,537 | 5.1 | 6,348 | 7.9 | 15,282 | 3.7 | 3,970 | 10.3 | 3,311 | 4.7 | 9,628 | 10.5 | 13,017 | –1.7 | 74,094 | 4.7 |
| 2002–03 | 24,182 | 7.3 | 6,766 | 6.6 | 15,545 | 1.7 | 5,662 | 42.6 | 2,881 | –13.0 | 9,924 | 3.1 | 14,181 | 8.9 | 79,142 | 6.8 |
| | | | | | | | *Break in time series[b]* | | | | | | | | | |
| 2003–04 | 25,189 | . . | 7,078 | 4.6 | 15,862 | 2.0 | 5,865 | . . | 3,035 | . . | 10,873 | 9.6 | 14,429 | . . | 82,329 | 4.0 |
| 2004–05 | 26,882 | 6.7 | 7,317 | 3.4 | 16,692 | 5.2 | 6,016 | 2.6 | 3,116 | 2.7 | 11,697 | 7.6 | 15,451 | 7.1 | 87,171 | 5.9 |
| 2005–06 | 28,108 | 4.6 | 7,402 | 1.2 | 16,715 | 0.1 | 6,107 | 1.5 | 3,225 | 3.5 | 11,917 | 1.9 | 15,850 | 2.6 | 89,324 | 2.5 |
| 2006–07 | 29,789 | 6.0 | 7,615 | 2.9 | 17,523 | 4.8 | 6,188 | 1.3 | 3,406 | 5.6 | 12,855 | 7.9 | 16,863 | 6.4 | 94,239 | 5.5 |
| 2007–08 | 31,815 | 6.8 | 7,995 | 5.0 | 18,954 | 8.2 | 6,314 | 2.0 | 3,514 | 3.2 | 13,877 | 8.0 | 18,421 | 9.2 | 100,889 | 7.1 |
| 2008–09 | 33,421 | 5.0 | 8,354 | 4.5 | 19,820 | 4.6 | 6,715 | 6.3 | 3,426 | –2.5 | 15,206 | 9.6 | 20,157 | 9.4 | 107,099 | 6.2 |
| | | | | | | | **Average annual growth rate (%)** | | | | | | | | | |
| 1998–99 to 2002–03 | | 4.4 | | 5.9 | | 2.7 | | 16.6 | | 0.1 | | 10.4 | | 8.3 | | 6.0 |
| 2003–04 to 2008–09 | | 5.8 | | 3.4 | | 4.6 | | 2.7 | | 2.5 | | 6.9 | | 6.9 | | 5.4 |
| 1998–99 to 2008–09 | | . . | | 4.5 | | 3.5 | | . . | | . . | | 8.6 | | 6.9 | | 5.4 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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.

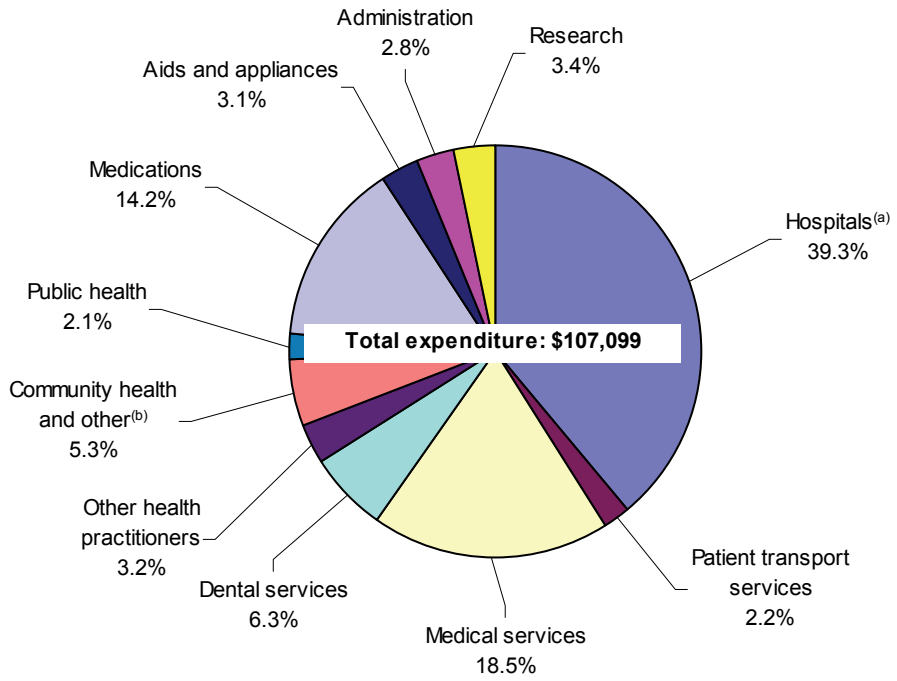
As part of the new expenditure reporting process, some states and territories were able to allocate head office and central costs to functional areas, such as public hospital services, community health services, public health, etc., instead of, as had been the case in the past, simply reporting all such 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 1998–99 to 2008–09.




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

*Source:* Table A3.

**Figure 4.1: Recurrent expenditure on health goods and services, current prices, by broad area of expenditure, 2008–09**

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 2005–06 to 2008–09.

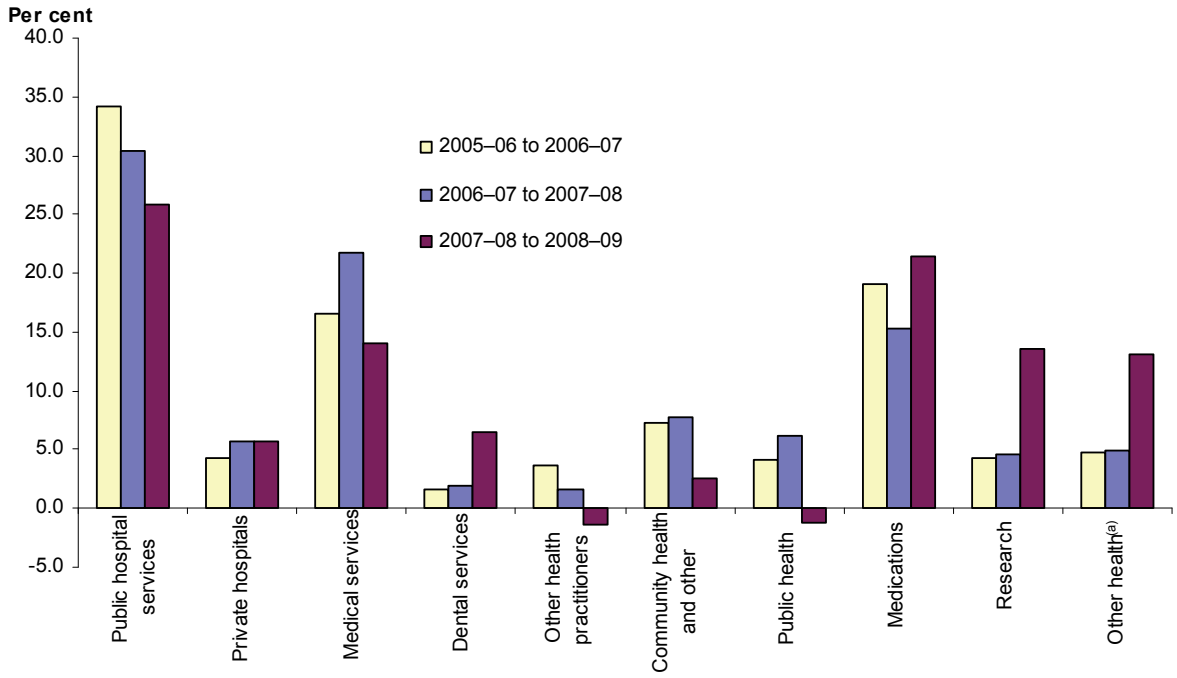
In each of the years 2006–07, 2007–08 and 2008–09, recurrent health expenditure grew by 5.5%, 7.1% and 6.2%, respectively (see Table A8).

Expenditure on hospitals, which comprised almost 40% of total recurrent spending on health in 2008–09 (Figure 4.1), was the largest contributor to growth in recurrent expenditure in each of those years. In 2006–07 public hospital services accounted for just over one-third (34.2%) of the total growth in recurrent expenditure. During the next 2 years, 2007–08 and 2008–09, it contributed 30.4% and 25.8%, respectively (Figure 4.2).

Expenditure on medical services contributed 16.5% of growth between 2005–06 and 2006–07, 21.7% of growth between 2006–07 and 2007–08 and 14.0% in the following year. The contribution to annual growth of expenditure on medications fell between 2006–07 and 2007–08 (by 3.7 %) but rose again in 2008–09 (by 6.1%) (Figure 4.2). The contribution to overall growth of expenditure by private hospitals showed a steady increase over the 3 years from 4.3% to 5.7% and 5.8% in 2008–09.

Expenditure on public health experienced negative growth (–3.1%) between 2007–08 and 2008–09 (see Table A8) and this is reflected in its negative (–1.2%) contribution to overall growth in that year. This low growth rate followed 2 years of substantial growth in expenditure on public health (11.9% and 21.3% respectively) (Table A8). This publication covers the last year of the third Public Health Outcome Funding Agreement (PHOFA).

Health research showed higher than average increases in spending over the 3 years, with growth rates of 9.1%, 12.1% and 30.4%, 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.




(a) Includes patient transport services, aids and appliances and administration.

*Source:* AIHW health expenditure database.

**Figure 4.2: Proportions of annual growth in health expenditure, by area of expenditure, constant prices, 2005–06 to 2008–09 (per cent)**

## 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 4.5% per year, respectively, between 1998–99 and 2008–09 (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 two AHCAs from 1 July 1998 to 30 June 2003 and from 1 July 2003 to 30 June 2009. The agreement ending June 2009 extended the last AHCA's arrangements from July 2009 onwards.

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 1998–99 to 2003–04, real growth in public hospital expenditure averaged 3.9% per year. Private hospital expenditure grew, in real terms, at 5.6% 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 1998–99 to 22.0% in 2001–02. It then gradually declined to 20.5% in 2008–09 (calculated from Table 4.3).

**Table 4.3: Recurrent expenditure on public hospitals and private hospitals, constant prices[a] and annual growth rates, 1998–99 to 2008–09**

| | Public hospitals[b] | | Private hospitals | | All hospitals | |
|---|---|---|---|---|---|---|
| Year | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) |
| 1998–99 | 20,340 | . . | 5,389 | . . | 25,729 | . . |
| 1999–00 | 20,789 | 2.2 | 5,613 | 4.2 | 26,402 | 2.6 |
| 2000–01 | 21,448 | 3.2 | 5,883 | 4.8 | 27,332 | 3.5 |
| 2001–02 | 22,537 | 5.1 | 6,348 | 7.9 | 28,886 | 5.7 |
| 2002–03 | 24,182 | 7.3 | 6,766 | 6.6 | 30,948 | 7.1 |
| 2003–04 | 24,570 | 1.6 | 7,078 | 4.6 | 31,647 | 2.3 |
| 2004–05 | 26,214 | 6.7 | 7,317 | 3.4 | 33,531 | 6.0 |
| 2005–06 | 27,285 | 4.1 | 7,402 | 1.2 | 34,688 | 3.4 |
| 2006–07 | 28,785 | 5.5 | 7,615 | 2.9 | 36,400 | 4.9 |
| 2007–08 | 30,728 | 6.8 | 7,995 | 5.0 | 38,723 | 6.4 |
| 2008–09 | 32,299 | 5.1 | 8,354 | 4.5 | 40,652 | 5.0 |
| | | | Average annual growth rate (%) | | | |
| 1998–99 to 2003–04 | | 3.9 | | 5.6 | | 4.2 |
| 2003–04 to 2008–09 | | 5.6 | | 3.4 | | 5.1 |
| 1998–99 to 2008–09 | | 4.7 | | 4.5 | | 4.7 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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 2008–09, governments provided 80.0% of the funding for hospitals (Table 4.4).

The governments' share decreased by 1.4 percentage points from 2007–08 to 2008–09, but over the decade to 2008–09, the governments' share increased by 1.4 percentage points. All of this increase was in funding by state and territory governments. The Australian Government's share decreased from 40.4% to 38.5% while the state/territory governments' share went from 38.3% to 41.6%. The proportion of funding met by non-government sources decreased over the period, from 21.3% in 1998–99 to 19.9% in 2008–09.

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, 1998–99 to 2008–09 (per cent)**

| | Government | | | Non-government | | | |
|---|---|---|---|---|---|---|---|
| Year | Australian Government[b] | State/territory and local | Total | Private health insurance funds[b] | Other non-government | Total | Total |
| 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 |
| 2008–09 | 38.5 | 41.6 | 80.1 | 12.0 | 7.9 | 19.9 | 100.0 |

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

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

*Source:* AIHW health expenditure database.

## Public hospitals

Analysis of expenditure on public hospitals has been featured in all the AIHW's health expenditure publications since 1985. 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 AIHW's Hospital Utilisation and Cost Studies from the mid–1980s to the early 1990s and, since 1993–94, through its annual Australian Hospital Statistics collections.

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

public health and health research, are now reported as expenditures on those particular services.

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

Governments provided over 90% of total funding for public hospitals. The Australian Government's contribution—estimated at 39.6% in 2008–09—was largely in the form of SPPs under the AHCAs. The states and territories, which have the major responsibility for operating and regulating the public hospitals, provided 51.2% of their funding in 2008–09 (Table 4.5).

The Australian Government's share of public hospital funding was lower (39.6%) in 2008–09 than it had been at the start of the period (1998–99), when it was 44.3%. 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 (2008–09), growth in funding by the Australian Government fell by more than half from 12.3% to 5.9% (Table 4.5). This is a return to the growth in funding by the Australian Government in the years before 2007–08. The high growth in 2007–08 of 12.3% largely reflected the one-off provision by the Commonwealth of an extra $0.5 billion to help relieve pressure on public hospitals announced at the Council of Australian Governments (COAG) meeting in March 2008. Other forms of Australian Government hospital funding also increased substantially in 2007–08. 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 2008–09 (5.9%) was greater than that of the state and territory governments (2.0%).

Growth in funding for public hospitals by state and territory governments is almost a mirror image of the Australian Government's funding (Figure 4.3). The share of state and territory governments' funding in 2008–09 was 2.8 percentage points higher than at the start of the period (having risen from 48.4% to 51.2%). 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 increased from a low of 6.9% in 2002–03 to a high of 9.2% in 2008–09 (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, 1998–99 to 2008–09**

| | Government | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | State/territory | | | Non-government | | | Total | | |
| Year | Amount ($m) | Growth (%) | Share (%) | Amount ($m) | Growth (%) | Share (%) | Amount ($m) | Growth (%) | Share (%) | Amount ($m) | Growth (%) | Share (%) |
| 1998–99 | 6,659 | . . | 44.3 | 7,274 | | 48.4 | 1,093 | . . | 7.3 | 15,026 | . . | 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] | 12,063 | 12.3 | 39.3 | 16,226 | 9.2 | 52.8 | 2,439 | 10.9 | 7.9 | 30,728 | 10.6 | 100.0 |
| 2008–09[b] | 12,775 | 5.9 | 39.6 | 16,552 | 2.0 | 51.2 | 2,972 | 21.8 | 9.2 | 32,299 | 5.1 | 100.0 |
| | Average annual growth rate (%) | | | | | | | | | | | |
| 1998–99 to 2003–04 | | 6.3 | | | 7.7 | | | 6.5 | | | 7.0 | |
| 2003–04 to 2008–09 | | 7.1 | | | 9.4 | | | 14.7 | | | 8.9 | |
| 1998–99 to 2008–09 | | 6.7 | | | 8.6 | | | 10.5 | | | 8.0 | |

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

(b) Public hospital expenditure estimates for 2003–04 to 2008–09 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 1998–99 and 2008–09:

- 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 3.4% in 1998–99 to 2.4% in 2008–09.

After an initial period, from 1998–99 to 2000–01, when the AHCA funding increased as a proportion of total funding—from 37.7% 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%. The Australian Government share then increased to 31.8% of funding in 2008–09 (Table 4.6).

This publication covers the last financial year of the 5-year AHCA, with an extension of the old funding arrangements in place after June 2009.

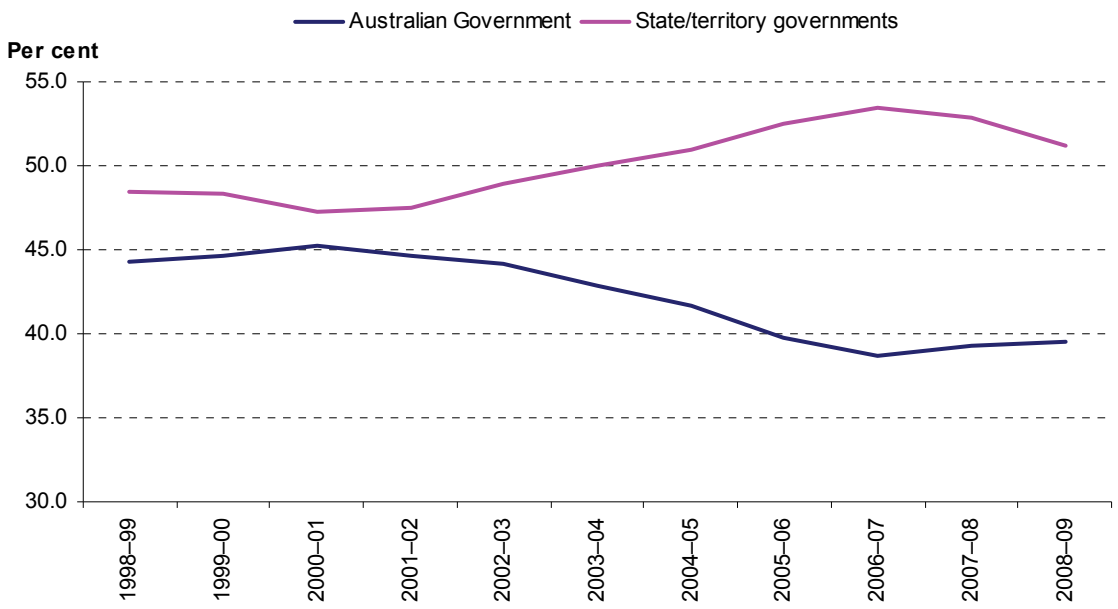
**Table 4.6: Government shares of recurrent expenditure on public hospitals[a], by level of government, current prices, 1997–98 to 2007–08 (per cent)**

| | Australian Government | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | DVA | AHCAs | Rebates of health insurance premiums | Other Australian Government[b] | Total | State/territory governments | Total government |
| **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 | 39.3 | 52.8 | 92.1 |
| 2008–09 | 2.4 | 31.8 | 0.8 | 4.6 | 39.6 | 51.2 | 90.8 |

(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, 1998–99 to 2008–09 (per cent)**

**Table 4.7: Recurrent funding of public hospitals[a], constant prices[b], by source of funds, and annual growth rates, 1998–99 to 2008–09**

| | Government | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government[c] | | State/territory | | Total | | Non-government[c] | | Total recurrent funding | |
| Year | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) |
| 1998–99 | 9,077 | | 9,778 | | 18,855 | | 1,485 | | 20,340 | |
| 1999–00 | 9,330 | 2.8 | 9,994 | 2.2 | 19,324 | 2.5 | 1,466 | –1.3 | 20,789 | 2.2 |
| 2000–01 | 9,748 | 4.5 | 10,083 | 0.9 | 19,832 | 2.6 | 1,617 | 10.3 | 21,448 | 3.2 |
| 2001–02 | 10,094 | 3.6 | 10,670 | 5.8 | 20,764 | 4.7 | 1,773 | 9.7 | 22,537 | 5.1 |
| 2002–03 | 10,698 | 6.0 | 11,802 | 10.6 | 22,500 | 8.4 | 1,682 | –5.1 | 24,182 | 7.3 |
| 2003–04 | 10,539 | –1.5 | 12,284 | 4.1 | 22,823 | 1.4 | 1,743 | 3.6 | 24,566 | 1.6 |
| 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 | 12,063 | 8.5 | 16,226 | 5.5 | 28,289 | 6.7 | 2,439 | 7.0 | 30,728 | 6.8 |
| 2008–09 | 12,775 | 5.9 | 16,552 | 2.0 | 29,327 | 3.7 | 2,972 | 21.8 | 32,299 | 5.1 |
| | | | | | Average annual growth rate (%) | | | | | |
| 1998–99 to 2003–04 | | 3.0 | | 4.7 | | 3.9 | | 3.3 | | 3.8 |
| 2003–04 to 2008–09 | | 3.9 | | 6.1 | | 5.1 | | 11.3 | | 5.6 |
| 1998–99 to 2008–09 | | 3.5 | | 5.4 | | 4.5 | | 7.2 | | 4.7 |

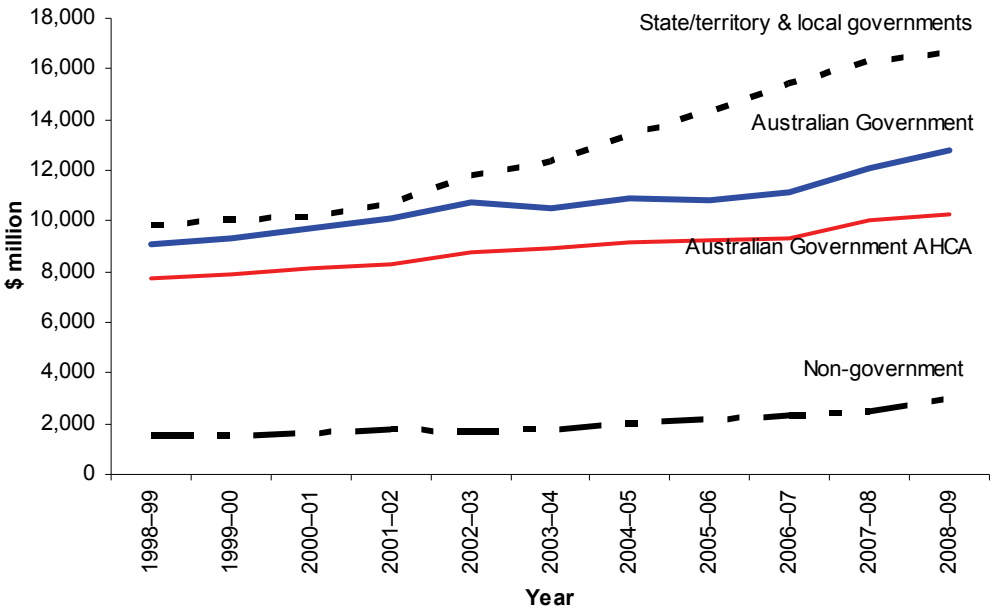
(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital (see Box 4.1).

(b) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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.




(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 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix E for further details.

*Sources:* Table 4.7 and AIHW health expenditure database.

**Figure 4.4: Recurrent funding of public hospitals[a], constant prices[b], by source of funds, 1998–99 to 2008–09**

## 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 2008–09, the Australian Government provided 38.3% ($12.8 billion) of the funding for public hospital services, compared with 39.6% of the funding of public hospitals (tables 4.8 and 4.5). In the case of public hospital services, this was an increase of $728 million on the previous year, but the share of funding decreased 0.9 percentage points. There was a similar increase in funding for public hospitals with decrease in share of funding. Like its funding share in respect of public hospitals, the Australian Government's share of funding for public hospital services has fallen each year, with the exception of 2007–08. In this case, the estimates are taken back only to 2004–05. In that year the Australian Government had provided 41.8% 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 meeting in March 2008.

The AHCAs funding in 2008–09 decreased by 0.9 percentage points over the previous year's AHCAs funding.

In comparison, state and territory governments contributed 53.8% ($18.0 billion) of the funding in 2008–09, which was 2.5 percentage points higher than its share in 2004–05 (51.3%) (Table 4.8).

Non-government sources provided 7.9% of the funding for public hospital services in 2008–09 ($2.6 billion)—an increase of 1.0 percentage points since 2004–05 (6.9%) and 0.7 percentage points higher than in 2007–08 (7.2%).

**Table 4.8: Funding of public hospital services[a][b], Australia, current prices, by source of funds, 2004–05 to 2008–09**

| | Australian Government | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year | DVA | AHCAs | Rebates of health insurance premiums | Other Australian Govern-ment[c] | Total | State/ territory govern-ments | Non-govern-ment | Total |
| | | | | Amount ($ million) | | | | |
| 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 |
| 2008–09 | 773 | 10,257 | 255 | 1,505 | 12,791 | 17,985 | 2,647 | 33,422 |
| | | | | Proportion (%) | | | | |
| 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 |
| 2008–09 | 2.3 | 30.7 | 0.8 | 4.5 | 38.3 | 53.8 | 7.9 | 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 2008–09, this expenditure was $345 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 2006–07 to 2008–09 (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 (45.5%) and Victoria (49.6%), in 2008–09 at least half of total funding of public hospital services came from state and territory governments—ranging from 52.2% in NSW to 68.8% in the Australian Capital Territory.

The Australian Government's share of funding in 2008–09 ranged from 28.9% in the Australian Capital Territory to 46.7% in Tasmania (Table 4.9).

The proportion of Australian Government funding for public hospital services that was provided under the AHCAs in 2008–09 varied across jurisdictions. The AHCAs share of total funding ranged from 19.3% in the Australian Capital Territory to 32.0% in Victoria.

The share of funding attributable to non-government sources in 2008–09 ranged from 2.3% in the Australian Capital Territory to 10.5% in Victoria (Table 4.9).

**Table 4.9: Funding of public hospital services[a], current prices, and shares of total funding for public hospital services, by source of funds, by state and territory, 2006–07 to 2008–09**

| | | Australian Government | | | | | | | | | | State and territory government | | Non-government | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | DVA | | AHCAs | | Premium rebates | | Other[b] | | Total | | | | | | |
| State | Year | $ million | % | $ million | % | $ million | % | $ million | % | $ million | % | $ million | % | $ million | % | $ million |
| NSW | 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 |
| | 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 |
| | 2008–09 | 325 | 2.9 | 3,398 | 30.4 | 135 | 1.2 | 464 | 4.1 | 4,321 | 38.6 | 5,841 | 52.2 | 1,032 | 9.2 | 11,194 |
| Vic | 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 |
| | 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 |
| | 2008–09 | 186 | 2.4 | 2,486 | 32.0 | 58 | 0.8 | 372 | 4.8 | 3,103 | 39.9 | 3,855 | 49.6 | 815 | 10.5 | 7,773 |
| Qld | 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 |
| | 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 |
| | 2008–09 | 89 | 1.4 | 2,008 | 31.0 | 14 | 0.2 | 274 | 4.2 | 2,385 | 36.8 | 3,736 | 57.7 | 353 | 5.5 | 6,475 |
| WA | 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 |
| | 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 |
| | 2008–09 | 49 | 1.4 | 1,032 | 30.8 | 20 | 0.6 | 124 | 3.7 | 1,225 | 36.5 | 1,905 | 56.8 | 226 | 6.7 | 3,355 |
| SA | 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 |
| | 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 |
| | 2008–09 | 78 | 2.9 | 844 | 31.5 | 17 | 0.7 | 102 | 3.8 | 1,042 | 38.9 | 1,507 | 56.2 | 130 | 4.9 | 2,679 |
| Tas | 2006–07 | 25 | 4.1 | 195 | 31.6 | 5 | 0.8 | 27 | 4.4 | 252 | 40.9 | 325 | 52.8 | 39 | 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 |
| | 2008–09 | 18 | 2.4 | 224 | 29.0 | 6 | 0.7 | 112 | 14.5 | 359 | 46.7 | 350 | 45.5 | 60 | 7.8 | 769 |
| ACT | 2006–07 | 14 | 2.4 | 113 | 20.1 | 3 | 0.6 | 17 | 3.1 | 147 | 26.2 | 370 | 65.9 | 45 | 7.9 | 562 |
| | 2007–08 | 25 | 3.8 | 127 | 19.3 | 4 | 0.6 | 27 | 4.1 | 182 | 27.7 | 411 | 62.5 | 64 | 9.7 | 657 |
| | 2008–09 | 26 | 3.7 | 134 | 19.3 | 4 | 0.6 | 37 | 5.3 | 201 | 28.9 | 478 | 68.8 | 16 | 2.3 | 694 |
| NT[c] | 2006–07 | 6 | 1.2 | 110 | 24.4 | 0 | 0.1 | 24 | 5.3 | 140 | 30.9 | 300 | 66.3 | 12 | 2.7 | 453 |
| | 2007–08 | 2 | 0.3 | 124 | 25.5 | 0 | 0.1 | 27 | 5.6 | 153 | 31.5 | 319 | 65.7 | 14 | 2.8 | 486 |
| | 2008–09 | 3 | 0.6 | 131 | 27.2 | 0 | 0.1 | 21 | 4.3 | 155 | 32.3 | 313 | 64.9 | 14 | 2.8 | 482 |

(a) Does not include expenditure on services provided to public patients by contracted private hospitals ($345 million in 2008–09). 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 $13 million in 2006–07 and 2007–08, and $7 million in 2008–09.

*Source:* AIHW health expenditure database

## Private hospitals

Total expenditure on private hospitals in 2008–09 was estimated at $8.4 billion. Just under than two-thirds (72.4%) of the funding for this was through private health insurance funds. This comprised 51.3% that was funded from the insurers' own funds, and 21.1% in the form of indirect subsidies through the 30–40% Australian Government rebate on premiums. In 2008–09, those premium rebates totalled $3.6 billion, of which $1.8 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 2008–09, state government purchases of private hospital services in Western Australia accounted for 22.1% of total revenue of private hospitals in that state. In Victoria and Queensland it represented 3.3% and 1.3%of total private hospital revenue respectively. The state with the largest population—New South Wales—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 (27.2% in 2008–09). This represented a fall, however, from the previous year's proportion (44.5%) which represented a $7 million decrease to $15 million. The Northern Territory also had the lowest proportions funded by health insurance (33.5%) and the Australian Government (17.4%) (Table 4.10). This is largely because of the low private health insurance coverage in the Territory— estimated at 34.1% in 2008–09, compared with a national coverage of 44.5% (calculated from tables E2 and E4).

**Table 4.10: Funding of private hospitals, current prices, and shares of total, by state and territory, by source of funds, 2006–07 to 2008–09**

| | | Government sources | | | | | | | | Non-government sources | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Australian Government | | | | | | State/territory governments[(a)] | | Health insurance funds | | Individuals | | Other non-government[(b)] | | Total all sources |
| | | Direct outlays | | Premium rebates | | Total | | | | | | | | | | |
| | | $ million | % | $ million | % | $ million | % | $ million | % | $ million | % | $ million | % | $ million | % | $ million |
| NSW | 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 |
| | 2008–09 | 298 | 13.4 | 509 | 22.8 | 807 | 36.1 | — | — | 1,236 | 55.3 | 21 | 0.9 | 169 | 7.6 | 2,234 |
| Vic | 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 |
| | 2008–09 | 258 | 12.2 | 464 | 21.9 | 722 | 34.1 | 71 | 3.3 | 1,126 | 53.1 | 98 | 4.6 | 104 | 4.9 | 2,120 |
| Qld | 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 |
| | 2008–09 | 347 | 18.0 | 395 | 20.5 | 742 | 38.4 | 25 | 1.3 | 959 | 49.7 | 118 | 6.1 | 85 | 4.4 | 1,930 |
| WA | 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 |
| | 2008–09 | 123 | 11.2 | 191 | 17.3 | 315 | 28.5 | 244 | 22.1 | 464 | 42.1 | 79 | 7.1 | 3 | 0.3 | 1,104 |
| SA | 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 |
| | 2008–09 | 61 | 10.5 | 136 | 23.6 | 196 | 34.1 | 5 | 0.8 | 330 | 57.3 | 31 | 5.3 | 14 | 2.4 | 575 |
| Tas | 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 |
| | 2008–09 | 24 | 11.4 | 45 | 21.2 | 70 | 32.6 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 213 |
| ACT | 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 |
| | 2008–09 | 14 | 11.2 | 16 | 12.9 | 29 | 24.1 | 1 | 0.4 | 38 | 31.4 | 31 | 25.2 | 23 | 18.8 | 122 |
| NT | 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 |
| | 2008–09 | 2 | 3.6 | 8 | 13.8 | 10 | 17.4 | 1 | 2.4 | 18 | 33.5 | 15 | 27.2 | 11 | 19.6 | 55 |

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

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

*Source:* AIHW health expenditure database.

## Patient transport services

'Patient transport services' mostly refers to the transporting of patients to and from health-care facilities to receive outpatient or admitted patient treatment. Expenditure includes 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 2008–09 was $2.4 billion. The Australian Government's share of that was 11.2%. State and territory and local governments provided almost two-thirds (65.1%) of the funding and non-government sources 23.8% (calculated from Table A3).

Real growth in expenditure averaged 8.4% per year between 2003–04 and 2008–09 (Table A8).

## Medical services

Between 1998–99 and 2008–09, expenditure on medical services increased, in real terms, at an average of 3.5% 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 $19.8 billion spent on medical services in 2008–09, just over three-quarters (78.1% or $15.5 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, 12. 1% was funded by individuals through Medicare copayments, while 4.6% was from health insurance funds and 5.2% was other non-government funding (Figure 4.5).

Medical services out-of-pocket expenditure increased, in current prices, by 10.4% ($225 million) in 2008–09 (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 AIHW has constructed a 'basket of medical services' and calculated a weighted average price for the medical services that make up that basket of services. The basket of services contains:

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

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

While the weighted average fee charged for medical services provided under Medicare increased by 5.7% per year between 1998–99 and 2008–09, the weighted average benefit paid increased at a lower annual rate of 4.9% (Table 4.11). The result is that average copayments increased at a faster rate (8.5% per year).

In the latter half of the period (from 2003–04), the difference between the annual rates of increase for the average fee charged (5.4% per year) and benefit paid (5.6%) was much less than in the previous period. This resulted in an average rate of increase for copayments of 4.7% per year, compared with 12.3% per year, up to 2003–04. (Note that the copayments analysed here could be paid by individuals or by health insurance funds.)

**Table 4.11: Annual fluctuations in the weighted average payments per service[a] for medical services provided under Medicare, by component of total fee charged, 1998–99 to 2008–09**

| Year | Annual change | | | | | |
|---|---|---|---|---|---|---|
| | Average weighted medical benefit paid per service[b] | | Average weighted copayment[b][c] paid per service | | Average weighted fee charged per service[b] | |
| | Average benefit ($) | Price change (%) | Average payment ($) | Price change (%) | Average fee ($) | Price change (%) |
| 1998–99 | 48.57 | . . | 12.08 | . . | 60.66 | . . |
| 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 |
| 2008–09 | 78.21 | 4.6 | 27.25 | 2.5 | 105.46 | 4.1 |
| | | | Average annual change in price | | | |
| 1998–99 to 2003–04 | | 4.1 | | 12.3 | | 6.0 |
| 2003–04 to 2008–09 | | 5.6 | | 4.7 | | 5.4 |
| 1998–99 to 2008–09 | | 4.9 | | 8.5 | | 5.7 |

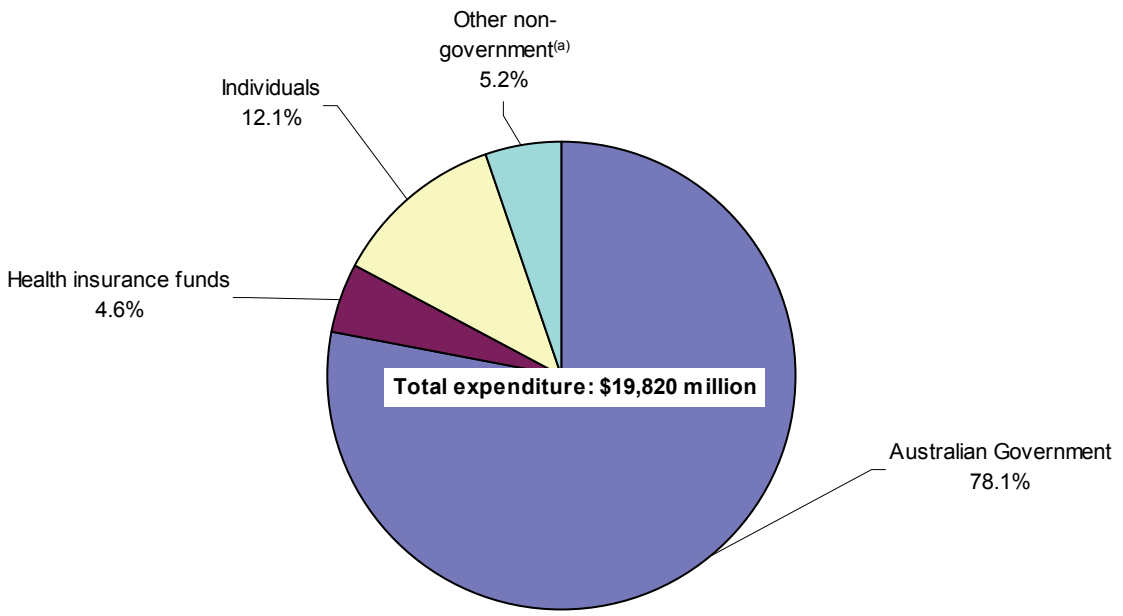
(a) Weighted by the relative fee charged of the individual components of the basket of medical services used in the construction of the Medicare services fees index (see page 63).

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

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

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

*Source:* AIHW health expenditure database.




(a) Includes funding by injury compensation insurers.

***Source:*** **Table A3.**

**Figure 4.5: Recurrent expenditure on medical services, current prices, by source of funds, 2008–09**

Between 1998–99 and 2008–09, the Australian Government's real funding of medical services grew at an average of 3.5% per year, while funding by individuals grew at 4.8% per year and that by health insurance at 11.3% 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 tables E2 and E4).

This resulted in a sharp growth in the health insurance funds' funding of health services from 3.9% in 1999–00 to 26.4% 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 2007–08 and 2008–09 health insurance funding grew by 9.5% in each year (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, 1998–99 to 2008–09**

| | Australian Government[b] | | Health insurance funds[b] | | Individuals | | Injury compensation insurers | | Total recurrent funding | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) |
| 1998–99 | 11,429 | . . | 314 | . . | 1,498 | . . | 747 | . . | 13,989 | . . |
| 1999–00 | 11,996 | 5.0 | 326 | 3.9 | 1,503 | 0.3 | 783 | 4.8 | 14,608 | 4.4 |
| 2000–01 | 11,993 | — | 412 | 26.4 | 1,553 | 3.3 | 768 | –1.8 | 14,727 | 0.8 |
| 2001–02 | 12,208 | 1.8 | 569 | 37.9 | 1,627 | 4.8 | 861 | 12.1 | 15,266 | 3.7 |
| 2002–03 | 12,137 | –0.6 | 641 | 12.7 | 1,839 | 13.0 | 906 | 5.1 | 15,522 | 1.7 |
| 2003–04 | 12,215 | 0.6 | 690 | 7.6 | 1,960 | 6.6 | 970 | 7.1 | 15,835 | 2.0 |
| 2004–05 | 13,169 | 7.8 | 693 | 0.5 | 1,844 | –5.9 | 962 | –0.8 | 16,668 | 5.3 |
| 2005–06 | 13,155 | –0.1 | 718 | 3.5 | 1,878 | 1.8 | 941 | –2.2 | 16,691 | 0.1 |
| 2006–07 | 13,670 | 3.9 | 767 | 6.9 | 2,093 | 11.4 | 974 | 3.6 | 17,504 | 4.9 |
| 2007–08 | 14,816 | 8.4 | 840 | 9.5 | 2,241 | 7.1 | 1,054 | 8.2 | 18,950 | 8.3 |
| 2008–09 | 15,474 | 4.4 | 919 | 9.5 | 2,395 | 6.9 | 1,031 | –2.2 | 19,820 | 4.6 |
| | | | | | Average annual growth rate (%) | | | | | |
| 1998–99 to 2003–04 | | 1.3 | | 17.1 | | 5.5 | | 5.4 | | 2.5 |
| 2003–04 to 2008–09 | | 4.8 | | 5.9 | | 4.1 | | 1.2 | | 4.6 |
| 1998–99 to 2008–09 | | 3.1 | | 11.3 | | 4.8 | | 3.3 | | 3.5 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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 1998–99, 72.0% of all medical services were bulk-billed. Bulk-billing rates increased in 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 6.4 percentage points to 73.9% in 2008–09—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, 1998–99 to 2008–09 (per cent)**

| | | Non-government | | | | |
|---|---|---|---|---|---|---|
| Year | Australian Government | Health insurance funds | Individuals | Other[a] | Total | Bulk-billing rate[b] |
| 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 |
| 2008–09 | 78.1 | 4.6 | 12.1 | 5.2 | 21.9 | 73.9 |

(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 2008–09 for out-of-hospital medical services across state of provider and state of usual patient residence. For all states and territories except the Northern Territory, 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, 7.7% of the total fees charged were for services provided in New South Wales. Similarly, for Northern Territory residents, 5.6% of the total fees charged were for services provided in South Australia and 3.2% 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], 2008–09**

| State or territory of usual patient residence | State or territory of provider | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Total ($ million) |
| | Per cent | | | | | | | | |
| NSW | 96.7 | 0.7 | 1.5 | 0.1 | 0.1 | — | 0.8 | — | 4,732 |
| Vic | 0.7 | 98.5 | 0.4 | 0.1 | 0.2 | — | — | — | 3,235 |
| Qld | 1.0 | 0.4 | 98.2 | 0.1 | 0.1 | — | — | 0.1 | 2,474 |
| WA | 0.4 | 0.4 | 0.3 | 98.6 | 0.1 | — | — | 0.1 | 1,120 |
| SA | 0.5 | 0.5 | 0.3 | 0.1 | 98.4 | — | — | 0.1 | 952 |
| Tas | 0.7 | 1.3 | 0.7 | 0.2 | 0.2 | 96.9 | — | — | 270 |
| ACT | 7.7 | 0.7 | 0.8 | 0.1 | 0.2 | 0.1 | 90.4 | — | 192 |
| NT | 1.7 | 1.7 | 3.2 | 1.9 | 5.6 | 0.1 | 0.1 | 85.6 | 75 |
| **Total ($ million)** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **13,050** |

(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:* — 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 psychologists, 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 2008–09, 41.8% was funded by individual users of services (calculated from Table A3). Of the remaining expenditure ($2.0 billion), $0.7 billion (20.6%) was funded through private health insurance, including the Australian Government private health insurance premium rebates.

Expenditure on other health practitioners decreased by 1.8% in 2008–09 but grew at an average of 2.5% per year between 2003–04 and 2008–09 (Table A8). The average growth was 3.0 percentage points lower than the growth in total recurrent health expenditure (5.4%) 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.

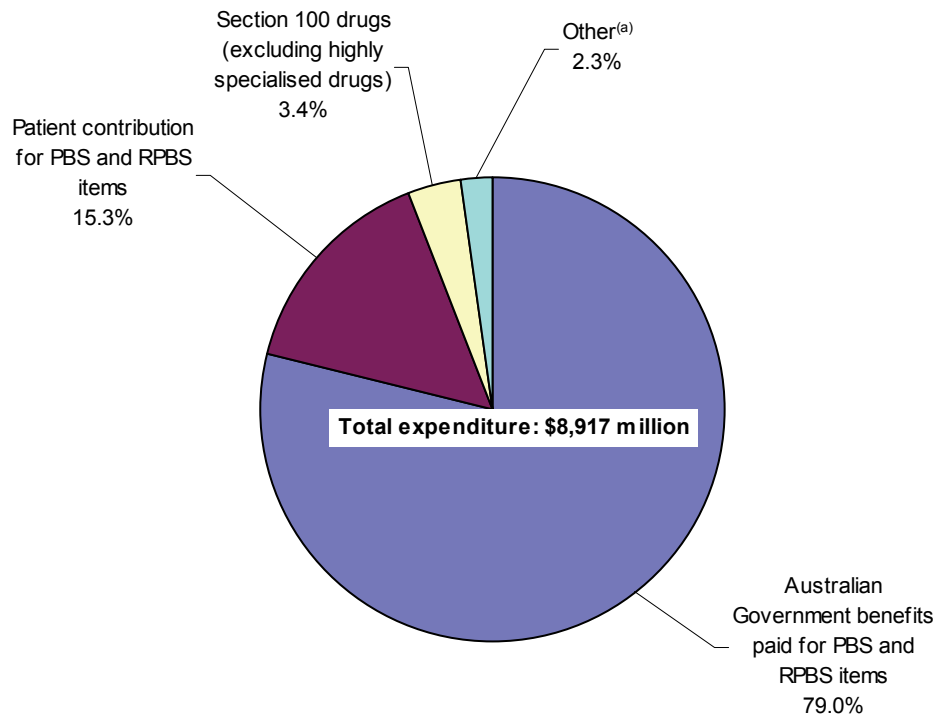
In real terms, recurrent expenditure on medications increased by 8.6% per year from 1998–99 to 2008–09, to reach $15.2 billion in 2008–09 (Table 4.2). The rate of growth in recurrent expenditure on medications between 1998–99 and 2008–09 (8.6%) was strongly influenced by expenditure on benefit-paid pharmaceuticals (Table A8).

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

**Benefit-paid pharmaceuticals**

In real terms, recurrent expenditure on benefit-paid pharmaceuticals grew at an average of 9.0% per year from 1998–99 to 2008–09, compared to growth in total recurrent health expenditure of 5.4% (tables A8 and 4.15). The period of most rapid growth was from 1998–99 to 2003–04, when growth averaged 12.4% per year—shared between the Australian Government (12.8% per year) and individuals (10.4% per year) (Table 4.15).

In 2008–09, the total amount spent on pharmaceuticals for which benefits were paid was $8.9 billion (Table 4.15 and Figure 4.6). This was a growth in real terms of 9.7% from the previous year. Benefits paid by the Australian Government for PBS and RPBS items accounted for 79.0% of this expenditure and 15.3% was due to patient contributions for PBS and RPBS items. The balance (5.7%) 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, 2008–09**

**Table 4.15: Recurrent expenditure on benefit-paid pharmaceuticals, constant prices[a], by source of funds, and annual growth rates, 1998–99 to 2008–09**

| | Australian Government | | Individuals | | Total recurrent expenditure | |
|---|---|---|---|---|---|---|
| Year | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) |
| 1998–99 | 3,143 | | 638 | | 3,781 | |
| 1999–00 | 3,581 | 13.9 | 691 | 8.4 | 4,272 | 13.0 |
| 2000–01 | 4,377 | 22.2 | 786 | 13.7 | 5,163 | 20.9 |
| 2001–02 | 4,740 | 8.3 | 853 | 8.5 | 5,592 | 8.3 |
| 2002–03 | 5,234 | 10.4 | 963 | 12.9 | 6,197 | 10.8 |
| 2003–04 | 5,729 | 9.5 | 1,048 | 8.8 | 6,777 | 9.4 |
| 2004–05 | 5,996 | 4.7 | 1,163 | 11.0 | 7,159 | 5.6 |
| 2005–06 | 6,101 | 1.7 | 1,251 | 7.5 | 7,352 | 2.7 |
| 2006–07 | 6,265 | 2.7 | 1,285 | 2.7 | 7,550 | 2.7 |
| 2007–08 | 6,803 | 8.6 | 1,323 | 3.0 | 8,126 | 7.6 |
| 2008–09 | 7,466 | 9.7 | 1,452 | 9.7 | 8,917 | 9.7 |
| | | | Average annual growth rate (%) | | | |
| 1998–99 to 2003–04 | | 12.8 | | 10.4 | | 12.4 |
| 2003–04 to 2008–09 | | 5.4 | | 6.7 | | 5.6 |
| 1998–99 to 2008–09 | | 9.0 | | 8.6 | | 9.0 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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 1998–99 and 2008–09 expenditure on other medications grew at an average of 8.1% 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 7.6% per year over the whole period. There were 2 years of very rapid growth—2001–02, when funding by individuals grew by 14.8% and 2006–07 (12.7%) (Table 4.16).

**Table 4.16: Recurrent expenditure on other medications[a], constant prices[b], by source of funds, and annual growth rates, 1998–99 to 2008–09**

| 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 (%) |
| 1998–99 | 23 | | n.a. | . . | 35 | . . | 2,839 | . . | 2,897 | . . |
| 1999–00 | 33 | 43.1 | n.a. | . . | 36 | 3.9 | 3,121 | 9.9 | 3,191 | 10.1 |
| 2000–01 | 113 | 242.5 | n.a. | . . | 42 | 14.8 | 3,394 | 8.7 | 3,549 | 11.2 |
| 2001–02 | 84 | –25.5 | 2 | . . | 52 | 25.1 | 3,896 | 14.8 | 4,035 | 13.7 |
| 2002–03 | 95 | 12.1 | n.a. | . . | 60 | 15.6 | 3,572 | –8.3 | 3,727 | –7.6 |
| 2003–04 | 121 | 27.3 | n.a. | . . | 57 | –5.1 | 3,918 | 9.7 | 4,096 | 9.9 |
| 2004–05[c] | 172 | 42.6 | n.a. | . . | 58 | 1.4 | 4,308 | 9.9 | 4,538 | 10.8 |
| 2005–06 | 113 | –34.4 | n.a. | . . | 53 | –9.0 | 4,399 | 2.1 | 4,565 | 0.6 |
| 2006–07 | 300 | 166.1 | n.a. | . . | 49 | –7.6 | 4,956 | 12.7 | 5,305 | 16.2 |
| 2007–08 | 315 | 4.9 | n.a. | . . | 48 | –2.6 | 5,389 | 8.7 | 5,751 | 8.4 |
| 2008–09 | 360 | 14.4 | n.a. | . . | 49 | 4.0 | 5,879 | 9.1 | 6,289 | 9.4 |
| | | | | | **Average annual growth rate (%)** | | | | | |
| 1998–99 to 2003–04 | | 39.1 | | . . | | 10.4 | | 6.7 | | 7.2 |
| 2003–04 to 2008–09 | | 24.5 | | . . | | –2.9 | | 8.5 | | 9.0 |
| 1998–99 to 2008–09 | | 31.6 | | . . | | 3.5 | | 7.6 | | 8.1 |

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

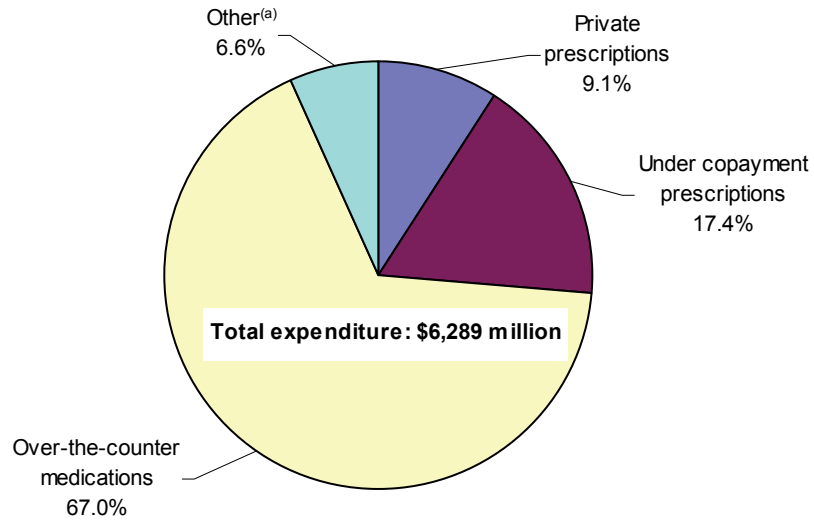
(b) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix E for further details.

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

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

*Source:* AIHW health expenditure database.

In 2008–09, expenditure on all other medication items was estimated at $6.3 billion (Table 4.16). Over-the-counter medicines accounted for the largest share of this expenditure at 67.0% ($4.2 billion). Under copayment prescriptions (that is, PBS-listed items where the full price is covered by the individual) accounted for 17.4%, private prescriptions for 9.1%, and the remainder (6.6%) comprised funding from injury compensation insurers and other DoHA-administered expense items (Figure 4.7).




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

*Sources:* Gloria 2009; Pharmacy Guild of Australia unpublished data; Retail pharmacy data and AIHW health expenditure database.

**Figure 4.7: Other medications expenditure, by category, current prices, 2008–09**

### Expenditure on prescribed medications

In 2008–09, estimated expenditure on prescribed medications was $13.4 billion (Table 4.17). This is made up of prescribed medications in community settings and medications in hospitals. It does not include expenditures that governments incur in the purchase, dispensing and administration of vaccines under state, territory and national public health programs.

The majority of the expenditure on prescribed pharmaceuticals was for benefit-paid items (66.6% or $8.9 billion), which were jointly funded by the Australian Government (83.7%) and individuals (16.3%). Expenditure on in-hospital drugs comprised $2.2 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, 2008–09 ($ million)**

| Provider and funder | Benefit-paid pharmaceuticals | All other medications | | Total |
|---|---|---|---|---|
| | | Non-hospital[b] | Hospital[c] | |
| **Community pharmacies** | | | | |
| Funded by | | | | |
| Australian Government DVA | 478 | . . | . . | 478 |
| Australian Government DoHA[d][e] | 6,988 | 360 | . . | 7,348 |
| Health insurance funds | . . | 49 | . . | 49 |
| Individuals | 1,452 | 1,596 | . . | 3,048 |
| Injury compensation insurers and other | . . | 72 | . . | 72 |
| *Total pharmacies* | 8,917 | 2,078 | . . | 10,995 |
| **Public hospitals[f]** | **. .** | **. .** | **2,168** | **2,168** |
| **Private hospitals[g]** | **. .** | **. .** | **214** | **214** |
| **Total** | **8,917** | **2,078** | **2,381** | **13,377** |

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

(b) Includes private prescriptions and under copayment prescriptions.

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

(d) Does not include $780 million in payments for highly specialised drugs, which are included in the public hospitals and private hospitals rows.

(e) Includes $321 million in Section 100 payments for human growth hormones, in-vitro fertilisation and other subsidised pharmaceuticals.

(f) Includes $567 million in Australian Government payments to states and territories for highly specialised drugs.

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

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

*Source:* AIHW health expenditure database.

The cost to government of PBS items in 2008–09 was estimated at $7.9 billion (Table 4.18). This was $0.8 billion higher than in 2007–08 ($7.1 billion).

From 2003–04 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 2 years of the period (2007–08 and 2008–09) the Australian Government's share increased to 83.4% and the patient contribution decreased to 16.6%.

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 2003–04, concessional patients contributed $0.4 billion or 41.9% of total patient contributions (Table 4.18). Since then, however, this proportion has been rising and in 2008–09, concessional patients contributed $0.6 billion, or 47.2% 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 $1.2 billion (23.9%) of the cost to the Australian Government of the PBS) in 2003–04 to $1.4 billion (21.8%) in 2008–09 (calculated from Table 4.18).

**Table 4.18: Pharmaceutical Benefits Scheme[a], Australian Government and patients' contributions, current prices, 2003–04 to 2008–09 ($ million)**

| Benefit category | 2003–04 | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 |
|---|---|---|---|---|---|---|
| **Patient contributions** | | | | | | |
| General patients | 545 | 597 | 634 | 619 | 630 | 691 |
| Concessional patients | 393 | 444 | 489 | 533 | 560 | 617 |
| *Total patient contributions* | *938* | *1,041* | *1,123* | *1,151* | *1,189* | *1,309* |
| Share of total (per cent) | 15.8 | 16.4 | 17.3 | 17.4 | 16.7 | 16.6 |
| **Government benefits** | | | | | | |
| General patients–no safety net | 824 | 851 | 850 | 890 | 1,039 | 1,220 |
| General patients–safety net | 191 | 223 | 216 | 174 | 173 | 217 |
| *Total general patients* | *1,015* | *1,073* | *1,066* | *1,064* | *1,213* | *1,438* |
| Concessional patients–no safety net | 2,972 | 3,077 | 3,145 | 3,334 | 3,561 | 3,910 |
| Concessional patients–safety net | 1,005 | 1,145 | 1,173 | 1,067 | 1,138 | 1,216 |
| *Total concessional patients* | *3,977* | *4,223* | *4,318* | *4,401* | *4,699* | *5,126* |
| *Total cost to government* | *4,992* | *5,296* | *5,384* | *5,466* | *5,912* | *6,563* |
| Cost to government as share of total (per cent) | 84.2 | 83.6 | 82.7 | 82.6 | 83.3 | 83.4 |
| **Total cost of PBS benefit-paid items[b]** | **5,929** | **6,337** | **6,508** | **6,617** | **7,102** | **7,872** |

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

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

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

*Source:* DoHA unpublished.

## Aids and appliances

Expenditure on health aids and appliances grew by 5.3% per year in real terms over the period 2003–04 to 2008–09. This was marginally lower than the growth in total recurrent health expenditure (5.4%) over that period (Table A8).

In 2008–09, expenditure on aids and appliances was $3.3 billion, of which 71.5% was funded by individuals' out-of-pocket expenditure (calculated from Table A3).

## Community health and other

In 2008–09, expenditure on 'community health and other' was estimated at $5.6 billion, up by $0.4 billion from 2007–08. Of this $5.6 billion, $4.6 billion (83.0%) 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, 2007a, 2008a,b).

For 1999–00 onwards, the expenditures on public health services outlined in this report include DoHA departmental regulator expenses for the Therapeutic Goods Administration (TGA), the Office of Gene Technology Regulator (OGTR) and the National Industrial Chemicals Notification and Assessment Scheme (NICNAS). These have not been included in the reports of government-funded expenditure under the National Public Health Expenditure Project. (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 2008–09, public health expenditure was estimated at:

- 2006–07—$1.8 billion
- 2007–08—$2.3 billion
- 2008–09—$2.3 billion.

The Australian Government's share of funding was 55.0%, 60.2% and 51.5%, respectively (calculated from tables A1, A2 and A3). State and territory governments' own-source funding of public health was 37.8%, 33.5% and 41.6% respectively (calculated from tables A1, A2 and A3).

### Public health activity expenditure

In real terms between 1999–00 and 2008–09, estimated government expenditure on public health activities grew at an average rate of 7.2% 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 (13.7%) and selected health promotion (7.8%) (Table 4.19). Much of the growth in expenditure on organised immunisation resulted from costs associated with the implementation of the human papillomavirus vaccination program (AIHW 2009a). Programs for food standards and hygiene (1.4%) and environmental health (3.1%) showed the lowest growth over this period.

The activities recording the highest real growth between 2007–08 and 2008–09 were selected health promotion (15.9%) and breast cancer and cervical screening programs (12.7%) (Table 4.19). Real expenditure on organised immunisation and food standards and hygiene declined in 2008–09 (by 12.0% and 4.7% respectively).

**Table 4.19: Total government expenditure[a] on public health activities, constant prices[b], by activity, 1999–00 to 2008–09 ($ million)**

| Public health activity categories | 1999–00 | 2000–01 | 2001–02 | 2002–03 | 2003–04 | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 | Growth rate (%) 2007–08 to 2008–09 | Average annual growth rate (%) 1999–00 to 2008–09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Communicable disease control | 202.5 | 212.6 | 234.9 | 246.1 | 241.8 | 268.0 | 273.6 | 270.3 | 265.0 | 284.9 | 7.5 | 3.9 |
| Selected health promotion | 221.8 | 242.4 | 275.3 | 260.9 | 255.1 | 266.8 | 277.3 | 301.4 | 378.6 | 438.3 | 15.8 | 7.9 |
| Organised immunisation | 201.2 | 219.6 | 223.5 | 313.2 | 318.5 | 391.3 | 354.8 | 463.7 | 726.8 | 639.4 | –12.0 | 13.7 |
| Environmental health | 77.2 | 85.0 | 91.7 | 91.2 | 95.1 | 96.6 | 94.5 | 93.9 | 98.7 | 99.9 | 1.2 | 2.9 |
| Food standards and hygiene | 33.4 | 45.6 | 41.6 | 41.7 | 42.1 | 37.9 | 38.0 | 36.7 | 39.9 | 38.0 | –4.8 | 1.4 |
| Breast and cervical cancer screening programs[c] | 238.1 | 239.2 | 237.3 | 224.5 | 234.5 | 256.7 | 251.8 | 278.4 | 298.5 | 336.3 | 12.7 | 3.9 |
| Prevention of hazardous and harmful drug use | 157.6 | 184.9 | 174.3 | 188.4 | 199.5 | 237.9 | 208.6 | 236.0 | 281.1 | 295.0 | 5.0 | 7.2 |
| Public health research | 88.8 | 85.6 | 97.2 | 108.3 | 111.8 | 122.9 | 136.8 | 157.0 | 162.3 | 168.3 | 3.7 | 7.4 |
| Public Health Outcome Funding Agreements admin[c] | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | - | - | - | - | - |
| **Total** | **1,221.0** | **1,315.2** | **1,376.2** | **1,474.6** | **1,498.6** | **1,678.5** | **1,635.6** | **1,837.4** | **2,250.9** | **2,300.2** | **2.2** | **7.3** |

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

(b) Constant price public health expenditure for 1999–00 to 2006–07 is expressed in terms of 2007–08 prices.

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

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

*Source:* AIHW public health expenditure database.

## Dental services

Individuals funded 61.5% of the $6.7 billion spent on dental services in 2008–09 compared to 22.8% or $1.5 billion funded by governments (Table A3, page 113). For the period 2003–04 to 2008–09, real growth in dental services expenditure averaged 2.7% per year—2.9 percentage points below the average annual real growth in total recurrent health expenditure of 5.4% (Table A8). The majority of dental services (90.4% or $6.1 billion) were supplied by private providers, with the remainder by state and territory government providers (9.6% or $0.6 billion).

## Research

Estimated expenditure on health research in 2008–09 was $3.7 billion or 3.4% of total recurrent health expenditure (tables 4.20 and 4.21). In real terms, estimated expenditure grew at an average of 13.5% per year between 1998–99 and 2008–09 (Table 4.20). Three-quarters (75.0%) of the expenditure on health research in 2008–09 was funded by the Australian Government, 16.9% by state and territory and local governments and a further 8.1% 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, 1998–99 to 2008–09**

| | Government | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Australian Government | | State/territory and local | | Non-government | | Total recurrent funding | |
| Year | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) | Amount ($m) | Growth (%) |
| 1998–99 | 730 | . . | 134 | . . | 173 | . . | 1,038 | . . |
| 1999–00 | 981 | 34.4 | 220 | 63.5 | 110 | –36.7 | 1,311 | 26.3 |
| 2000–01 | 1,210 | 23.3 | 255 | 15.9 | 131 | 19.5 | 1,596 | 21.7 |
| 2001–02 | 1,294 | 6.9 | 248 | –2.5 | 144 | 9.8 | 1,686 | 5.6 |
| 2002–03 | 1,401 | 8.3 | 218 | –12.0 | 156 | 8.4 | 1,775 | 5.3 |
| 2003–04 | 1,486 | 6.1 | 252 | 15.4 | 163 | 4.8 | 1,901 | 7.1 |
| 2004–05 | 1,605 | 8.0 | 275 | 9.1 | 172 | 5.1 | 2,052 | 7.9 |
| 2005–06 | 1,821 | 13.5 | 308 | 12.1 | 188 | 9.5 | 2,317 | 13.0 |
| 2006–07 | 1,976 | 8.5 | 350 | 13.7 | 203 | 8.1 | 2,529 | 9.1 |
| 2007–08 | 2,214 | 12.1 | 402 | 14.6 | 220 | 8.6 | 2,836 | 12.1 |
| 2008–09 | 2,758 | 24.6 | 620 | 54.1 | 300 | 36.2 | 3,678 | 29.7 |
| | Average annual growth rate (%) | | | | | | | |
| 1998–99 to 2003–04 | | 15.3 | | 13.4 | | –1.2 | | 12.9 |
| 2003–04 to 2008–09 | | 13.2 | | 19.7 | | 12.9 | | 14.1 |
| 1998–99 to 2008–09 | | 14.2 | | 16.5 | | 5.7 | | 13.5 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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 the Northern Territory to more than 9% 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 2008–09**

| Year | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|---|---|---|---|---|---|---|---|---|---|
| 1999–00 | 1.35 | 2.74 | 1.26 | 1.62 | 2.35 | 1.44 | 6.75 | 1.22 | 1.90 |
| 2000–01 | 1.63 | 2.95 | 1.42 | 1.88 | 2.52 | 1.81 | 7.99 | 1.87 | 2.14 |
| 2001–02 | 1.68 | 3.03 | 1.46 | 1.84 | 2.39 | 1.22 | 8.08 | 1.56 | 2.16 |
| 2002–03 | 1.74 | 2.94 | 1.45 | 1.75 | 2.23 | 1.95 | 8.13 | 1.23 | 2.16 |
| 2003–04 | 1.79 | 3.05 | 1.51 | 1.97 | 2.26 | 1.89 | 8.55 | 1.23 | 2.24 |
| 2004–05 | 1.83 | 3.05 | 1.57 | 2.06 | 2.32 | 1.96 | 8.77 | 0.94 | 2.28 |
| 2005–06 | 2.13 | 3.46 | 1.70 | 2.20 | 2.53 | 2.11 | 8.38 | 0.74 | 2.52 |
| 2006–07 | 2.33 | 3.70 | 1.72 | 2.16 | 2.64 | 1.74 | 7.68 | 0.76 | 2.63 |
| 2007–08 | 2.57 | 3.93 | 1.82 | 2.25 | 2.70 | 1.82 | 7.74 | 0.83 | 2.79 |
| 2008–09 | 3.42 | 4.41 | 2.38 | 2.75 | 3.22 | 2.26 | 9.53 | 1.65 | 3.43 |

(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 $1.5 billion in 2008–09 (Table 4.22). This was an increase, in real terms, of 6.8% from 2007–08.

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 1999–2000, capital expenditure exceeded the rate of consumption of capital in all states and territories, except the Northern Territory. This resulted in a capital expenditure to capital consumption ratio that was greater than 1 for those other jurisdictions, which implies that their capital stock was growing, not eroding. In the case of the Northern Territory, which consistently had a ratio of less than 1, the data suggest that the capital stock was being used up at a faster rate than it was being replaced. In 2008–09, Western Australia recorded its highest ratio (3.74:1) which suggests there was substantial ongoing 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 2008–09**

| Year | Current prices ($ million) | Constant prices ($ million) | Real growth (per cent) |
|---|---|---|---|
| 1998–99 | 865 | 981 | . . |
| 1999–00 | 896 | 1,053 | 7.4 |
| 2000–01 | 935 | 1,087 | 3.2 |
| 2001–02 | 940 | 1,101 | 1.3 |
| 2002–03 | 973 | 1,130 | 2.6 |
| 2003–04 | 1,037 | 1,200 | 6.2 |
| 2004–05 | 1,107 | 1,252 | 4.3 |
| 2005–06 | 1,238 | 1,365 | 9.0 |
| 2006–07 | 1,337 | 1,430 | 4.7 |
| 2007–08 | 1,375 | 1,431 | 0.1 |
| 2008–09 | 1,528 | 1,528 | 6.8 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 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, 1999–00 to 2008–09**

| Year | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Aust |
|---|---|---|---|---|---|---|---|---|---|
| 1999–00 | 0.94 | 1.65 | 2.22 | 1.31 | 1.45 | 0.48 | 0.94 | 0.38 | 1.47 |
| 2000–01 | 1.25 | 1.57 | 2.13 | 1.53 | 1.32 | 0.52 | 1.53 | 0.37 | 1.53 |
| 2001–02 | 1.49 | 1.85 | 1.85 | 1.44 | 1.51 | 0.94 | 1.91 | 0.32 | 1.59 |
| 2002–03 | 1.45 | 3.02 | 1.03 | 1.43 | 1.80 | 0.51 | 1.20 | 0.61 | 1.65 |
| 2003–04 | 1.14 | 1.00 | 1.06 | 1.78 | 1.72 | 1.24 | 1.51 | 0.73 | 1.17 |
| 2004–05 | 1.25 | 1.63 | 1.27 | 2.22 | 2.09 | 1.67 | 1.86 | 0.89 | 1.49 |
| 2005–06 | 1.48 | 2.09 | 1.35 | 1.90 | 1.61 | 1.63 | 2.08 | 0.72 | 1.62 |
| 2006–07 | 1.20 | 2.64 | 1.56 | 1.76 | 0.50 | 1.70 | 1.26 | 0.89 | 1.60 |
| 2007–08 | 1.42 | 0.99 | 1.97 | 2.80 | 1.18 | 1.51 | 1.88 | 0.62 | 1.51 |
| 2008–09 | 1.46 | 1.45 | 2.49 | 3.74 | 1.92 | 1.21 | 2.76 | 0.97 | 1.90 |

(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 2008–09 was $5.7 billion, 5.1% of total health expenditure (tables 4.25 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, 1998–99 to 2008–09 ($ million)**

| | Government | | | |
|---|---|---|---|---|
| Year | Australian Government | State/territory and local | Non-government | Total |
| 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 |
| 2008–09 | 96 | 2,695 | 2,909 | 5,700 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

*Source:* AIHW health expenditure database.

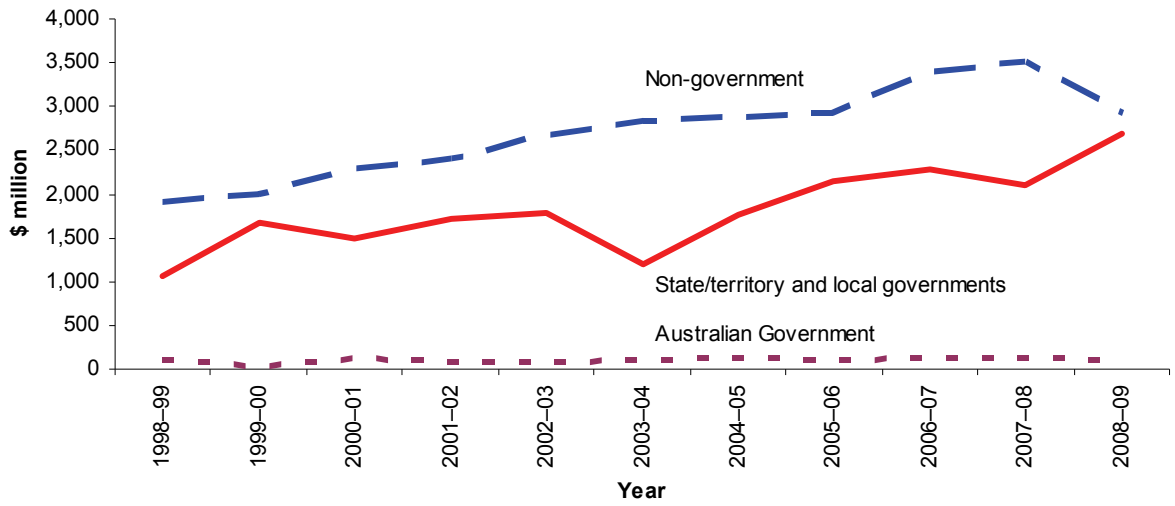
The lives of such facilities and equipment can be very long (up to 50 years is not uncommon for buildings). Because investments in health facilities and equipment involve large outlays, capital expenditure can fluctuate from year to year (Table 4.25 and Figure 4.8).

**Table 4.25: Capital expenditure, constant prices[a], by source of funds, 1998–99 to 2008–09 ($ million)**

| | Government | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Australian Government | | State, territory and local governments | | Non–government | | Total | |
| Year | Amount ($ million) | Growth (%) | Amount ($ million) | Growth (%) | Amount ($ million) | Growth (%) | Amount ($ million) | Growth (%) |
| 1998–99 | 91 | –66.1 | 1,072 | 55.5 | 1,898 | 4.7 | 3,062 | 20.4 |
| 1999–00 | 31 | 270.9 | 1,668 | –10.9 | 1,987 | 14.4 | 3,685 | 5.1 |
| 2000–01 | 114 | –38.7 | 1,487 | 14.8 | 2,272 | 5.5 | 3,873 | 7.8 |
| 2001–02 | 70 | –6.9 | 1,707 | 4.9 | 2,398 | 11.1 | 4,175 | 8.3 |
| 2002–03 | 65 | 31.0 | 1,791 | –32.5 | 2,665 | 6.0 | 4,521 | –8.9 |
| 2003–04 | 85 | 38.1 | 1,208 | 46.9 | 2,824 | 1.4 | 4,117 | 15.5 |
| 2004–05 | 118 | –17.3 | 1,774 | 21.1 | 2,863 | 1.6 | 4,754 | 8.4 |
| 2005–06 | 97 | 10.6 | 2,149 | 6.2 | 2,909 | 16.3 | 5,156 | 12.0 |
| 2006–07 | 108 | 0.9 | 2,283 | –8.1 | 3,383 | 3.6 | 5,774 | –1.1 |
| 2007–08 | 109 | –11.7 | 2,098 | 28.4 | 3,505 | –17.0 | 5,712 | –0.2 |
| 2008–09 | 96 | –66.1 | 2,695 | 55.5 | 2,909 | 4.7 | 5,700 | 20.4 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

*Source:* AIHW health expenditure database.




(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D for further details.

*Source:* Table 4.25.

**Figure 4.8: Capital expenditure, constant prices[a], by broad source of funds, 1998–99 to 2008–09**

# 4.3 Non-specific tax expenditures

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

The medical expenses tax rebate applies to the amount by which a taxpayer's total net health-related expenditures exceed a statutory threshold in any year. For 2008–09, 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 $483 million in 2008–09. This was an increase in real terms of 21.9% from 2007–08. The average annual real growth over the decade from 1998–99 was 8.8% (Table 4.26).

**Table 4.26 Non-specific tax expenditure, current and constant[(a)] prices, and annual growth rates, 1998–99 to 2008–09**

| Year | Current prices ($ million) | Constant prices ($ million) | Real growth (%) |
|---|---|---|---|
| 1998–99 | 145 | 208 | |
| 1999–00 | 162 | 227 | 9.0 |
| 2000–01 | 173 | 236 | 3.9 |
| 2001–02 | 203 | 268 | 13.7 |
| 2002–03 | 225 | 287 | 7.0 |
| 2003–04 | 250 | 304 | 6.0 |
| 2004–05 | 291 | 343 | 12.6 |
| 2005–06 | 332 | 372 | 8.6 |
| 2006–07 | 376 | 404 | 8.7 |
| 2007–08 | 382 | 396 | –2.1 |
| 2008–09 | 483 | 483 | 21.9 |
| | **Average annual growth rate (%)** | | |
| 1998–99 to 2008–09 | | | 8.8 |

(a) Constant price health expenditure for 1998–99 to 2008–09 is expressed in terms of 2008–09 prices. Refer to Appendix D 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. These boundaries and definitions are not necessarily consistent with those that other countries use. This chapter compares Australia's expenditure on health with that of OECD member economies and a number of countries in the Asia-Pacific region. For the purpose of this comparison, Australian health expenditure estimates in this chapter have been derived using the framework for estimating and reporting national health expenditure 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 9.0% in 2008–09, but using the SHA estimating framework, expenditure on health is estimated at 8.7% of GDP in 2008 (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 1990s.

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

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

**Box 5.1: Periods equating to OECD year 2008**

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

# 5.1 Health expenditure in OECD countries

The OECD median health to GDP ratio for 1998, 2003 and 2008 was 7.8%, 8.4% and 9.1% respectively. Average expenditure per person for the whole of the OECD was estimated at $2,830, $3,987 and $5,636 in those same years (Table 5.1).

Australia's health to GDP ratio (7.8%) was the same as the OECD median in 1998, slightly higher in 2003 (8.5% compared with OECD median 8.4%) and lower than the OECD median (8.7% compared with 9.1%) in 2008 (Table 5.1 and Figure 5.1). Average per person expenditure on health in Australia ($2,535 in 1998, $3,581 in 2003 and $5,021 in 2008) was higher than the OECD median expenditure ($2,345, $3,297 and $4,801, 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 2008, with an average expenditure per person that was more than double the amount for Australia ($11,156 per person compared with $5,021 for Australia) (Table 5.1).

In 2008, Australia spent a similar proportion of GDP on health as Ireland, Italy, Iceland, Norway and the United Kingdom (Table 5.1).

Australia's three tiers of government funded an average of 68.5% of total health expenditure in 2008, which was 5.7 percentage points below the OECD median of 74.2%. Of the countries that provided data for 2008, Norway had the highest proportion of government health funding (84.2%)—Mexico (46.9%) and the United States (46.5%) the lowest. Over the decade, the government contribution to the funding of health care in Australia edged up by 1.7 percentage points, while the average government share for the OECD overall increased by close to 1.0 percentage point (Table 5.2).

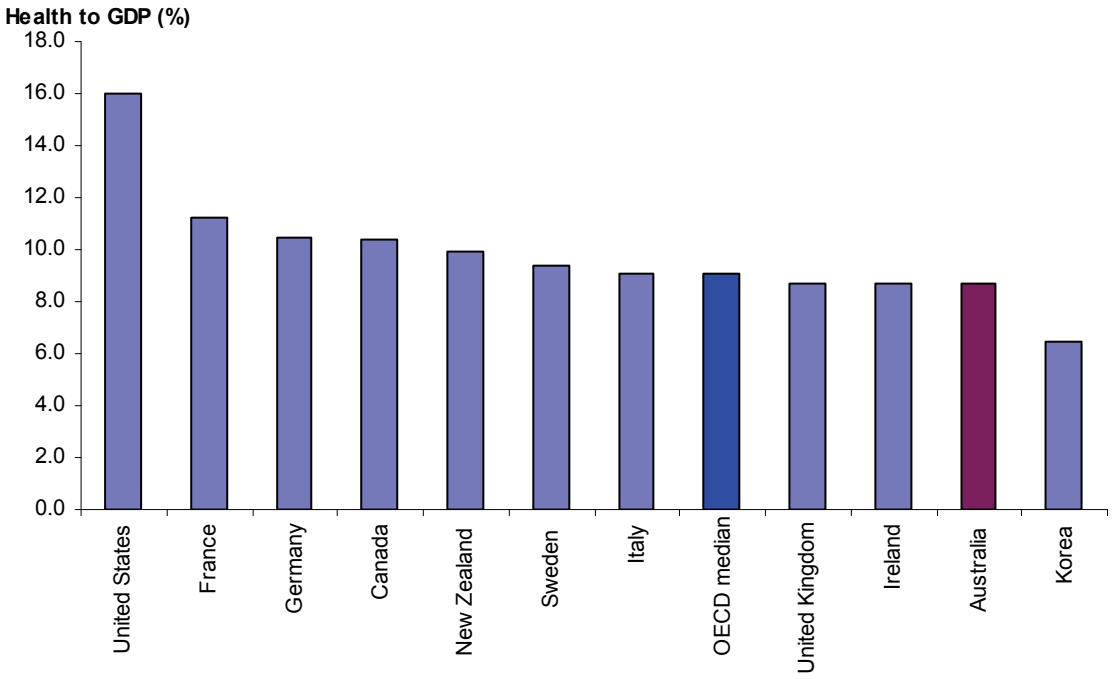
Government health expenditure in 2008 as a proportion of GDP was 5.9% in Australia, 0.8 percentage points below the OECD median, 1.3 percentage points below the United Kingdom, 1.4 percentage points below Canada and 1.5 percentage points below that spent by the United States (Table 5.2).

To some extent these differences are driven by the fact that Australia has been one of the first countries to adopt a newly developed international standard, the System of National Accounts 2008. The new system has increased the scope of production activities included in

the measurement of GDP. The changes have increased the size of Australia's GDP, which has had the effect of reducing Australia's health to GDP ratio, particularly in comparison with other countries that have not yet adopted the new standard.

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

In 1998, Australia's average out-of-pocket expenditure per person ($444) was $53 below the weighted OECD average ($497) in 1998, but $29 above the weighted average in 2008 (Australia $889, OECD average $860) (Table 5.3). Australia's out-of-pocket expenditure as a percentage of total health expenditure and total household final consumption expenditure (HFCE) rose between the two periods from 17.5% to 17.7% and from 2.3% to 2.8%, respectively. For the OECD as a whole, out-of-pocket expenditure calculated as a percentage of total HFCE remained steady at 2.6%, while it declined as a percentage of total health expenditure from 16.5% to 14.4% (Table 5.3 and Figure 5.2).




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

*Source*: Table 5.1.

**Figure 5.1: Health expenditure as a proportion of GDP, selected OECD countries, 2008[(a)]**

**Table 5.1: Health expenditure as a proportion of GDP and per person, OECD countries, 1998 to 2008[a]**

| Country[b] | 1998 | | 2003 | | 2008 | |
|---|---|---|---|---|---|---|
| | Health to GDP (%) | Per person (A$) | Health to GDP (%) | Per person (A$) | Health to GDP[c] (%) | Per person (A$) |
| United States | 13.4 | 5,549 | 15.3 | 7,900 | 16.0 | 11,156 |
| France | 10.1 | 3030 | 10.9 | 4,039 | 11.2 | 5,470 |
| Belgium | 8.7 | 2779 | 10.4 | 4,257 | 11.1 | 5,913 |
| Switzerland | 10.1 | 3905 | 11.3 | 5,099 | 10.7 | 6,848 |
| Austria | 10.0 | 3410 | 10.3 | 4,317 | 10.5 | 5,876 |
| Germany | 10.2 | 3249 | 10.8 | 4,162 | 10.5 | 5,531 |
| Canada | 9.0 | 3026 | 9.8 | 4,135 | 10.4 | 6,037 |
| Netherlands | 8.1 | 2691 | 9.8 | 4,181 | 9.9 | 6,013 |
| New Zealand | 7.8 | 1901 | 8.0 | 2,493 | 9.9 | 3,974 |
| Sweden | 8.2 | 2596 | 9.4 | 3,818 | 9.4 | 5,136 |
| Iceland | 8.9 | 3246 | 10.4 | 4,312 | 9.1 | 4,971 |
| Italy | 7.7 | 2401 | 8.3 | 3,058 | 9.1 | 4,248 |
| Spain | 7.3 | 1812 | 8.2 | 2,723 | 9.0 | 4,295 |
| Ireland | 6.1 | 1931 | 7.4 | 3,457 | 8.7 | 5,614 |
| United Kingdom | 6.7 | 2042 | 7.8 | 3,137 | 8.7 | 4,631 |
| **Australia** | **7.8** | **2535** | **8.5** | **3,581** | **8.7** | **5,021** |
| Norway | 9.3 | 3323 | 10.0 | 5,176 | 8.5 | 7,404 |
| Finland | 7.4 | 2181 | 8.2 | 3,040 | 8.4 | 4,452 |
| Slovak Republic | 5.7 | 765 | 5.8 | 1,068 | 8.0 | 2,620 |
| Hungary | 7.1 | 1000 | 8.3 | 1,732 | 7.3 | 2,127 |
| Czech Republic | 6.6 | 1212 | 7.4 | 1,806 | 7.1 | 2,636 |
| Poland | 5.9 | 732 | 6.2 | 1,010 | 7.0 | 1,795 |
| Luxembourg | 5.7 | 2727 | 7.7 | 4,903 | 6.8 | 6,271 |
| Korea | 4.2 | 785 | 5.4 | 1,466 | 6.5 | 2,665 |
| Turkey | 3.6 | 386 | 5.3 | 603 | 6.2 | 1,211 |
| Mexico | 4.9 | 569 | 5.8 | 849 | 5.9 | 1,261 |
| Denmark | 8.3 | 2851 | 9.3 | 3,822 | n.a. | n.a. |
| Greece | 8.4 | 1810 | 8.9 | 2,736 | n.a. | n.a. |
| Japan | 7.3 | 2289 | 8.1 | 3,002 | n.a. | n.a. |
| Portugal | 8.0 | 1585 | 9.7 | 2,461 | n.a. | n.a. |
| **Weighted average [d][e]** | **9.7** | **2,830** | **11.0** | **3,987** | **11.4** | **5,636** |
| **Median[d]** | **7.8** | **2,345** | **8.4** | **3,297** | **9.1** | **4,801** |

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

(b) Countries in this table are sorted in descending order according to the 2008 health to GDP ratio.

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

(d) Averages for 2008 incorporate 2007 data for Denmark, Finland, Greece and Turkey, and 2006 data for Japan, Luxembourg and Portugal.

(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 2010

**Table 5.2: Government health expenditure as a proportion of total health expenditure and GDP, OECD countries, 1998 to 2008[a] (per cent)**

| | 1998 | | 2003 | | 2008 | |
|---|---|---|---|---|---|---|
| **Country[b]** | **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** |
| Norway | 82.2 | 7.6 | 83.7 | 8.4 | 84.2 | 7.2 |
| Iceland | 80.4 | 7.2 | 81.7 | 8.5 | 83.2 | 7.6 |
| United Kingdom | 80.3 | 5.4 | 80.1 | 6.2 | 82.6 | 7.2 |
| Czech Republic | 90.4 | 6.0 | 89.8 | 6.7 | 82.5 | 5.9 |
| Sweden | 85.8 | 7.0 | 82.5 | 7.8 | 81.9 | 7.7 |
| New Zealand | 77.0 | 6.0 | 78.3 | 6.2 | 80.4 | 7.9 |
| France | 79.5 | 8.1 | 79.4 | 8.6 | 77.8 | 8.7 |
| Italy | 70.4 | 5.4 | 74.5 | 6.2 | 77.2 | 7.0 |
| Austria | 76.0 | 7.6 | 75.5 | 7.8 | 76.9 | 8.1 |
| Ireland | 75.0 | 4.6 | 76.4 | 5.7 | 76.9 | 6.7 |
| Germany | 80.2 | 8.2 | 78.8 | 8.5 | 76.8 | 8.1 |
| Netherlands | 64.1 | 5.2 | 61.2 | 6.0 | 75.3 | 7.4 |
| Finland | 71.8 | 5.3 | 72.5 | 5.9 | 74.2 | 6.2 |
| Spain | 72.2 | 5.3 | 70.5 | 5.7 | 72.5 | 6.5 |
| Poland | 65.4 | 3.9 | 69.9 | 4.4 | 72.2 | 5.1 |
| Hungary | 74.8 | 5.3 | 72.8 | 6.1 | 71.0 | 5.2 |
| Canada | 70.6 | 6.4 | 70.2 | 6.9 | 70.2 | 7.3 |
| **Australia** | **66.8** | **5.1** | **66.1** | **5.5** | **68.5** | **5.9** |
| Slovak Republic | 91.6 | 5.2 | 88.3 | 5.1 | 67.8 | 5.4 |
| Belgium | 67.8 | 5.9 | 68.4 | 7.1 | 66.8 | 7.4 |
| Switzerland | 54.7 | 5.5 | 58.3 | 6.6 | 59.1 | 6.3 |
| Korea | 46.4 | 2.0 | 50.4 | 2.7 | 55.3 | 3.6 |
| Mexico | 46.0 | 2.3 | 44.2 | 2.6 | 46.9 | 2.8 |
| United States | 43.5 | 5.8 | 43.9 | 6.7 | 46.5 | 7.4 |
| Luxembourg | 92.4 | 5.2 | 88.5 | 6.8 | n.a. | n.a. |
| Denmark | 82.0 | 6.8 | 83.9 | 7.8 | n.a. | n.a. |
| Japan | 80.8 | 5.9 | 81.5 | 6.6 | n.a. | n.a. |
| Turkey | 71.9 | 2.6 | 71.9 | 3.8 | n.a. | n.a. |
| Portugal | 67.1 | 5.4 | 73.3 | 7.1 | n.a. | n.a. |
| Greece | 52.1 | 4.4 | 59.8 | 5.3 | n.a. | n.a. |
| **Weighted average (29 countries)[d][e]** | **59.9** | **5.8** | **59.6** | **6.5** | **60.8** | **6.9** |
| **Median (29 countries)[d]** | **74.8** | **5.4** | **74.5** | **6.2** | **74.2** | **6.7** |

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

(b) Countries in this table are sorted in ascending order according to the 2008 share of government to total health expenditure.

(c) Expenditure based on the OECD SHA framework.

(d) The 29 countries included in the averages exclude Belgium. Averages for 2008 incorporate 2007 data for Denmark, Finland, Greece and Turkey, and 2006 data for Japan, Luxembourg and Portugal.

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

*Sources:* AIHW health expenditure database; OECD 2010

**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, 1998 and 2008[b]**

| Country[c] | 1998 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | Per person out-of-pocket expenditure (A$) | Share of total health expenditure (%) | Share of total HFCE (%) | Per person out-of-pocket expenditure[d] (A$) | Share of total health expenditure (%) | Share of total HFCE (%) |
| Switzerland | 1,284 | 32.9 | 5.7 | 2,108 | 30.8 | 6.0 |
| United States | 832 | 15.0 | 3.0 | 1,350 | 12.1 | 2.8 |
| Belgium | n.a. | n.a. | n.a. | 1,209 | 20.5 | 4.5 |
| Norway | 565 | 17.0 | 3.3 | 1,119 | 15.1 | 3.5 |
| Korea | 347 | 44.3 | 3.8 | 932 | 35.0 | 4.3 |
| Spain | 421 | 23.2 | 2.9 | 891 | 20.7 | 3.3 |
| Austria | 527 | 15.4 | 2.9 | 888 | 15.1 | 3.1 |
| Canada | 489 | 16.2 | 2.6 | 888 | 14.7 | 2.8 |
| **Australia** | **444** | **17.5** | **2.3** | **889** | **17.7** | **2.8** |
| Finland | 477 | 21.9 | 3.3 | 863 | 19.4 | 3.3 |
| Italy | 641 | 26.7 | 3.5 | 826 | 19.5 | 3.0 |
| Ireland | 279 | 14.5 | 1.9 | 808 | 14.4 | 2.6 |
| Sweden | n.a. | n.a. | n.a. | 804 | 15.6 | 3.3 |
| Luxembourg | 207 | 7.6 | 1.0 | 777 | 12.4 | 2.8 |
| Iceland | 637 | 19.6 | 3.1 | 762 | 15.3 | 2.7 |
| Germany | 356 | 11.0 | 2.0 | 721 | 13.0 | 2.5 |
| Slovak Republic | 64 | 8.4 | 0.9 | 662 | 25.2 | 3.6 |
| Mexico | 295 | 51.8 | 3.9 | 622 | 49.3 | 4.5 |
| New Zealand | 309 | 16.3 | 2.1 | 551 | 13.9 | 2.4 |
| United Kingdom | 288 | 14.1 | 1.5 | 514 | 11.1 | 1.6 |
| Hungary | 223 | 22.3 | 3.2 | 508 | 23.9 | 3.3 |
| Czech Republic | 117 | 9.6 | 1.2 | 414 | 15.7 | 2.3 |
| France | 216 | 7.1 | 1.3 | 404 | 7.4 | 1.5 |
| Poland | 254 | 34.6 | 3.3 | 403 | 22.4 | 2.6 |
| Netherlands | 228 | 8.4 | 1.4 | 345 | 5.7 | 1.3 |
| Denmark | 472 | 16.6 | 2.8 | n.a. | n.a. | n.a. |
| Greece | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Japan | 401 | 17.5 | 2.3 | 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]** | **497** | **16.5** | **2.7** | **860** | **14.4** | **2.7** |
| **Median (25 countries)[e]** | **356** | **16.6** | **2.8** | **732** | **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 2008 per person out-of-pocket expenditure.

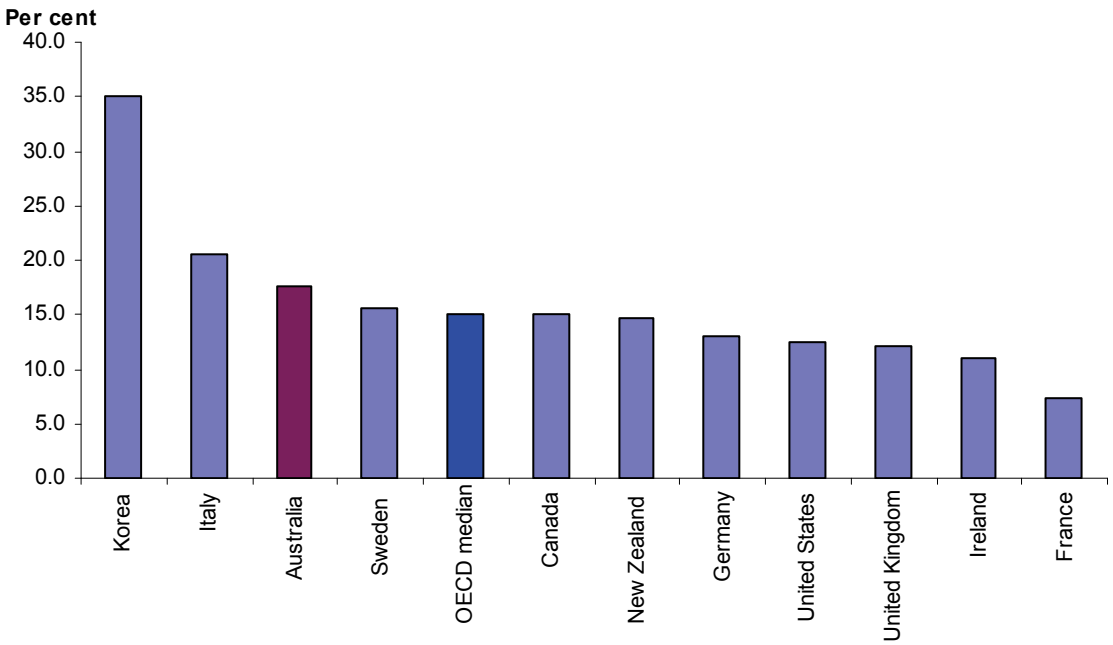
(d) Expenditure based on the OECD SHA framework.

(e) The 25 countries included in the averages exclude Belgium, Greece, Portugal, Sweden and Turkey. Averages for 2008 incorporate 2007 data for Denmark and Finland, and 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 2010.




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

*Source:* Table 5.3.

**Figure 5.2: Out-of-pocket health expenditure as a share of total health expenditure, selected OECD countries, 2008[(a)] (per cent)**

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

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

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

For the decade to 2008, Australia recorded negative excess health inflation of 0.7%. That means that health prices changed over the period at a slower rate than prices elsewhere in the economy. Over the same period, Canada, Denmark, France, Spain and Switzerland also recorded negative excess health inflation, while Finland, Italy, Sweden and the United States had positive excess health inflation. The northern European countries, Finland and Sweden, recorded the highest rates of excess health inflation at 2.5% and 2.2% over the decade (Table 5.4).

Australia had an average annual real growth in per person expenditure of 3.7% between 1998 and 2008 (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, 1998 to 2008[a], (per cent)**

| | | Average annual inflation | | | Average annual real growth | | |
|---|---|---|---|---|---|---|---|
| Country | Nominal change | General | Excess health | Health | Population component | Utilisation component | Total |
| **Australia[b]** | **8.6** | **4.0** | **–0.7** | **3.2** | **1.4** | **3.7** | **5.2** |
| Canada | 7.2 | 2.7 | –0.2 | 2.6 | 0.9 | 3.6 | 4.6 |
| Denmark[c] | 5.7 | 2.4 | –0.2 | 2.2 | 0.3 | 3.1 | 3.4 |
| Finland [d] | 6.4 | 1.1 | 2.5 | 3.7 | 0.3 | 2.3 | 2.6 |
| France [e] | 5.1 | 1.7 | –0.2 | 1.5 | 0.6 | 3.0 | 3.6 |
| Italy | 5.3 | 2.5 | 0.4 | 2.9 | 0.3 | 2.0 | 2.4 |
| Spain[c] | 7.7 | 3.4 | –1.0 | 2.4 | 0.8 | 4.3 | 5.1 |
| Sweden[f] | 8.2 | 1.6 | 2.2 | 3.8 | 0.2 | 4.0 | 4.3 |
| Switzerland[g] | 4.4 | 0.8 | –0.2 | 0.6 | 0.6 | 3.1 | 3.8 |
| United States | 7.0 | 2.4 | 1.1 | 3.5 | 1.0 | 2.4 | 3.4 |

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

(b) Expenditure based on the OECD SHA framework.

(c) 1998 to 2001.

(d) 1998 to 2005.

(e) 1998 to 2006.

(f) 1998 to 2002.

(g) 1998 to 2003.

*Sources:* AIHW health expenditure database; OECD 2010.

# 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 2007, Australia had the second highest health to GDP ratio among these countries, at 8.5%. Of the other countries in Table 5.5, Myanmar (2.1%), Indonesia (2.5%) and Bangladesh, Papua New Guinea and Singapore (all 3.2%) had relatively low health to GDP ratios.

Australia ($4,724 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 ($852) after Singapore ($1,479) 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, 2007[a]**

| Country[b] | Health to GDP (%) | Per person[c] (A$) | Government to total (%) | Per person out-of-pocket (A$) | Out-of-pocket to total (%) |
|---|---|---|---|---|---|
| **Australia** | **8.5** | **4,723.9** | **67.5** | **852.0** | **18.7** |
| Japan | 8.1 | 3,875.2 | 81.9 | 566.6 | 14.6 |
| Singapore | 3.2 | 2,337.7 | 32.6 | 1,479.2 | 63.3 |
| Malaysia | 4.4 | 841.5 | 44.4 | 342.7 | 40.7 |
| Thailand | 3.5 | 405.8 | 66.3 | 104.9 | 25.9 |
| China | 4.5 | 335.8 | 45.3 | 151.6 | 45.2 |
| Samoa | 5.4 | 321.0 | 84.5 | 37.8 | 11.8 |
| Bhutan | 4.0 | 294.1 | 80.3 | 57.8 | 19.7 |
| Mongolia | 6.2 | 279.9 | 75.7 | 29.9 | 10.7 |
| Tonga | 4.9 | 264.6 | 74.0 | 58.2 | 22.0 |
| Sri Lanka | 4.2 | 263.3 | 47.5 | 120.0 | 45.6 |
| Vietnam | 7.1 | 256.5 | 39.3 | 140.4 | 54.8 |
| Vanuatu | 4.7 | 229.9 | 69.3 | 35.3 | 15.4 |
| Fiji | 3.8 | 224.0 | 69.1 | 54.7 | 24.4 |
| Philippines | 3.9 | 187.4 | 34.9 | 102.2 | 54.5 |
| Solomon Islands | 5.1 | 171.4 | 92.4 | 8.7 | 5.1 |
| Cambodia | 5.9 | 152.5 | 29.0 | 91.7 | 60.1 |
| Timor-Leste | 14.8 | 139.3 | 83.9 | 8.4 | 6.0 |
| India | 3.6 | 135.2 | 25.4 | 92.2 | 68.2 |
| Indonesia | 2.5 | 128.0 | 51.3 | 43.6 | 34.0 |
| Lao | 4.0 | 124.3 | 18.9 | 76.7 | 61.7 |
| Papua New Guinea | 3.2 | 91.0 | 81.8 | 7.0 | 7.7 |
| Nepal | 5.2 | 77.4 | 36.4 | 41.4 | 53.4 |
| Bangladesh | 3.2 | 56.2 | 32.1 | 33.7 | 59.9 |
| Myanmar | 2.1 | 34.4 | 10.2 | 30.6 | 89.2 |

(a) For most countries, 2007 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 AIHW's responsibilities in this regard include reporting expenditure on health and welfare services, social security and housing.

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

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

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

The funder classification follows the System of National Accounts 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
- 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 2007–08 and 2008–09, following the OECD SHA format. In 2008–09 (OECD year 2008), the estimate of total health expenditure using the SHA was $109.1, which is $3.7 billion lower than the NHA estimate ($112.8 billion) (Table 2.1).

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

**Table 5.6: Total health expenditure, by financing agents, current prices, 2007–08 and 2008–09**

| | | 2007–08 | | 2008–09 | |
|---|---|---|---|---|---|
| SHA code | Description | Amount ($m) | Proportion (%) | Amount ($m) | Proportion (%) |
| *HF.1* | *General government* | *67,865* | *67.5* | *74,722* | *68.5* |
| HF.1.1 | General government excluding social security funds | 67,865 | 67.5 | 74,722 | 68.5 |
| HF.1.1.1 | Central government | 42,069 | 41.8 | 45,499 | 41.7 |
| HF.1.1.2, 1.1.3 | Provincial/local government | 25,796 | 25.7 | 29,222 | 26.8 |
| HF.1.2 | Social security funds | . . | . . | . . | . . |
| *HF.2* | *Private sector* | *32,662* | *32.5* | *34,391* | *31.5* |
| HF.2.1 | Private social insurance | . . | . . | . . | . . |
| HF.2.2 | Private insurance enterprises (other than social insurance) | 7,862 | 7.8 | 8,827 | 8.1 |
| HF.2.3 | Private household out-of-pocket expenditure | 18,130 | 18.0 | 19,329 | 17.7 |
| HF.2.4 | Non-profit institutions serving households (other than social insurance) | n.a. | n.a. | 824 | 0.8 |
| HF.2.5 | Corporations (other than health insurance) | 6,670 | 6.6 | 5,411 | 5.0 |
| *HF.3* | *Rest of the world* | *n.a.* | *n.a.* | *n.a.* | *n.a.* |
| **Total health expenditure** | | **100,527** | **100.0** | **109,112** | **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, 2007–08 and 2008–09**

| | | 2007–08 | | 2008–09 | |
|---|---|---|---|---|---|
| SHA code | Description | Amount ($m) | Proportion (%) | Amount ($m) | Proportion (%) |
| **Inpatient care**[(a)] | | | | | |
| HC.1.1, 2.1 | Curative & rehabilitative care | 35,273 | 35.1 | 38,464 | 35.3 |
| HC.3.1 | Long-term nursing care | 290 | 0.3 | 592 | 0.5 |
| **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 | 31,527 | 31.4 | 32,748 | 30.0 |
| HC.1.3.1 | Basic medical and diagnostic services | 11,483 | 11.4 | 6,637 | 6.1 |
| HC.1.3.2 | Outpatient dental care | 6,094 | 6.1 | 6,707 | 6.1 |
| HC.1.3.3 | All other specialised health care | 3,565 | 3.5 | 10,961 | 10.0 |
| HC.1.3.9 | All other outpatient curative care | 8,347 | 8.3 | 6,827 | 6.3 |
| HC.2.3 | Outpatient rehabilitative care | 2,038 | 2.0 | 1,616 | 1.5 |
| **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) | 31 | — | 34 | — |
| **Ancillary services to health care** | | | | | |
| HC.4.1 | Clinical laboratory | 1,690 | 1.7 | 1,787 | 1.6 |
| HC.4.2 | Diagnostic imaging | 1,989 | 2.0 | 2,110 | 1.9 |
| HC.4.3 | Patient transport and emergency rescue | 2,004 | 2.0 | 2,388 | 2.2 |
| HC.4.9 | All other miscellaneous ancillary services | 34 | — | 43 | — |
| **Medical goods dispensed to outpatients** | | | | | |
| HC.5.1 | Pharmaceuticals and other medical non-durables | 14,397 | 14.3 | 15,989 | 14.7 |
| HC.5.2 | Therapeutic appliances and other medical durables | 3,114 | 3.1 | 3,268 | 3.0 |
| *Total expenditure on personal health care* | | *90,350* | *89.9* | *97,423* | *89.3* |
| HC.6 | Prevention and public health services | 2,002 | 2.0 | 2,226 | 2.0 |
| HC.7 | Health administration and health insurance | 2,628 | 2.6 | 3,763 | 3.4 |
| *Total expenditure on collective health care* | | *4,630* | *4.6* | *5,989* | *5.5* |
| *Total current expenditure on health care* | | *94,980* | *94.5* | *103,412* | *94.8* |
| **Health-related functions** | | | | | |
| HC.R.1 | Capital formation of health care provider institutions | 5,546 | 5.5 | 5,700 | 5.2 |
| **Total health expenditure** | | **100,527** | **100.0** | **109,112** | **100.0** |

(a) Inpatient 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, 2007–08 and 2008–09**

| | | 2007–08 | | 2008–09 | |
|---|---|---|---|---|---|
| SHA code | Description | Amount ($m) | Proportion (%) | Amount ($m) | Proportion (%) |
| HP.1 | Hospitals | 37,871 | 37.7 | 42,360 | 38.8 |
| HP.2 | Nursing and residential care facilities | n.a. | n.a. | 348 | 0.3 |
| HP.3 | Providers of ambulatory health care | 35,784 | 35.6 | 36,848 | 33.8 |
| HP.3.1 | Offices of physicians | 14,006 | 13.9 | 15,204 | 13.9 |
| HP.3.2 | Offices of dentists | 6,106 | 6.1 | 6,304 | 5.8 |
| HP.3.3–3.9 | All other providers of ambulatory health care | 15,672 | 15.6 | 15,340 | 14.1 |
| HP.4 | Retail sales and other providers of medical goods | 16,708 | 16.6 | 18,336 | 16.8 |
| HP.5 | Provision and administration of public health programs | 1,976 | 2.0 | 1,664 | 1.5 |
| HP.6 | General health administration and insurance | 8,188 | 8.1 | 9,542 | 8.7 |
| HP.6.1 | Government administration of health | 3,474 | 3.5 | 5,317 | 4.9 |
| HP.6.2 | Social security funds | . . | . . | . . | . . |
| HP.6.3, 6.4, 6.9 | Other social insurance | 4,714 | 4.7 | 4,224 | 3.9 |
| HP.7 | Other industries (rest of the economy) | n.a. | n.a. | 16 | — |
| HP.9 | Rest of the world | n.a. | n.a. | n.a. | n.a. |
| **Total health expenditure** | | **100,527** | **100.0** | **109,112** | **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). The OECD is currently revising the SHA to:

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

### Health Expenditure Advisory Committee (HEAC)

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

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

#### Government Health Expenditure National Minimum Data Set (GHE NMDS)

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

Data covering the 2008–09 financial year are the first to be provided under the GHE NMDS, which offers three categories to capture expenditure and revenue:

- provider/organisation

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

These categories use classifications that correspond to those used by the OECD for the SHA. Information provided on the type of economic transaction is based on the ABS Economic type framework classification. For this 2008–09 report, the data have been reconciled with established reporting structures to ensure the robustness of the estimates provided under this new reporting framework. In future years this data will increasingly be used to present health expenditure estimates in new ways, such as identifying the various forms of public and private revenue that are used to fund the various health services examined in this report.

## 6.2 Definition of health expenditure

Health expenditure is defined as:

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

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

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

Health-related investment is referred to as gross fixed capital formation (as defined in the ABS 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-products. To the greatest extent possible, they are produced on an accrual basis; that is, expenditures and funding reported for each area relate to expenses and revenues incurred in the year in which they are reported. This is not always achievable. For example, the data from private health insurance funds are sometimes provided on the basis of the date on which the claims for benefit are processed. These are not necessarily the same as the date on which the services were provided.

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

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

### State and territory expenditure tables

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

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

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

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

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

## State government contracting of private hospital services

The annual matrices for states and territories for years before 2002–03 indicate that state and territory governments provided no funding for services 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 2010b, c, d, e) 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 are sourced from ABS's GFS.

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

#### Public hospitals and public hospital services

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

Prior to 2003–04, the AIHW's public hospitals establishments (PHE) collection data were used to derive public hospital expenditure estimates for each state and territory. The PHE data comprise operating expenses 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.. 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 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,b, 2003, 2004a,b, 2005a,b, 2006, 2007, 2008; and through the *Retail world annual report* (Gloria 2009).

### Other non-government sources

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

### Blank cells in expenditure tables

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

(i) There are assumed to be no funding flows because they do not exist in the institutional framework for health care funding.

(ii) The total funding is nil or so small that it rounds to zero—designated as '—'.

(iii) A flow of funds exists but it cannot be estimated from available data sources.

(iv) Some cells relate to 'catch-all' categories and the data and metadata are of such high quality as to enable all expenditure to be allocated to specified areas. This, in turn, means that there are no residual data to be allocated to the 'catch-all' categories.

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

An example of (iii) is state and local government funding for private hospitals. There are known 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 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. From *Health expenditure Australia 2007–08* onwards, government capital consumption has been included as part of recurrent health expenditures for all years. The reasons for incorporating both government and non-government capital consumption as part of recurrent expenditure are:

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

## Private hospitals

The 2008–09 *Private hospitals* publication (ABS 2010f), based on the ABS Private Hospital survey, was the source of total spending on private hospitals in this report.

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

Total expenditure = number of separations x cost per separation

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

## Over-the-counter medications sold in pharmacies

Over-the-counter medicines sold at pharmacies for 2001–02 to 2004–05 were sourced from *Retail pharmacy* (Flanagan 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. In 2008–09, methodology was kept consistent with data for 2006–07 and 2007–08 but was prepared using retail pharmacy data through the *Retail world annual report* (Gloria 2009). Care needs to be taken when comparing 2008–09 with earlier years due to this change in data source.

## Public health

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

The data for 1999–00 to 2008–09 have been published in the AIHW's *National public health expenditure* reports (AIHW 2002, 2004, 2006, 2007a, 2008c) and *Public health expenditure in Australia* reports (AIHW 2008a, 2009a, 2010 (in press)). The data collected for these reports only include expenditure by 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 2008–09, 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 the years 1999–00 to 2008–09 inclusive, in this report as well as in the online health expenditure data cubes.

## 6.5 Changes in ABS estimates of GDP

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

These changes have been applied retrospectively so health expenditure to GDP ratios for previous years are not consistent with those shown in previous *Health expenditure Australia* reports.

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

# Appendix tables

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

**Appendix A**: National health expenditure tables in current and constant prices, by area of expenditure and source of funds, 2006–07 to 2008–09.

**Appendix B**: State and territory health expenditure tables in current prices, by area of expenditure and source of funds, 2006–07 to 2008–09.

**Appendix C**: Detailed disaggregation of expenditure on hospitals, medical services, other health practitioner services and medications, 2007–08.

**Appendix D**: Price indexes and deflation.

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

# Appendix A: National health expenditure matrices, 2006–07 to 2008–09

**Table A1: Total health expenditure, current prices, by area of expenditure and source of funds[a], 2006–07 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 0 | 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 120.

**Table A2: Total health expenditure, current prices, by area of expenditure and source of funds[a], 2007–08 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 120.

**Table A3: Total health expenditure, current prices, by area of expenditure and source of funds[a], 2008–09 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 1,683 | 11,979 | 2,019 | 15,681 | 18,384 | 34,065 | 4,884 | 1,336 | 1,490 | 7,710 | 41,775 |
| Public hospital services[e] | 773 | 11,762 | 255 | 12,790 | 18,038 | 30,828 | 602 | 951 | 1,040 | 2,593 | 33,421 |
| Private hospitals | 910 | 217 | 1,764 | 2,891 | 346 | 3,237 | 4,282 | 385 | 450 | 5,117 | 8,354 |
| Patient transport services | 140 | 66 | 60 | 267 | 1,554 | 1,821 | 147 | 332 | 89 | 567 | 2,388 |
| Medical services | 860 | 14,235 | 379 | 15,474 | — | 15,474 | 919 | 2,395 | 1,031 | 4,346 | 19,820 |
| Dental services | 103 | 378 | 426 | 907 | 625 | 1,532 | 1,034 | 4,129 | 20 | 5,183 | 6,715 |
| State/territory provider | . . | . . | . . | . . | 625 | 625 | . . | 20 | . . | 20 | 645 |
| Private provider | 103 | 378 | 426 | 907 | . . | 907 | 1,034 | 4,109 | 20 | 5,163 | 6,070 |
| Other health practitioners | 187 | 791 | 206 | 1,184 | — | 1,184 | 500 | 1,431 | 311 | 2,243 | 3,426 |
| Community health and other[f] | 2 | 727 | 1 | 729 | 4,615 | 5,344 | 2 | 143 | 68 | 213 | 5,557 |
| Public health | — | 1,167 | — | 1,167 | 969 | 2,136 | — | 19 | 110 | 129 | 2,265 |
| Medications | 478 | 7,328 | 20 | 7,826 | — | 7,826 | 49 | 7,259 | 72 | 7,381 | 15,206 |
| Benefit-paid pharmaceuticals | 478 | 6,988 | — | 7,466 | — | 7,466 | — | 1,452 | — | 1,452 | 8,917 |
| All other medications | — | 340 | 20 | 360 | — | 360 | 49 | 5,807 | 72 | 5,929 | 6,289 |
| Aids and appliances | 1 | 366 | 150 | 518 | — | 518 | 364 | 2,337 | 49 | 2,750 | 3,268 |
| Administration | 50 | 1,212 | 382 | 1,644 | 394 | 2,038 | 929 | 1 | 34 | 963 | 3,001 |
| Research | 2 | 2,756 | — | 2,758 | 620 | 3,378 | — | 17 | 283 | 300 | 3,678 |
| **Total recurrent funding** | **3,507** | **41,006** | **3,643** | **48,155** | **27,160** | **75,315** | **8,827** | **19,399** | **3,558** | **31,784** | **107,099** |
| Capital expenditure | — | 96 | . . | 96 | 2,695 | 2,791 | n.a. | n.a. | 2,909 | 2,909 | 5,700 |
| **Total health funding[g]** | **3,507** | **41,102** | **3,643** | **48,251** | **29,855** | **78,106** | **8,827** | **19,399** | **6,467** | **34,693** | **112,799** |
| Non-specific tax expenditure | . . | 483 | . . | 483 | . . | 483 | . . | –483 | . . | –483 | — |
| **Total health funding** | **3,507** | **41,585** | **3,643** | **48,734** | **29,855** | **78,589** | **8,827** | **18,916** | **6,467** | **34,210** | **112,799** |

*Notes:* See page 120.

**Table A4: Total health expenditure, constant prices[h], by area of expenditure and source of funds[a], 2006–07 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 1,716 | 10,557 | 1,802 | 14,075 | 16,523 | 30,598 | 4,232 | 665 | 1,909 | 6,807 | 37,404 |
| Public hospital services[e] | 817 | 10,381 | 220 | 11,418 | 16,255 | 27,673 | 516 | 261 | 1,339 | 2,117 | 29,789 |
| Private hospitals | 899 | 176 | 1,582 | 2,657 | 268 | 2,925 | 3,716 | 404 | 570 | 4,690 | 7,615 |
| Patient transport services | 124 | 29 | 48 | 201 | 1,268 | 1,469 | 113 | 248 | 73 | 434 | 1,903 |
| Medical services | 838 | 12,505 | 327 | 13,670 | — | 13,670 | 767 | 2,093 | 974 | 3,835 | 17,504 |
| Dental services | 111 | 12 | 397 | 519 | 572 | 1,091 | 932 | 4,155 | 10 | 5,097 | 6,188 |
| State/territory provider | . . | . . | . . | . . | 572 | 572 | . . | 31 | . . | 31 | 604 |
| Private provider | 111 | 12 | 397 | 519 | . . | 519 | 932 | 4,124 | 10 | 5,066 | 5,585 |
| Other health practitioners | 159 | 509 | 191 | 860 | — | 860 | 449 | 1,795 | 302 | 2,546 | 3,406 |
| Community health and other[f] | 1 | 510 | — | 511 | 4,081 | 4,592 | — | 239 | 59 | 298 | 4,890 |
| Public health | — | 1,059 | — | 1,059 | 729 | 1,788 | — | 30 | 109 | 139 | 1,927 |
| Medications | 456 | 6,088 | 21 | 6,565 | — | 6,565 | 49 | 6,172 | 69 | 6,290 | 12,855 |
| Benefit-paid pharmaceuticals | 456 | 5,809 | — | 6,265 | — | 6,265 | — | 1,285 | — | 1,285 | 7,550 |
| All other medications | — | 279 | 21 | 300 | — | 300 | 49 | 4,887 | 69 | 5,005 | 5,305 |
| Aids and appliances | 2 | 299 | 130 | 431 | — | 431 | 305 | 2,275 | 46 | 2,626 | 3,057 |
| Administration | 58 | 1,011 | 343 | 1,412 | 339 | 1,751 | 806 | — | — | 806 | 2,558 |
| Research | 2 | 1,974 | — | 1,976 | 350 | 2,326 | — | — | 203 | 203 | 2,529 |
| **Total recurrent funding** | **3,468** | **34,552** | **3,259** | **41,279** | **23,862** | **65,141** | **7,654** | **17,672** | **3,754** | **29,080** | **94,221** |
| Capital expenditure | — | 108 | . . | 108 | 2,283 | 2,391 | n.a. | n.a. | 3,383 | 3,383 | 5,774 |
| **Total health funding[g]** | **3,468** | **34,659** | **3,259** | **41,386** | **26,145** | **67,531** | **7,654** | **17,672** | **7,137** | **32,463** | **99,995** |
| Non-specific tax expenditure | . . | 404 | . . | 404 | . . | 404 | . . | –404 | . . | –404 | — |
| **Total health funding** | **3,468** | **35,064** | **3,259** | **41,791** | **26,145** | **67,936** | **7,654** | **17,267** | **7,137** | **32,059** | **99,995** |

*Notes:* See page 120.

**Table A5: Total health expenditure, constant prices[h], by area of expenditure and source of funds[a], 2007–08 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 1,685 | 11,629 | 2,023 | 15,337 | 17,361 | 32,698 | 4,434 | 840 | 1,838 | 7,112 | 39,810 |
| Public hospital services[e] | 760 | 11,436 | 251 | 12,447 | 17,082 | 29,529 | 549 | 491 | 1,246 | 2,286 | 31,815 |
| Private hospitals | 925 | 192 | 1,772 | 2,890 | 279 | 3,169 | 3,885 | 349 | 593 | 4,826 | 7,995 |
| Patient transport services | 137 | 63 | 60 | 260 | 1,340 | 1,600 | 132 | 267 | 71 | 469 | 2,070 |
| Medical services | 901 | 13,531 | 383 | 14,816 | — | 14,816 | 840 | 2,241 | 1,054 | 4,135 | 18,950 |
| Dental services | 112 | 118 | 437 | 667 | 600 | 1,266 | 959 | 4,079 | 10 | 5,048 | 6,314 |
| State/territory provider | . . | . . | . . | . . | 600 | 600 | . . | 34 | . . | 34 | 633 |
| Private provider | 112 | 118 | 437 | 667 | . . | 667 | 959 | 4,045 | 10 | 5,014 | 5,681 |
| Other health practitioners | 179 | 694 | 212 | 1,084 | — | 1,084 | 464 | 1,640 | 325 | 2,429 | 3,514 |
| Community health and other[f] | 2 | 659 | 1 | 662 | 4,418 | 5,080 | 1 | 248 | 72 | 322 | 5,402 |
| Public health | — | 1,407 | — | 1,407 | 784 | 2,191 | — | 31 | 116 | 147 | 2,338 |
| Medications | 462 | 6,634 | 22 | 7,118 | — | 7,118 | 48 | 6,639 | 73 | 6,759 | 13,877 |
| Benefit-paid pharmaceuticals | 462 | 6,341 | — | 6,803 | — | 6,803 | — | 1,323 | — | 1,323 | 8,126 |
| All other medications | — | 293 | 22 | 315 | — | 315 | 48 | 5,316 | 73 | 5,436 | 5,751 |
| Aids and appliances | 2 | 325 | 146 | 472 | — | 472 | 319 | 2,224 | 45 | 2,587 | 3,059 |
| Administration | 58 | 1,022 | 417 | 1,497 | 306 | 1,803 | 914 | — | — | 914 | 2,717 |
| Research | 1 | 2,213 | — | 2,214 | 402 | 2,616 | — | — | 220 | 220 | 2,836 |
| **Total recurrent funding** | **3,537** | **38,295** | **3,700** | **45,533** | **25,210** | **70,743** | **8,110** | **18,209** | **3,823** | **30,142** | **100,886** |
| Capital expenditure | — | 109 | . . | 109 | 2,098 | 2,207 | n.a. | n.a. | 3,505 | 3,505 | 5,712 |
| **Total health funding[g]** | **3,537** | **38,404** | **3,700** | **45,642** | **27,308** | **72,950** | **8,110** | **18,209** | **7,328** | **33,647** | **106,597** |
| Non-specific tax expenditure | . . | 396 | . . | 396 | . . | 396 | . . | –396 | . . | –396 | — |
| **Total health funding** | **3,537** | **38,800** | **3,700** | **46,038** | **27,308** | **73,346** | **8,110** | **17,813** | **7,328** | **33,251** | **106,597** |

*Notes:* See page 120.

**Table A6: Total health expenditure, constant prices[h], by area of expenditure and source of funds[a], 2008–09 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 1,683 | 11,979 | 2,019 | 15,681 | 18,384 | 34,065 | 4,884 | 1,336 | 1,490 | 7,710 | 41,775 |
| Public hospital services[e] | 773 | 11,762 | 255 | 12,790 | 18,038 | 30,828 | 602 | 951 | 1,040 | 2,593 | 33,421 |
| Private hospitals | 910 | 217 | 1,764 | 2,891 | 346 | 3,237 | 4,282 | 385 | 450 | 5,117 | 8,354 |
| Patient transport services | 140 | 66 | 60 | 267 | 1,554 | 1,821 | 147 | 332 | 89 | 567 | 2,388 |
| Medical services | 860 | 14,235 | 379 | 15,474 | — | 15,474 | 919 | 2,395 | 1,031 | 4,346 | 19,820 |
| Dental services | 103 | 378 | 426 | 907 | 625 | 1,532 | 1,034 | 4,129 | 20 | 5,183 | 6,715 |
| State/territory provider | . . | . . | . . | . . | 625 | 625 | . . | 20 | . . | 20 | 645 |
| Private provider | 103 | 378 | 426 | 907 | . . | 907 | 1,034 | 4,109 | 20 | 5,163 | 6,070 |
| Other health practitioners | 187 | 791 | 206 | 1,184 | — | 1,184 | 500 | 1,431 | 311 | 2,243 | 3,426 |
| Community health and other[f] | 2 | 727 | 1 | 729 | 4,615 | 5,344 | 2 | 143 | 68 | 213 | 5,557 |
| Public health | — | 1,167 | — | 1,167 | 969 | 2,136 | — | 19 | 110 | 129 | 2,265 |
| Medications | 478 | 7,328 | 20 | 7,826 | — | 7,826 | 49 | 7,259 | 72 | 7,381 | 15,206 |
| Benefit-paid pharmaceuticals | 478 | 6,988 | — | 7,466 | — | 7,466 | — | 1,452 | — | 1,452 | 8,917 |
| All other medications | — | 340 | 20 | 360 | — | 360 | 49 | 5,807 | 72 | 5,929 | 6,289 |
| Aids and appliances | 1 | 366 | 150 | 518 | — | 518 | 364 | 2,337 | 49 | 2,750 | 3,268 |
| Administration | 50 | 1,212 | 382 | 1,644 | 394 | 2,038 | 929 | 1 | 34 | 963 | 3,001 |
| Research | 2 | 2,756 | — | 2,758 | 620 | 3,378 | — | 17 | 283 | 300 | 3,678 |
| **Total recurrent funding** | 3,507 | 41,006 | 3,643 | 48,155 | 27,160 | 75,315 | 8,827 | 19,399 | 3,558 | 31,784 | 107,099 |
| Capital expenditure | — | 96 | . . | 96 | 2,695 | 2,791 | n.a. | n.a. | 2,909 | 2,909 | 5,700 |
| **Total health funding[g]** | 3,507 | 41,102 | 3,643 | 48,251 | 29,855 | 78,106 | 8,827 | 19,399 | 6,467 | 34,693 | 112,799 |
| Non-specific tax expenditure | . . | 483 | . . | 483 | . . | 483 | . . | –483 | . . | –483 | — |
| **Total health funding** | 3,507 | 41,585 | 3,643 | 48,734 | 29,855 | 78,589 | 8,827 | 18,916 | 6,467 | 34,210 | 112,799 |

*Notes:* See page 120.

**Table A7: Annual growth in health expenditure, current prices, by area of expenditure, 1998–99 to 2008–09 (per cent)**

| Area of expenditure | 1998–99 to 1999–00 | 1999–00 to 2000–01 | 2000–01 to 2001–02 | 2001–02 to 2002–03 | 2002–03 to 2003–04 | 2003–04 to 2004–05 | 2004–05 to 2005–06 | 2005–06 to 2006–07 | 2006–07 to 2007–08 | 2007–08 to 2008–09 | Average annual growth: 1998–99 to 2008–09 | Average annual growth: 1998–99 to 2002–03 | Average annual growth: 2003–04 to 2008–09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total hospitals | 4.7 | 6.8 | 8.8 | 10.2 | . . | 8.8 | 8.5 | 9.5 | 9.6 | 8.3 | . . | 7.4 | 9.0 |
| Public hospitals[(i)]/public hospital services[(e)] | 4.5 | 6.4 | 8.6 | 10.0 | . . | 9.5 | 9.3 | 10.2 | 10.0 | 8.4 | . . | 7.0 | 9.5 |
| Private hospitals | 4.1 | 6.1 | 7.9 | 10.2 | 8.2 | 6.2 | 5.6 | 7.0 | 8.2 | 7.9 | 7.8 | 8.6 | 7.0 |
| Patient transport services | 6.2 | 7.8 | 11.0 | 9.4 | . . | 9.0 | 4.3 | 16.7 | 12.0 | 19.2 | . . | 13.3 | 12.1 |
| Medical services | 9.5 | 15.9 | 12.8 | 15.3 | 7.5 | 13.5 | 5.8 | 8.2 | 9.4 | 8.1 | 8.2 | 7.3 | 9.0 |
| Dental services | 10.6 | 13.9 | 7.9 | 8.0 | . . | 9.2 | 5.6 | 7.0 | 6.2 | 10.0 | . . | 12.6 | 7.6 |
| State/territory provider | 7.3 | 5.2 | 9.6 | 7.2 | . . | 11.5 | 4.0 | 2.9 | 9.2 | 5.3 | . . | 7.5 | 6.5 |
| Private provider | 7.7 | 19.6 | 16.2 | 7.3 | . . | 8.9 | 5.8 | 7.4 | 5.9 | 10.5 | . . | 13.2 | 7.7 |
| Other health practitioners | 22.0 | –9.8 | 13.7 | 6.5 | . . | 5.6 | 8.5 | 7.7 | 3.1 | 1.6 | . . | 12.0 | 5.3 |
| Community health and other[(f)] | 5.8 | 24.1 | 16.5 | 7.3 | . . | 9.3 | 9.2 | 12.7 | 14.5 | 7.0 | . . | 8.2 | 10.5 |
| Public health | 1.4 | 20.4 | 14.7 | 12.4 | . . | 14.1 | 1.6 | 16.4 | 25.0 | 0.1 | . . | 13.5 | 11.0 |
| Medications | 3.6 | 8.3 | 7.5 | 13.7 | 9.8 | 8.5 | 3.0 | 9.2 | 8.8 | 10.8 | 9.5 | 11.3 | 8.1 |
| Benefit-paid pharmaceuticals | 12.4 | 18.7 | 10.4 | 4.3 | 9.5 | 5.8 | 2.9 | 3.0 | 8.1 | 10.0 | 9.2 | 13.3 | 5.9 |
| All other medications | 13.2 | 21.1 | 8.3 | 10.9 | 10.5 | 13.7 | 3.2 | 19.9 | 9.9 | 12.1 | 10.1 | 8.1 | 11.6 |
| Aids and appliances | 11.1 | 15.0 | 14.0 | –6.1 | . . | 12.6 | 7.0 | 8.0 | 2.9 | 4.9 | . . | 8.2 | 7.0 |
| Administration | 11.5 | 35.0 | –16.6 | 9.2 | 9.6 | 8.3 | 0.2 | –0.8 | 10.3 | 14.8 | 9.5 | 13.4 | 6.4 |
| Research | 19.6 | 13.8 | 8.4 | 12.6 | 11.7 | 11.8 | 18.1 | 13.8 | 16.3 | 34.6 | 17.6 | 17.9 | 18.7 |
| **Total recurrent expenditure** | 40.5 | 8.8 | –5.1 | 13.9 | **7.8** | **9.8** | **6.7** | **9.2** | **9.6** | **9.3** | **8.9** | **9.0** | **8.9** |
| Capital expenditure | 29.9 | 25.2 | 9.3 | 8.7 | –9.2 | 18.6 | 11.0 | 15.5 | 1.0 | 2.8 | 8.3 | 11.6 | 9.6 |
| **Total health expenditure[(g)]** | 8.1 | 10.9 | 8.3 | 8.9 | **6.8** | **10.3** | **6.9** | **9.5** | **9.1** | **8.9** | **8.8** | **9.2** | **8.9** |

Break in series

*Notes:* See page 120.

**Table A8: Annual growth in health expenditure, constant prices[h], by area of expenditure, 1998–99 to 2008–09 (per cent)**

| Area of expenditure | 1998–99 to 1999–00 | 1999–00 to 2000–01 | 2000–01 to 2001–02 | 2001–02 to 2002–03 | 2002–03 to 2003–04 | 2003–04 to 2004–05 | 2004–05 to 2005–06 | 2005–06 to 2006–07 | 2006–07 to 2007–08 | 2007–08 to 2008–09 | Average annual growth: 1998–99 to 2008–09 | Average annual growth: 1998–99 to 2002–03 | Average annual growth: 2003–04 to 2008–09 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total hospitals | 2.6 | 3.5 | 5.7 | 7.1 | . . | 6.0 | 3.8 | 5.3 | 6.4 | 4.9 | . . | 4.7 | 5.3 |
| Public hospitals[i]/public hospital services[e] | 2.2 | 3.2 | 5.1 | 7.3 | . . | 6.7 | 4.6 | 6.0 | 6.8 | 5.0 | . . | 4.4 | 5.8 |
| Private hospitals | 4.2 | 4.8 | 7.9 | 6.6 | 4.6 | 3.4 | 1.2 | 2.9 | 5.0 | 4.5 | 4.5 | 5.9 | 3.4 |
| Patient transport services | 7.7 | 12.7 | 9.9 | 12.2 | . . | 6.1 | –0.1 | 12.2 | 8.8 | 15.4 | . . | 10.6 | 8.4 |
| Medical services | 4.4 | 0.8 | 3.7 | 1.7 | 2.0 | 5.3 | 0.1 | 4.9 | 8.3 | 4.6 | 3.5 | 2.6 | 4.6 |
| Dental services | 1.7 | 13.1 | 10.6 | 2.8 | . . | 2.6 | 1.5 | 1.3 | 2.0 | 6.3 | . . | 6.9 | 2.7 |
| State/territory provider | 15.8 | –13.9 | 7.7 | 2.2 | . . | 4.9 | 4.2 | –6.4 | 4.9 | 1.8 | . . | 2.4 | 1.8 |
| Private provider | –0.1 | 17.2 | 10.9 | 2.8 | . . | 2.3 | 12.5 | –8.0 | 1.7 | 6.9 | . . | 7.5 | 2.8 |
| Other health practitioners | –2.4 | 12.8 | 4.8 | 5.9 | . . | 2.7 | 3.5 | 5.6 | 3.2 | –2.5 | . . | 5.1 | 2.5 |
| Community health and other[f] | 1.0 | 5.4 | 4.1 | 9.8 | . . | 5.5 | 4.2 | 7.9 | 10.5 | 2.9 | . . | 5.0 | 6.2 |
| Public health | 17.2 | 10.6 | 5.4 | 9.5 | . . | 11.1 | –2.8 | 11.9 | 21.3 | –3.1 | . . | 10.6 | 7.3 |
| Medications | 11.8 | 16.7 | 10.5 | 3.1 | 9.6 | 7.6 | 1.9 | 7.9 | 8.0 | 9.6 | 8.6 | 10.4 | 6.9 |
| Benefit-paid pharmaceuticals | 13.0 | 20.9 | 8.3 | 10.8 | 9.4 | 5.6 | 2.7 | 2.7 | 7.6 | 9.7 | 9.0 | 13.2 | 5.6 |
| All other medications | 10.1 | 11.2 | 13.7 | –7.6 | 9.9 | 10.8 | 0.6 | 16.2 | 8.4 | 9.4 | 8.1 | 6.5 | 9.0 |
| Aids and appliances | 10.5 | 30.5 | –16.9 | 6.6 | . . | 9.8 | 4.2 | 5.7 | 0.1 | 6.8 | . . | 6.3 | 5.3 |
| Administration | 36.6 | 5.8 | –8.1 | 10.2 | 4.7 | 4.6 | –4.1 | –5.0 | 6.2 | 10.5 | 5.5 | 10.0 | 2.2 |
| Research | 26.3 | 21.7 | 5.6 | 5.3 | 7.1 | 7.9 | 13.0 | 9.1 | 12.1 | 29.7 | 13.5 | 14.4 | 14.1 |
| **Total recurrent expenditure** | **5.5** | **7.0** | **4.8** | **5.5** | **4.0** | **5.9** | **2.5** | **5.5** | **7.1** | **6.2** | **5.4** | **5.7** | **5.4** |
| Capital expenditure | 20.4 | 5.1 | 7.8 | 8.3 | – | 15.5 | 8.4 | 12.0 | –1.1 | –0.2 | 6.4 | 10.2 | 6.7 |
| **Total health expenditure[g]** | **6.2** | **6.9** | **4.9** | **5.6** | **3.3** | **6.3** | **2.8** | **5.9** | **6.6** | **5.8** | **5.4** | **5.9** | **5.5** |

Break in series

*Notes:* See page 120.

**Table A9: Proportions of recurrent health expenditure, current prices, by area of expenditure, 1998–99 to 2008–09 (per cent)**

| Area of expenditure | 1998–99 | 1999–00 | 2000–01 | 2001–02 | 2002–03 | 2003–04 | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total hospitals | 41.4 | 40.0 | 38.4 | 38.5 | 38.9 | 38.9 | 38.5 | 39.2 | 39.3 | 39.3 | 39.0 |
| Public hospitals[(h)]/public hospital services[(e)] | 32.8 | 31.5 | 30.2 | 30.1 | 30.4 | 30.4 | 30.3 | 31.0 | 31.3 | 31.4 | 31.2 |
| Private hospitals | 8.6 | 8.5 | 8.2 | 8.5 | 8.5 | 8.5 | 8.2 | 8.2 | 8.0 | 7.9 | 7.8 |
| Patient transport services | 1.6 | 1.6 | 1.7 | 1.7 | 1.8 | 1.9 | 1.9 | 1.9 | 2.0 | 2.0 | 2.2 |
| Medical services | 19.7 | 19.6 | 18.6 | 18.8 | 18.5 | 18.5 | 19.1 | 18.9 | 18.7 | 18.7 | 18.5 |
| Dental services | 5.9 | 5.8 | 6.3 | 6.8 | 6.7 | 6.7 | 6.6 | 6.6 | 6.4 | 6.2 | 6.3 |
| State/territory provider | 0.7 | 0.8 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 |
| Private provider | 5.2 | 5.1 | 5.7 | 6.1 | 6.0 | 6.0 | 5.9 | 5.9 | 5.8 | 5.6 | 5.7 |
| Other health practitioners | 3.4 | 3.2 | 3.5 | 3.7 | 3.8 | 3.8 | 3.6 | 3.7 | 3.7 | 3.4 | 3.2 |
| Community health and other[(f)] | 5.4 | 5.2 | 5.1 | 5.1 | 5.3 | 4.8 | 4.8 | 4.9 | 5.1 | 5.3 | 5.2 |
| Public health | 1.7 | 1.9 | 1.9 | 1.9 | 2.0 | 1.9 | 2.0 | 1.9 | 2.0 | 2.3 | 2.1 |
| Medications | 13.3 | 13.9 | 14.8 | 15.1 | 14.5 | 14.8 | 14.6 | 14.1 | 14.1 | 14.0 | 14.2 |
| Benefit-paid pharmaceuticals | 8.1 | 8.5 | 9.3 | 9.3 | 9.4 | 9.6 | 9.2 | 8.9 | 8.4 | 8.3 | 8.3 |
| All other medications | 5.2 | 5.4 | 5.6 | 5.9 | 5.1 | 5.2 | 5.4 | 5.2 | 5.7 | 5.7 | 5.9 |
| Aids and appliances | 3.3 | 3.4 | 4.2 | 3.2 | 3.2 | 3.3 | 3.4 | 3.4 | 3.4 | 3.2 | 3.1 |
| Administration | 2.6 | 3.4 | 3.4 | 3.0 | 3.1 | 3.1 | 3.1 | 2.9 | 2.6 | 2.7 | 2.8 |
| Research | 1.6 | 1.9 | 2.1 | 2.2 | 2.2 | 2.2 | 2.3 | 2.5 | 2.6 | 2.8 | 3.4 |
| **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 120.

# 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 1998–99 to 2008–09 is expressed in terms of 2008–09 prices.

(i) Public hospitals (1998–99 to 2002–03) includes any dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Includes services provided off-site, such as hospital in the home, dialysis or other services (see Box 4.1).

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

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

# Appendix B: State and territory health expenditure matrices, 2006–07 to 2008–09

**Table B1: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds[a], 2006–07 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 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 146.

**Table B2: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds[a], 2007–08 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B3: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds[a], 2008–09 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 563 | 3,922 | 644 | 5,129 | 5,841 | 10,969 | 1,564 | 175 | 720 | 2,459 | 13,428 |
| Public hospital services[e] | 325 | 3,861 | 135 | 4,321 | 5,841 | 10,162 | 328 | 154 | 550 | 1,032 | 11,194 |
| Private hospitals | 238 | 61 | 509 | 807 | — | 807 | 1,236 | 21 | 169 | 1,426 | 2,234 |
| Patient transport services | 45 | 5 | 43 | 93 | 411 | 504 | 104 | 78 | 35 | 217 | 721 |
| Medical services | 285 | 4,987 | 107 | 5,379 | — | 5,379 | 260 | 877 | 549 | 1,687 | 7,066 |
| Dental services | 34 | 265 | 146 | 445 | 181 | 627 | 356 | 1,260 | 6 | 1,622 | 2,249 |
| State/territory provider | . . | . . | . . | . . | 181 | 181 | . . | 6.852 | . . | 7 | 188 |
| Private provider | 34 | 265 | 146 | 445 | . . | 445 | 356 | 1,253 | 6 | 1,615 | 2,061 |
| Other health practitioners | 57 | 270 | 70 | 397 | — | 397 | 170 | 480 | 113 | 764 | 1,161 |
| Community health and other[f] | — | 158 | — | 159 | 1,257 | 1,416 | — | 84 | 19 | 103 | 1,519 |
| Public health | — | 369 | — | 369 | 250 | 619 | — | — | 32 | 32 | 651 |
| Medications | 167 | 2,494 | 9 | 2,670 | — | 2,670 | 21 | 2,281 | 11 | 2,313 | 4,983 |
| Benefit-paid pharmaceuticals | 167 | 2,384 | — | 2,552 | — | 2,552 | — | 489 | — | 489 | 3,040 |
| All other medications | — | 110 | 9 | 118 | — | 118 | 21 | 1,792 | 11 | 1,824 | 1,943 |
| Aids and appliances | 1 | 122 | 55 | 177 | — | 177 | 133 | 481 | 5 | 619 | 796 |
| Administration | — | 385 | 127 | 512 | — | 512 | 309 | — | — | 309 | 821 |
| Research | — | 886 | — | 886 | 147 | 1,034 | — | 15 | 134 | 149 | 1,183 |
| **Total recurrent funding** | **1,153** | **13,863** | **1,202** | **16,218** | **8,087** | **24,304** | **2,917** | **5,732** | **1,624** | **10,273** | **34,578** |
| Capital expenditure | — | 28 | .. | 28 | 679 | 707 | — | — | 890 | 890 | 1,597 |
| **Total health funding[g]** | **1,153** | **13,891** | **1,202** | **16,246** | **8,766** | **25,011** | **2,917** | **5,732** | **2,514** | **11,164** | **36,175** |
| Non-specific tax expenditure | .. | 187 | .. | 187 | .. | 187 | .. | –187 | .. | –187 | — |
| **Total health funding** | **1,153** | **14,079** | **1,202** | **16,433** | **8,766** | **25,199** | **2,917** | **5,544** | **2,514** | **10,976** | **36,175** |

*Notes:* See page 146.

**Table B4: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds[a], 2006–07 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B5: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds[a], 2007–08 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B6: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds[a], 2008–09 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 2,914 | 522 | 3,825 | 3,926 | 7,750 | 1,268 | 500 | 375 | 2,143 | 9,893 |
| Public hospital services[e] | 186 | 2,859 | 58 | 3,103 | 3,855 | 6,958 | 142 | 403 | 271 | 815 | 7,773 |
| Private hospitals | 203 | 56 | 464 | 722 | 71 | 793 | 1,126 | 98 | 104 | 1,328 | 2,120 |
| Patient transport services | 38 | 1 | 6 | 45 | 288 | 333 | 15 | 203 | 24 | 242 | 574 |
| Medical services | 190 | 3,698 | 104 | 3,992 | — | 3,992 | 252 | 533 | 121 | 906 | 4,898 |
| Dental services | 17 | 79 | 82 | 178 | 117 | 295 | 198 | 1,438 | 6 | 1,642 | 1,937 |
| State/territory provider | .. | .. | .. | .. | 117 | 117 | .. | 10 | .. | 10 | 127 |
| Private provider | 17 | 79 | 82 | 178 | .. | 178 | 198 | 1,428 | 6 | 1,632 | 1,810 |
| Other health practitioners | 37 | 212 | 43 | 292 | — | 292 | 104 | 468 | 70 | 643 | 935 |
| Community health and other[f] | 1 | 99 | — | 100 | 784 | 884 | — | 3 | 12 | 15 | 898 |
| Public health | — | 279 | — | 279 | 201 | 480 | — | — | 24 | 24 | 504 |
| Medications | 102 | 1,821 | 2 | 1,925 | — | 1,925 | 6 | 1,868 | 26 | 1,900 | 3,825 |
| Benefit-paid pharmaceuticals | 102 | 1,741 | — | 1,843 | — | 1,843 | — | 359 | — | 359 | 2,201 |
| All other medications | — | 80 | 2 | 83 | — | 83 | 6 | 1,509 | 26 | 1,541 | 1,624 |
| Aids and appliances | — | 92 | 29 | 121 | — | 121 | 71 | 692 | 15 | 778 | 899 |
| Administration | — | 273 | 88 | 361 | — | 361 | 213 | — | — | 213 | 575 |
| Research | — | 885 | — | 885 | 177 | 1,063 | — | — | 88 | 88 | 1,151 |
| **Total recurrent funding** | **775** | **10,353** | **876** | **12,004** | **5,493** | **17,496** | **2,128** | **5,704** | **762** | **8,594** | **26,090** |
| Capital expenditure | — | 20 | .. | 20 | 506 | 526 | — | — | 372 | 372 | 898 |
| **Total health funding[g]** | **775** | **10,373** | **876** | **12,024** | **5,999** | **18,022** | **2,128** | **5,704** | **1,134** | **8,966** | **26,988** |
| Non-specific tax expenditure | .. | 124 | .. | 124 | .. | 124 | .. | –124 | .. | –124 | — |
| **Total health funding** | **775** | **10,497** | **876** | **12,148** | **5,999** | **18,147** | **2,128** | **5,580** | **1,134** | **8,841** | **26,988** |

*Notes:* See page 146.

**Table B7: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds[a], 2006–07 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B8: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds[a], 2007–08 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B9: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds[a], 2008–09 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 382 | 2,335 | 409 | 3,127 | 3,762 | 6,888 | 994 | 330 | 192 | 1,516 | 8,404 |
| Public hospital services[e] | 89 | 2,282 | 14 | 2,385 | 3,736 | 6,121 | 35 | 212 | 107 | 353 | 6,475 |
| Private hospitals | 294 | 53 | 395 | 742 | 25 | 767 | 959 | 118 | 85 | 1,163 | 1,930 |
| Patient transport services | 36 | 18 | — | 54 | 497 | 551 | — | — | 8 | 8 | 560 |
| Medical services | 221 | 2,704 | 78 | 3,003 | — | 3,003 | 189 | 500 | 118 | 807 | 3,810 |
| Dental services | 29 | 17 | 84 | 129 | 155 | 285 | 204 | 522 | 2 | 729 | 1,013 |
| State/territory provider | .. | .. | .. | .. | 155 | 155 | .. | — | .. | — | 155 |
| Private provider | 29 | 17 | 84 | 129 | .. | 129 | 204 | 522 | 2 | 729 | 858 |
| Other health practitioners | 44 | 145 | 41 | 231 | — | 231 | 100 | 306 | 52 | 459 | 689 |
| Community health and other[f] | — | 141 | — | 141 | 1,091 | 1,232 | — | 11 | 15 | 27 | 1,258 |
| Public health | — | 235 | — | 235 | 195 | 430 | — | 11 | 20 | 30 | 461 |
| Medications | 110 | 1,411 | 4 | 1,526 | — | 1,526 | 10 | 1,556 | 9 | 1,575 | 3,100 |
| Benefit-paid pharmaceuticals | 110 | 1,343 | — | 1,453 | — | 1,453 | — | 285 | — | 285 | 1,737 |
| All other medications | — | 69 | 4 | 73 | — | 73 | 10 | 1,271 | 9 | 1,290 | 1,363 |
| Aids and appliances | — | 71 | 29 | 100 | — | 100 | 70 | 452 | 6 | 527 | 628 |
| Administration | — | 252 | 81 | 332 | 110 | 442 | 196 | — | — | 196 | 638 |
| Research | — | 308 | — | 308 | 167 | 475 | — | — | 25 | 25 | 501 |
| **Total recurrent funding** | **822** | **7,637** | **727** | **9,186** | **5,977** | **15,163** | **1,764** | **3,688** | **448** | **5,900** | **21,063** |
| Capital expenditure | — | 16 | .. | 16 | 868 | 884 | — | — | 896 | 896 | 1,781 |
| **Total health funding[g]** | **822** | **7,654** | **727** | **9,202** | **6,845** | **16,047** | **1,764** | **3,688** | **1,344** | **6,796** | **22,843** |
| Non-specific tax expenditure | .. | 85 | .. | 85 | .. | 85 | .. | –85 | .. | –85 | — |
| **Total health funding** | **822** | **7,739** | **727** | **9,288** | **6,845** | **16,132** | **1,764** | **3,603** | **1,344** | **6,711** | **22,843** |

*Notes:* See page 146.

**Table B10: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds[a], 2006–07 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B11: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds[a], 2007–08 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B12: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds[a], 2008–09 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 143 | 1,185 | 211 | 1,539 | 2,148 | 3,688 | 513 | 215 | 45 | 772 | 4,460 |
| Public hospital services[e] | 49 | 1,156 | 20 | 1,225 | 1,905 | 3,129 | 48 | 136 | 42 | 226 | 3,355 |
| Private hospitals | 95 | 29 | 191 | 315 | 244 | 558 | 464 | 79 | 3 | 546 | 1,104 |
| Patient transport services | 9 | 19 | 5 | 34 | 103 | 137 | 12 | — | 7 | 19 | 155 |
| Medical services | 64 | 1,199 | 41 | 1,303 | — | 1,303 | 99 | 243 | 93 | 435 | 1,738 |
| Dental services | 10 | 3 | 58 | 71 | 65 | 136 | 141 | 587 | 3 | 731 | 867 |
| State/territory provider | .. | .. | .. | .. | 65 | 65 | .. | 6 | .. | 6 | 71 |
| Private provider | 10 | 3 | 58 | 71 | .. | 71 | 141 | 581 | 3 | 726 | 796 |
| Other health practitioners | 15 | 73 | 22 | 110 | — | 110 | 53 | 68 | 22 | 143 | 253 |
| Community health and other[f] | — | 100 | — | 100 | 565 | 666 | 1 | 17 | 4 | 21 | 687 |
| Public health | — | 117 | — | 117 | 90 | 207 | — | 6 | 13 | 19 | 226 |
| Medications | 39 | 653 | 2 | 694 | — | 694 | 5 | 733 | 16 | 753 | 1,447 |
| Benefit-paid pharmaceuticals | 39 | 620 | — | 659 | — | 659 | — | 139 | — | 139 | 798 |
| All other medications | — | 33 | 2 | 35 | — | 35 | 5 | 594 | 16 | 614 | 649 |
| Aids and appliances | — | 36 | 16 | 52 | — | 52 | 40 | 469 | 7 | 516 | 568 |
| Administration | — | 120 | 41 | 161 | 33 | 193 | 99 | — | — | 100 | 293 |
| Research | — | 228 | — | 228 | 59 | 287 | — | — | 15 | 15 | 302 |
| **Total recurrent funding** | **281** | **3,730** | **397** | **4,408** | **3,064** | **7,472** | **963** | **2,336** | **225** | **3,524** | **10,996** |
| Capital expenditure | — | 10 | .. | 10 | 353 | 363 | — | — | 324 | 324 | 686 |
| **Total health funding[g]** | **281** | **3,740** | **397** | **4,418** | **3,417** | **7,834** | **963** | **2,336** | **549** | **3,848** | **11,682** |
| Non-specific tax expenditure | .. | 23 | .. | 23 | .. | 23 | .. | –23 | .. | –23 | — |
| **Total health funding** | **281** | **3,763** | **397** | **4,440** | **3,417** | **7,857** | **963** | **2,314** | **549** | **3,825** | **11,682** |

*Notes:* See page 146.

**Table B13: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds[a], 2006–07 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B14: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds[a], 2007–08 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B15: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds[a], 2008–09 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 125 | 959 | 153 | 1,238 | 1,511 | 2,750 | 372 | 73 | 60 | 505 | 3,254 |
| Public hospital services[e] | 78 | 946 | 17 | 1,042 | 1,507 | 2,549 | 42 | 42 | 46 | 130 | 2,679 |
| Private hospitals | 48 | 13 | 136 | 196 | 5 | 201 | 330 | 31 | 14 | 374 | 575 |
| Patient transport services | 8 | 8 | 5 | 21 | 154 | 175 | 12 | 51 | 12 | 75 | 250 |
| Medical services | 58 | 1,061 | 35 | 1,154 | — | 1,154 | 85 | 117 | 116 | 318 | 1,473 |
| Dental services | 9 | 13 | 40 | 63 | 55 | 118 | 98 | 127 | 2 | 227 | 344 |
| State/territory provider | .. | .. | .. | .. | 55 | 55 | .. | 4 | .. | 4 | 59 |
| Private provider | 9 | 13 | 40 | 63 | .. | 63 | 98 | 123 | 2 | 223 | 285 |
| Other health practitioners | 13 | 57 | 22 | 92 | — | 92 | 54 | 39 | 35 | 128 | 220 |
| Community health and other[f] | — | 59 | — | 59 | 435 | 494 | — | 29 | 16 | 45 | 539 |
| Public health | — | 83 | — | 83 | 84 | 167 | — | 2 | 10 | 12 | 178 |
| Medications | 37 | 615 | 2 | 653 | — | 653 | 4 | 516 | 7 | 528 | 1,181 |
| Benefit-paid pharmaceuticals | 37 | 587 | — | 624 | — | 624 | — | 114 | — | 114 | 738 |
| All other medications | — | 28 | 2 | 29 | — | 29 | 4 | 402 | 7 | 413 | 443 |
| Aids and appliances | — | 29 | 14 | 43 | — | 43 | 34 | 148 | 13 | 195 | 238 |
| Administration | — | 98 | 30 | 128 | 252 | 379 | 73 | 1 | 34 | 107 | 487 |
| Research | — | 236 | — | 236 | 22 | 259 | — | 2 | 12 | 13 | 272 |
| **Total recurrent funding** | **250** | **3,219** | **302** | **3,771** | **2,513** | **6,284** | **734** | **1,104** | **315** | **2,152** | **8,436** |
| Capital expenditure | — | 9 | .. | 9 | 196 | 205 | — | — | 392 | 392 | 597 |
| **Total health funding[g]** | **250** | **3,228** | **302** | **3,780** | **2,709** | **6,490** | **734** | **1,104** | **707** | **2,544** | **9,034** |
| Non-specific tax expenditure | .. | 40 | .. | 40 | .. | 40 | .. | –40 | .. | –40 | — |
| **Total health funding** | **250** | **3,268** | **302** | **3,820** | **2,709** | **6,530** | **734** | **1,064** | **707** | **2,504** | **9,034** |

*Notes:* See page 146.

**Table B16: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds[a], 2006–07 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B17: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds[a], 2007–08 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B18: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds[a], 2008–09 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 38 | 340 | 51 | 429 | n.a | n.a | n.a. | n.a. | n.a | n.a | 982 |
| Public hospital services[e] | 18 | 335 | 6 | 359 | 350 | 710 | 14 | — | 47 | 60 | 769 |
| Private hospitals | 20 | 5 | 45 | 70 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 213 |
| Patient transport services | 4 | 1 | — | 5 | 50 | 55 | — | — | 2 | 2 | 57 |
| Medical services | 22 | 307 | 9 | 338 | — | 338 | 22 | 46 | 17 | 85 | 423 |
| Dental services | 2 | 1 | 8 | 11 | 25 | 36 | 19 | 65 | — | 85 | 121 |
| State/territory provider | .. | .. | .. | .. | 25 | 25 | .. | 3 | .. | 3 | 29 |
| Private provider | 2 | 1 | 8 | 11 | .. | 11 | 19 | 62 | — | 81 | 92 |
| Other health practitioners | 6 | 19 | 4 | 29 | — | 29 | 10 | 24 | 9 | 44 | 73 |
| Community health and other[f] | — | 15 | — | 15 | 137 | 152 | — | — | 2 | 2 | 154 |
| Public health | — | 37 | — | 37 | 32 | 70 | — | — | 3 | 3 | 73 |
| Medications | 14 | 194 | 1 | 209 | — | 209 | 2 | 174 | 2 | 178 | 387 |
| Benefit-paid pharmaceuticals | 14 | 185 | — | 199 | — | 199 | — | 37 | — | 37 | 236 |
| All other medications | — | 10 | 1 | 11 | — | 11 | 2 | 138 | 2 | 141 | 152 |
| Aids and appliances | — | 9 | 4 | 13 | — | 13 | 9 | 53 | 2 | 65 | 77 |
| Administration | — | 35 | 10 | 45 | — | 45 | 24 | — | — | 24 | 69 |
| Research | — | 43 | — | 43 | 10 | 53 | — | — | 3 | 3 | 56 |
| **Total recurrent funding** | **86** | **1,002** | **86** | **1,174** | **659** | **1,834** | **192** | **356** | **90** | **638** | **2,472** |
| Capital expenditure | — | 4 | .. | 4 | 26 | 30 | — | — | 22 | 22 | 52 |
| **Total health funding[g]** | **86** | **1,006** | **86** | **1,179** | **685** | **1,864** | **192** | **356** | **112** | **660** | **2,524** |
| Non-specific tax expenditure | .. | 6 | .. | 6 | .. | 6 | .. | –6 | .. | –6 | — |
| **Total health funding** | **86** | **1,012** | **86** | **1,185** | **685** | **1,870** | **192** | **350** | **112** | **654** | **2,524** |

*Notes:* See page 146.

**Table B19: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds[a], 2006–07 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 25 | 131 | 17 | 173 | 370 | 544 | 40 | 19 | 41 | 100 | 643 |
| Public hospital services[e] | 14 | 130 | 3 | 147 | 370 | 518 | 8 | 4 | 33 | 45 | 562 |
| Private hospitals | 11 | 1 | 14 | 26 | — | 26 | 32 | 15 | 8 | 55 | 81 |
| Patient transport services | — | — | 1 | 1 | 12 | 13 | 3 | — | 1 | 4 | 17 |
| Medical services | 27 | 172 | 3 | 202 | — | 202 | 7 | 63 | 8 | 77 | 280 |
| Dental services | 2 | — | 4 | 6 | 8 | 14 | 10 | 75 | — | 85 | 99 |
| State/territory provider | . . | . . | . . | . . | 8 | 8 | . . | 1 | . . | 1 | 9 |
| Private provider | 2 | — | 4 | 6 | . . | 6 | 10 | 74 | — | 84 | 90 |
| Other health practitioners | 5 | 7 | 2 | 14 | — | 14 | 5 | 36 | 7 | 48 | 62 |
| Community health and other[f] | — | 7 | — | 7 | 97 | 104 | — | 8 | 20 | 27 | 131 |
| Public health | — | 21 | — | 21 | 19 | 40 | — | 1 | 5 | 6 | 47 |
| Medications | 7 | 75 | — | 81 | — | 81 | 1 | 74 | 1 | 76 | 157 |
| Benefit-paid pharmaceuticals | 7 | 71 | — | 77 | — | 77 | — | 20 | — | 20 | 98 |
| All other medications | — | 4 | — | 4 | — | 4 | 1 | 54 | 1 | 56 | 60 |
| Aids and appliances | — | 4 | 2 | 6 | — | 6 | 4 | 24 | 1 | 29 | 35 |
| Administration | 53 | 15 | 3 | 72 | 30 | 102 | 8 | — | — | 8 | 109 |
| Research | 2 | 112 | — | 114 | 14 | 128 | — | — | 4 | 4 | 132 |
| **Total recurrent funding** | **121** | **545** | **32** | **698** | **550** | **1,248** | **76** | **299** | **88** | **464** | **1,712** |
| Capital expenditure | — | 4 | . . | 4 | 22 | 26 | n.a. | n.a. | 30 | 30 | 56 |
| **Total health funding[g]** | **121** | **548** | **32** | **701** | **572** | **1,273** | **76** | **299** | **119** | **494** | **1,767** |
| Non-specific tax expenditure | . . | 12 | . . | 12 | . . | 12 | . . | –12 | . . | –12 | — |
| **Total health funding** | **121** | **560** | **32** | **713** | **572** | **1,285** | **76** | **287** | **119** | **482** | **1,767** |

*Notes:* See page 146.

**Table B20: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds[a], 2007–08 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B21: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds[a], 2008–09 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 171 | 20 | 230 | 478 | 708 | 48 | 31 | 29 | 108 | 816 |
| Public hospital services[e] | 26 | 171 | 4 | 201 | 478 | 678 | 10 | — | 6 | 16 | 694 |
| Private hospitals | 13 | 1 | 16 | 29 | 1 | 30 | 38 | 31 | 23 | 92 | 122 |
| Patient transport services | — | — | 1 | 1 | 20 | 22 | 3 | — | 1 | 4 | 26 |
| Medical services | 20 | 183 | 3 | 206 | — | 206 | 8 | 64 | 8 | 79 | 285 |
| Dental services | 1 | 1 | 5 | 7 | 10 | 17 | 11 | 76 | — | 87 | 104 |
| State/territory provider | .. | .. | .. | .. | 10 | 10 | .. | — | .. | — | 10 |
| Private provider | 1 | 1 | 5 | 7 | .. | 7 | 11 | 76 | — | 87 | 94 |
| Other health practitioners | 14 | 11 | 2 | 27 | — | 27 | 5 | 27 | 8 | 40 | 67 |
| Community health and other[f] | — | 8 | — | 8 | 129 | 137 | — | — | — | — | 137 |
| Public health | — | 23 | — | 23 | 27 | 50 | — | — | 5 | 5 | 55 |
| Medications | 7 | 88 | — | 96 | — | 96 | 1 | 94 | 1 | 96 | 192 |
| Benefit-paid pharmaceuticals | 7 | 83 | — | 91 | — | 91 | — | 23 | — | 23 | 114 |
| All other medications | — | 5 | — | 5 | — | 5 | 1 | 71 | 1 | 73 | 79 |
| Aids and appliances | — | 5 | 2 | 7 | — | 7 | 4 | 25 | 1 | 30 | 37 |
| Administration | 50 | 15 | 4 | 69 | — | 69 | 10 | — | — | 10 | 78 |
| Research | 2 | 157 | — | 159 | 25 | 184 | — | — | 5 | 5 | 189 |
| **Total recurrent funding** | **134** | **663** | **37** | **833** | **689** | **1,523** | **90** | **315** | **58** | **464** | **1,987** |
| Capital expenditure | — | 2 | .. | 2 | 53 | 55 | — | — | 9 | 9 | 64 |
| **Total health funding[g]** | **134** | **665** | **37** | **836** | **742** | **1,578** | **90** | **315** | **67** | **473** | **2,051** |
| Non-specific tax expenditure | .. | 15 | .. | 15 | .. | 15 | .. | –15 | .. | –15 | .. |
| **Total health funding** | **134** | **680** | **37** | **850** | **742** | **1,593** | **90** | **301** | **67** | **458** | **2,051** |

*Notes:* See page 146.

**Table B22: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds[a], 2006–07 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B23: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds[a], 2007–08 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 146.

**Table B24: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds[a], 2008–09 ($ million)**

| | Government | | | | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Australian Government | | | | | | | | | | |
| Area of expenditure | 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 | 4 | 153 | 8 | 165 | 314 | 479 | 19 | 19 | 19 | 58 | 537 |
| Public hospital services[e] | 3 | 152 | — | 155 | 313 | 468 | 1 | 4 | 8 | 14 | 482 |
| Private hospitals | 1 | 1 | 8 | 10 | 1 | 11 | 18 | 15 | 11 | 44 | 55 |
| Patient transport services | — | 13 | — | 13 | 30 | 44 | — | — | — | 1 | 44 |
| Medical services | 1 | 96 | 2 | 98 | — | 98 | 4 | 15 | 9 | 28 | 126 |
| Dental services | — | — | 2 | 3 | 15 | 18 | 5 | 55 | — | 61 | 79 |
| State/territory provider | . . | . . | . . | . . | 15 | 15 | . . | — | . . | — | 15 |
| Private provider | — | — | 2 | 3 | | 3 | 5 | 55 | — | 61 | 63 |
| Other health practitioners | — | 5 | 1 | 6 | — | 6 | 3 | 19 | 2 | 23 | 29 |
| Community health and other[f] | — | 147 | — | 147 | 217 | 364 | — | — | — | — | 365 |
| Public health | — | 23 | — | 23 | 90 | 113 | — | — | 4 | 4 | 117 |
| Medications | 1 | 51 | — | 52 | — | 52 | — | 38 | — | 38 | 91 |
| Benefit-paid pharmaceuticals | 1 | 45 | — | 46 | — | 46 | — | 7 | — | 7 | 53 |
| All other medications | — | 6 | — | 6 | — | 6 | — | 31 | — | 31 | 38 |
| Aids and appliances | — | 3 | 1 | 4 | — | 4 | 3 | 17 | 1 | 20 | 24 |
| Administration | — | 35 | 2 | 37 | — | 37 | 4 | — | — | 4 | 41 |
| Research | — | 12 | — | 12 | 11 | 23 | — | — | 1 | 1 | 24 |
| **Total recurrent funding** | **7** | **538** | **16** | **561** | **679** | **1,240** | **39** | **163** | **36** | **238** | **1,477** |
| Capital expenditure | — | 6 | . . | 6 | 14 | 20 | n.a. | n.a. | 5 | 5 | 25 |
| **Total health funding[g]** | **7** | **544** | **16** | **567** | **693** | **1,260** | **39** | **163** | **41** | **243** | **1,503** |
| Non-specific tax expenditure | . . | 2 | . . | 2 | . . | 2 | . . | –2 | . . | –2 | — |
| **Total health funding** | **7** | **547** | **16** | **569** | **693** | **1,262** | **39** | **161** | **41** | **241** | **1,503** |

*Notes:* See page 146.

# 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, 2007–08

## Table C1: Hospital expenditure, current prices, by area of expenditure, 2007–08 ($ million)

| Area of expenditure | Total expenditure |
|---|---|
| **Total hospitals** | **38,557** |
| Admitted patients | 31,110 |
| Same-day admissions | 5,117 |
| Curative care | 5,088 |
| Rehabilitative care | 26 |
| Long-term care | 2 |
| Palliative care | 1 |
| Other n.e.c. | — |
| Overnight admissions | 25,993 |
| Curative care | 23,914 |
| Rehabilitative care | 1,239 |
| Long-term care | 611 |
| Palliative care | 225 |
| Other n.e.c. | 3 |
| Non-admitted patients | 7,447 |
| **Public hospital services**[(a)] | 30,817 |
| Admitted patients | 23,912 |
| Same-day admissions | 3,377 |
| Curative care | 3,370 |
| Rehabilitative care | 6 |
| Long-term care | — |
| Palliative care | 1 |
| Other n.e.c. | — |
| Overnight admissions | 20,535 |
| Curative care | 18,876 |
| Rehabilitative care | 894 |
| Long-term care | 575 |
| Palliative care | 188 |
| Other n.e.c. | 2 |
| Non-admitted patients | 6,905 |
| **Private hospitals** | 7,740 |
| Admitted patients | 7,198 |
| Same-day admissions | 1,740 |
| Curative care | 1,719 |
| Rehabilitative care | 20 |
| Long-term care | 1 |
| Palliative care | — |
| Other n.e.c. | — |
| Overnight admissions | 5,458 |
| Curative care | 5,038 |
| Rehabilitative care | 345 |
| Long-term care | 36 |
| Palliative care | 38 |
| Other n.e.c. | 1 |
| Non-admitted patients | 542 |

*Notes:* See page 152.

**Table C2: Health expenditure, current prices, by selected area of expenditure and source of funds[b], Australia, 2007–08 ($ million)**

| | | Australian Government | | | Non-government | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Area of expenditure | Direct outlays | Premium rebates[c] | Total | Private health insurance | Individuals | Other[d] | Total | Total health expenditure |
| Medical services | In hospital[e] | 1,788 | 371 | 2,159 | 813 | 1,172 | — | 1,985 | 4,144 |
| | Public hospitals | 387 | 80 | 467 | 176 | 254 | — | 430 | 897 |
| | Private hospitals | 1,401 | 291 | 1,692 | 637 | 919 | — | 1,555 | 3,247 |
| | Out of hospital | 10,528 | — | 10,528 | — | 997 | — | 997 | 11,525 |
| | General practitioners | 4,394 | — | 4,394 | — | 300 | — | 300 | 4,694 |
| | Specialists | 2,803 | — | 2,803 | — | 478 | — | 478 | 3,281 |
| | Imaging/pathology | 3,331 | — | 3,331 | — | 218 | — | 218 | 3,550 |
| | Other medical (includes DVA) | 1,648 | — | 1,648 | — | — | 1,021 | 1,021 | 2,669 |
| Other health practitioners | Allied health services (Medicare) | 245 | 60 | 305 | — | 49 | — | 49 | 353 |
| | Optometrical services (Medicare) | 254 | 62 | 316 | — | 2 | — | 2 | 318 |
| | Non-Medicare other health practitioner | 338 | 82 | 420 | 446 | 1,523 | 312 | 2,281 | 2,702 |
| Medications | Benefit-paid pharmaceuticals | 6,789 | — | 6,789 | — | 1,300 | — | 1,300 | 8,089 |
| | General patients | 1,213 | — | 1,213 | — | 630 | — | 630 | 1,842 |
| | Safety net | 173 | — | 173 | — | 22 | — | 22 | 196 |
| | No safety net | 1,039 | — | 1,039 | — | 607 | — | 607 | 1,647 |
| | Concessional patients | 4,699 | — | 4,699 | — | 560 | — | 560 | 5,259 |
| | Safety net | 1,138 | — | 1,138 | — | — | — | — | 1,138 |
| | No safety net | 3,561 | — | 3,561 | — | 560 | — | 560 | 4,121 |
| | Other | 877 | — | 877 | — | 110 | — | 110 | 987 |
| | All other medications | 287 | 21 | 308 | 46 | 5,185 | 71 | 5,303 | 5,611 |
| | Under copayment PBS items | — | — | — | — | 1,019 | — | 1,019 | 1,019 |
| | Private prescriptions | — | 21 | 21 | 46 | 539 | 71 | 657 | 678 |
| | Other pharmacy medications | — | — | — | — | 2,005 | — | 2,005 | 2,005 |
| | Other retail medications | — | — | — | — | 1,623 | — | 1,623 | 1,623 |
| | All other medications n.e.c. | 287 | — | 287 | — | — | — | — | 287 |

*Notes:* See page 152.

**Table C3: Medicare expenditure, current prices, by area of expenditure, source of funds[b] and by state and territory of patient residence, 2007–08 ($ million)**

| | Area of expenditure | Australian Government | | | Non-government | | | Total health expenditure |
|---|---|---|---|---|---|---|---|---|
| | | Direct Outlays | Premium rebates[c] | Total | Private insurance | Individuals | Total | |
| **NSW** | | | | | | | | |
| Medical services | In hospital[e] | 558 | 105 | 663 | 230 | 538 | 768 | 1.431 |
| | Public hospitals | 168 | 32 | 199 | 69 | 162 | 231 | 430 |
| | Private hospitals | 390 | 73 | 464 | 161 | 376 | 537 | 1.000 |
| | Out of hospital | 3.877 | — | 3.877 | — | 447 | 447 | 4.324 |
| | General practitioners | 1.586 | — | 1.586 | — | 102 | 102 | 1.688 |
| | Specialists | 1.065 | — | 1.065 | — | 252 | 252 | 1.317 |
| | Imaging/pathology | 1.227 | — | 1.227 | — | 93 | 93 | 1.319 |
| Other health practitioners | Allied health services | 86 | 22 | 107 | — | 17 | 17 | 124 |
| | Optometrical services | 86 | 22 | 108 | — | 1 | 1 | 109 |
| **Vic** | | | | | | | | |
| Medical services | In hospital[e] | 477 | 102 | 580 | 224 | 368 | 592 | 1.172 |
| | Public hospitals | 97 | 21 | 118 | 46 | 75 | 121 | 239 |
| | Private hospitals | 380 | 81 | 461 | 178 | 293 | 472 | 933 |
| | Out of hospital | 2.609 | — | 2.609 | — | 332 | 332 | 2.942 |
| | General practitioners | 1.101 | — | 1.101 | — | 111 | 111 | 1.212 |
| | Specialists | 695 | — | 695 | — | 149 | 149 | 844 |
| | Imaging/pathology | 813 | — | 813 | — | 72 | 72 | 885 |
| Other health practitioners | Allied health services | 75 | 15 | 90 | — | 15 | 15 | 105 |
| | Optometrical services | 61 | 12 | 73 | — | — | — | 74 |
| **Qld** | | | | | | | | |
| Medical services | In hospital[e] | 380 | 77 | 457 | 168 | 353 | 522 | 978 |
| | Public hospitals | 39 | 8 | 47 | 17 | 36 | 53 | 100 |
| | Private hospitals | 341 | 69 | 410 | 151 | 317 | 468 | 878 |
| | Out of hospital | 1.974 | — | 1.974 | — | 270 | 270 | 2.244 |
| | General practitioners | 832 | — | 832 | — | 92 | 92 | 923 |
| | Specialists | 504 | — | 504 | — | 123 | 123 | 626 |
| | Imaging/pathology | 639 | — | 639 | — | 55 | 55 | 694 |
| Other health practitioners | Allied health services | 38 | 9 | 47 | — | 7 | 7 | 55 |
| | Optometrical services | 52 | 13 | 65 | — | — | — | 66 |
| **WA** | | | | | | | | |
| Medical services | In hospital[e] | 162 | 39 | 201 | 85 | 166 | 251 | 452 |
| | Public hospitals | 37 | 9 | 46 | 19 | 38 | 57 | 103 |
| | Private hospitals | 125 | 30 | 155 | 65 | 128 | 193 | 348 |
| | Out of hospital | 872 | — | 872 | — | 158 | 158 | 1.030 |
| | General practitioners | 359 | — | 359 | — | 51 | 51 | 410 |
| | Specialists | 220 | — | 220 | — | 64 | 64 | 284 |
| | Imaging/pathology | 294 | — | 294 | — | 42 | 42 | 336 |
| Other health practitioners | Allied health services | 23 | 6 | 29 | — | 5 | 5 | 34 |
| | Optometrical services | 23 | 6 | 29 | — | — | — | 30 |
| **SA** | | | | | | | | |
| Medical services | In hospital[e] | 142 | 35 | 177 | 76 | 117 | 193 | 370 |
| | Public hospitals | 26 | 6 | 32 | 14 | 21 | 35 | 67 |
| | Private hospitals | 116 | 28 | 145 | 62 | 96 | 158 | 303 |
| | Out of hospital | 780 | — | 780 | — | 91 | 91 | 871 |
| | General practitioners | 341 | — | 341 | — | 28 | 28 | 369 |
| | Specialists | 212 | — | 212 | — | 43 | 43 | 255 |
| | Imaging/pathology | 226 | — | 226 | — | 20 | 20 | 247 |
| Other health practitioners | Allied health services | 14 | 5 | 20 | — | 2 | 2 | 22 |
| | Optometrical services | 18 | 7 | 25 | — | — | — | 25 |

*(continued)*

**Table C3 (continued): Medicare expenditure, current prices, by area of expenditure, source of funds[(b)] and by state and territory of patient residence, 2007–08 ($ million)**

| | Area of expenditure | Australian Government | | | Non-government | | | Total health expenditure |
|---|---|---|---|---|---|---|---|---|
| | | Direct Outlays | Premium rebates[(c)] | Total | Private insurance | Individuals | Total | |
| **Tas** | | | | | | | | |
| Medical services | In hospital | 39 | 9 | 48 | 19 | 38 | 56 | 104 |
| | Out of hospital | 219 | — | 219 | — | 30 | 30 | 250 |
| | General practitioners | 94 | — | 94 | — | 12 | 12 | 106 |
| | Specialists | 59 | — | 59 | — | 10 | 10 | 70 |
| | Imaging/pathology | 66 | — | 66 | — | 8 | 8 | 74 |
| Other health practitioners | Allied health services | 5 | 1 | 6 | — | 1 | 1 | 7 |
| | Optometrical services | 6 | 1 | 8 | — | — | — | 8 |
| **ACT** | | | | | | | | |
| Medical services | In hospital | 22 | 3 | 25 | 7 | 30 | 37 | 62 |
| | Out of hospital | 138 | — | 138 | — | 38 | 38 | 177 |
| | General practitioners | 55 | — | 55 | — | 16 | 16 | 70 |
| | Specialists | 37 | — | 37 | — | 14 | 14 | 50 |
| | Imaging/pathology | 47 | — | 47 | — | 9 | 9 | 56 |
| Other health practitioners | Allied health services | 3 | — | 4 | — | 1 | 1 | 5 |
| | Optometrical services | 4 | — | 5 | — | — | — | 5 |
| **NT** | | | | | | | | |
| Medical services | In hospital | 7 | 2 | 9 | 3 | 8 | 11 | 20 |
| | Out of hospital | 58 | — | 58 | — | 10 | 10 | 68 |
| | General practitioners | 26 | — | 26 | — | 6 | 6 | 32 |
| | Specialists | 12 | — | 12 | — | 3 | 3 | 15 |
| | Imaging/pathology | 20 | — | 20 | — | 2 | 2 | 22 |
| Other health practitioners | Allied health services | 1 | — | 1 | — | — | — | 1 |
| | Optometrical services | 2 | — | 3 | — | — | — | 3 |

*Notes:* See page 152.

# 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: Price indexes and deflation

The term 'current prices' refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and the level of use of goods and services in the economy (the volume component).

Constant price expenditure aims to remove the effects of inflation. So changes in constant price expenditures attempt to reflect changes in just the amount (volume) of goods and services in the economy. The transformation of a current price expenditure number into its constant price counterpart is called 'deflation' and the price indexes used in this transformation are called 'deflators'.

## Price indexes

There is a wide variety of price indexes (deflators) for the Australian health sector, and these may be distinguished in several ways:

- By the scope of the index—the economic variable to which the price indexes refer (such as all health expenditure, capital consumption, capital expenditure, and so on); the economic agents over which the indexes are aggregated (such as all agents, households, all government, state and territory governments, and so on); or by the segment of health services to which the indexes refer (such as all health services, medical services, pharmaceuticals, and so on).
- By the technical manner in which the indexes are constructed—such as 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 2008–09. Constant price estimates therefore indicate what expenditure would have been had

2008–09 prices applied in all years. The change in constant price expenditures is a measure of changes in the volume of health goods and services.

There are nine different deflators used in this report (Table D1). Most deflators are very specific to the type of expenditure they are applied to. For example, all hospitals use the government final consumption expenditure (GFCE) hospitals and nursing homes deflator.

**Table D1: Area of health expenditure, by type of deflator applied**

| Area of expenditure | Deflator applied |
|---|---|
| Public hospitals[(a)] / Public hospital services[(a)] | GFCE hospitals and nursing homes |
| Private hospitals | GFCE hospitals and nursing homes |
| Patient transport services | GFCE hospitals and nursing homes |
| Medical services | Medicare medical services fees charged |
| Dental services | Dental services[(b)] |
| Other health practitioners | Other health practitioners[(b)] |
| Community health and other | Professional health workers wage rate index[(b)] |
| Public health | GFCE hospitals and nursing homes |
| Benefit-paid pharmaceuticals | PBS pharmaceuticals |
| All other medications | HFCE on chemist goods |
| Aids and appliances | Aids and appliances[(b)] |
| Administration | Professional health workers wage rate index |
| Research | Professional health workers wage rate index |
| Capital expenditure | Gross fixed capital formation |
| Capital consumption | Gross fixed capital formation |
| Non-specific tax expenditure | Professional health workers wage rate index |

(a) See Box 4.1 for details on the distinction between public hospitals and public hospital services.

(b) These deflators were first used in *Health expenditure Australia 2005–06* (AIHW 2007b) 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 2007–08 as their base year but for this report the AIHW has re-referenced them to 2008–09. 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 2008–09 (that is, the values are given a value of 100 in 2008–09). 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 D2 shows the THPI and other industry-wide indexes used in this report, referenced to 2008–09, while Table D3 shows the corresponding annual growth rates for each of these indexes over the past decade.

**Table D2: Total health price index and industry-wide indexes (reference year 2008–09 = 100)**

| Index | 1998–99 | 1999–00 | 2000–01 | 2001–02 | 2002–03 | 2003–04 | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total health price index[(a)] | 72.87 | 74.48 | 77.21 | 79.67 | 82.26 | 85.06 | 88.20 | 91.77 | 94.94 | 97.15 | 100.00 |
| Government final consumption expenditure on hospitals and nursing homes | 73.35 | 74.81 | 76.94 | 79.17 | 81.30 | 84.21 | 86.43 | 90.41 | 94.09 | 96.90 | 100.00 |
| Medicare medical services fees charged[(b)] | 64.84 | 66.62 | 69.54 | 73.57 | 77.53 | 81.65 | 88.00 | 92.95 | 95.87 | 98.49 | 100.00 |
| Dental services[(a)] | 61.97 | 65.67 | 69.46 | 72.95 | 76.24 | 79.49 | 84.59 | 88.03 | 92.91 | 96.65 | 100.00 |
| Other health practitioners[(a)] | 66.54 | 69.04 | 73.59 | 80.53 | 85.35 | 87.36 | 89.88 | 94.23 | 96.10 | 96.00 | 100.00 |
| Professional health workers wage rates | 69.46 | 71.29 | 73.31 | 75.72 | 78.32 | 81.98 | 84.97 | 88.82 | 92.77 | 96.34 | 100.00 |
| PBS pharmaceuticals[(a)] | 98.23 | 98.41 | 98.55 | 98.61 | 98.70 | 98.78 | 98.93 | 99.14 | 99.36 | 99.84 | 100.00 |
| HFCE on chemist goods | 82.63 | 83.61 | 86.54 | 86.73 | 88.10 | 88.59 | 90.93 | 93.37 | 96.20 | 97.56 | 100.00 |
| Aids and appliances[(a)] | 80.02 | 80.96 | 83.79 | 83.98 | 86.02 | 91.99 | 94.39 | 96.92 | 99.00 | 101.76 | 100.00 |
| Australian Government gross fixed capital formation | 125.84 | 119.78 | 118.19 | 114.31 | 109.94 | 103.78 | 102.29 | 100.70 | 100.99 | 99.40 | 100.00 |
| State, territory and local government gross fixed capital formation | 86.88 | 84.10 | 84.96 | 84.29 | 84.96 | 85.25 | 87.45 | 89.94 | 93.01 | 95.79 | 100.00 |
| Private gross fixed capital formation | 80.27 | 81.16 | 84.99 | 86.26 | 87.14 | 88.71 | 91.46 | 93.52 | 96.17 | 98.14 | 100.00 |
| Gross domestic product | 67.74 | 69.48 | 72.75 | 75.04 | 77.07 | 79.58 | 82.83 | 86.87 | 91.28 | 95.29 | 100.00 |

(a) IPD, constructed by the AIHW.

(b) Chain price index, constructed by the AIHW.

**Table D3: Growth rates for the total health price index and industry-wide indexes, 1998–99 to 2008–09 (per cent)**

| Index | 1998–99 to 1999–00 | 1999–00 to 2000–01 | 2000–01 to 2001–02 | 2001–02 to 2002–03 | 2002–03 to 2003–04 | 2003–04 to 2004–05 | 2004–05 to 2005–06 | 2005–06 to 2006–07 | 2006–07 to 2007–08 | 2007–08 to 2008–09 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total health price index[(a)] | 2.2 | 3.7 | 3.2 | 3.2 | 3.4 | 3.7 | 4.0 | 3.5 | 2.3 | 2.9 |
| Government final consumption expenditure on hospitals and nursing homes | 2.0 | 2.8 | 2.9 | 2.7 | 3.6 | 2.6 | 4.6 | 4.1 | 3.0 | 3.2 |
| Medicare medical services fees charged[(b)] | 2.8 | 4.4 | 5.8 | 5.4 | 5.3 | 7.8 | 5.6 | 3.1 | 2.7 | 1.5 |
| Dental services[(a)] | 6.0 | 5.8 | 5.0 | 4.5 | 4.3 | 6.4 | 4.1 | 5.5 | 4.0 | 3.5 |
| Other health practitioners[(a)] | 3.8 | 6.6 | 9.4 | 6.0 | 2.3 | 2.9 | 4.8 | 2.0 | –0.1 | 4.2 |
| Professional health workers wage rates | 2.6 | 2.8 | 3.3 | 3.4 | 4.7 | 3.6 | 4.5 | 4.4 | 3.8 | 3.8 |
| PBS pharmaceuticals[(a)] | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.5 | 0.2 |
| HFCE on chemist goods | 1.2 | 3.5 | 0.2 | 1.6 | 0.6 | 2.6 | 2.7 | 3.0 | 1.4 | 2.5 |
| Aids and appliances[(a)] | 1.2 | 3.5 | 0.2 | 2.4 | 6.9 | 2.6 | 2.7 | 2.1 | 2.8 | –1.7 |
| Australian Government gross fixed capital formation | –4.8 | –1.3 | –3.3 | –3.8 | –5.6 | –1.4 | –1.6 | 0.3 | –1.6 | 0.6 |
| State, territory and local government gross fixed capital formation | –3.2 | 1.0 | –0.8 | 0.8 | 0.3 | 2.6 | 2.8 | 3.4 | 3.0 | 4.4 |
| Private gross fixed capital formation | 1.1 | 4.7 | 1.5 | 1.0 | 1.8 | 3.1 | 2.3 | 2.8 | 2.0 | 1.9 |
| Gross domestic product | 2.6 | 4.7 | 3.1 | 2.7 | 3.3 | 4.1 | 4.9 | 5.1 | 4.4 | 4.9 |

(a) IPD, constructed by the AIHW.

(b) Chain price index, constructed by the AIHW.

# Appendix E: 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 2010g).

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 E1 and Table E2 show the Australian mean resident population and state and territory mean resident population, while Table E3 shows annual population growth. Table E4 shows the number of insured persons with hospital treatment cover between 1998–99 and 2008–09.

**Table E1: Australian mean resident population, 1998–99 to 2008–09**

| Year | Population ('000) |
|---|---|
| 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 | 21,280.5 |
| 2008–09 | 21,732.7 |

*Sources:* ABS 2010c and AIHW health expenditure database.

**Table E2: Mean resident population, by state and territory, 1998–99 to 2008–09 ('000)**

| Year | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Australia |
|---|---|---|---|---|---|---|---|---|---|
| 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 | 6,959.7 | 5,273.8 | 4,250.0 | 2,143.8 | 1,594.6 | 495.7 | 343.1 | 217.5 | 21,280.5 |
| 2008–09 | 7,078.2 | 5,385.8 | 4,367.0 | 2,212.9 | 1,613.5 | 500.9 | 349.0 | 223.0 | 21,732.7 |

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

*Source:* AIHW health expenditure database.

**Table E3: Annual population growth, by state and territory, 1998–99 to 2008–09 (per cent)**

| Period | NSW | Vic | Qld | WA | SA | Tas | ACT | NT | Australia |
|---|---|---|---|---|---|---|---|---|---|
| 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 | 1.4 | 1.9 | 2.6 | 2.8 | 1.1 | 0.8 | 1.7 | 2.3 | 1.9 |
| 2007–08 to 2008–09 | 1.7 | 2.1 | 2.8 | 3.2 | 1.2 | 1.1 | 1.7 | 2.6 | 2.1 |
| | | | | **Average annual growth rate (%)** | | | | | |
| 1998–99 to 2003–04 | 1.0 | 1.2 | 2.1 | 1.4 | 0.6 | 0.4 | 1.0 | 1.0 | 1.2 |
| 2003–04 to 2008–09 | 1.1 | 1.7 | 2.5 | 2.4 | 1.0 | 0.8 | 1.3 | 2.1 | 1.7 |
| 1998–99 to 2008–09 | 1.0 | 1.5 | 2.3 | 1.9 | 0.8 | 0.6 | 1.2 | 1.5 | 1.4 |

*Source:* AIHW health expenditure database.

**Table E4: Number of insured persons with hospital treatment coverage, 1998–99 to 2008–09**

| Year | NSW & ACT | Vic | Qld | WA | SA | Tas | NT | Australia |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 2008–09 | 3,386,645 | 2,317,560 | 1,848,647 | 1,110,380 | 721,201 | 215,998 | 76,215 | 9,676,645 |

*Source:* PHIAC.

# Glossary

| | |
|---|---|
| Accrual accounting | The method of accounting now most commonly used by governments in Australia. Relates expenses, revenues and accruals to the period in which they are incurred (see also *Cash accounting*). |
| Admitted patient | A patient who undergoes a hospital's formal admission process to receive treatment and/or care. This treatment and/or care is provided over a period of time and can occur in hospital and/or in the person's home (for hospital-in-the-home patients). |
| Aids and appliances | 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.<br>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 *Australian Government departmental expenses*). |
| 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 1998–99 and 2008–09 you would apply the following formula: (($million in 2008–09/$million in 1998–99)^(1/10)–1)*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. |

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| 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.<br><br>The practitioner then claims the Medicare benefit from Medicare in full payment of the service. |
| Capital consumption | The amount of fixed capital used up each year in the provision of health goods and services (sometimes referred to as depreciation). |
| Capital expenditure | Expenditure on fixed assets (for example, new buildings and equipment with a useful life that extends beyond 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 *capital formation*. |
| Capital formation | Gross fixed capital formation is the value of acquisitions less disposals of new or existing fixed assets. Assets consist of tangible or intangible assets that have come into existence as outputs from processes of production, and that are themselves used repeatedly or continuously in other processes of production over periods of time longer than 1 year. See *Australian national accounts: concepts, sources and methods* (ABS cat. no. 5216.0, November 2000) for further details. |
| Cash accounting | Relates receipts and payments to the period in which the cash transfer actually occurred. Does not have the capacity to reflect non-cash transactions, such as depreciation (see also *Accrual accounting*). |
| Chain price index | An annually re-weighted index providing a close approximation to measures of pure price change. |
| Community health services | 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.<br><br>Includes, for example:<br>• well baby clinics<br>• 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<br>• specialised mental health programs for patients with mental illness that are delivered in a community setting. |
| Constant prices | Constant price expenditure adjusts current prices for the effects of inflation, that is, it aims to remove the effects of inflation. Constant price estimates for expenditure aggregates have been derived using either annually re-weighted chain price indexes or implicit price deflators (IPDs). The reference year for both the chain price indexes and the IPDs is 2008–09 in this report. Constant price estimates indicate what expenditure would have been had 2008–09 prices applied in all years. Hence, expenditures in different years can be compared on a dollar-for-dollar basis, using this measure of changes in the volume of health goods and services. |
| Current prices | The term ‘current prices’ refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and volume. |
| Dental services | A range of services provided by registered dental practitioners. Includes oral and maxillofacial surgery items; orthodontic, pedodontic and periodontic services; cleft lip and palate services; dental assessment and treatment; and other dental items listed in the MBS. |

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| Excess health inflation | The difference where the health inflation rate exceeds the general inflation rate; that is, the rate of increase in the price of goods and services in the health care sector exceeds the rate of increase in the price of goods and services in the economy as a whole. |
| General inflation | The increase in the general price level of goods and services in the economy. |
| Government finance statistics (GFS) | Provides details of revenues, expenses, cash flows, assets and liabilities of the Australian public sector and comprises units which are owned and/or controlled by the Australian Government, state and territory governments and local governments. See ABS 2005 for further details. |
| Government Purpose Classification | An ABS classification that classifies current outlays, capital outlays and selected other transactions of the non-financial public sector in terms of the government purposes for which the transactions are made. See ABS 2005 for further details. |
| Gross domestic product (GDP) | A statistic commonly used to indicate national income. It is the total market value of goods and services produced within a given period after deducting the cost of goods and services used up in the process of production but before deducting allowances for the consumption of fixed capital. |
| Health administration | Activities related to the formulation and administration of government and non-government policy in health and in the setting and enforcement of standards for health personnel and for hospitals, clinics, and so forth. Includes the regulation and licensing of providers of health services. Where possible, administrative costs related to the delivery of particular health goods and services are added to the direct expenditure on those goods and services. |
| Health inflation | The increase in the price level of goods and services in the health sector. |
| Health research | Research undertaken at tertiary institutions, in private non-profit organisations and in government facilities that has a health socioeconomic objective.<br>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). |
| 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 *excludes* 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. |

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| Inpatient | An OECD term that roughly equates with the Australian 'admitted patient' classification (see *Admitted patient*). |
| 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 | 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.<br><br>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.<br><br>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.<br><br>Excludes medical services provided to public admitted patients in public hospitals and medical services provided to public patients at outpatient clinics in public hospitals. |
| Medical expenses tax rebate | This tax rebate applies in regard to a wide range of health expenditures, not just expenses associated with doctors, as its name might suggest. It is currently the only component of the category 'non-specific tax expenditure'. As the name indicates, 'non-specific tax expenditures' are those tax expenditures that cannot be specifically allocated to the various areas of health expenditure.<br><br>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 2008–09 income year, the tax rebate was 20 cents for each $1 by which a taxpayer's net medical expenses exceeded $1,500 (the threshold).<br><br>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.<br><br>The Australian Department of the Treasury estimates other tax expenditures in the health area, such as the cost of exempting low income earners from the Medicare levy. These tax expenditures are not included in the Australian NHA framework. |
| Medications | Comprises benefit-paid pharmaceuticals and other medications. |
| Nominal expenditure | Expenditure expressed in terms of current prices. |
| Non-admitted patient | Patients who receive care from a recognised non-admitted patient service/clinic of a hospital. |
| Non-specific tax expenditure | See *Medical expenses tax rebate*. |
| Other health practitioner services | Services provided by health practitioners (other than doctors and dentists). These include chiropractors, optometrists, physiotherapists, speech therapists, audiologists, dietitians, podiatrists, homeopaths, naturopaths, practitioners of Chinese medicine and other forms of traditional medicine. |

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| Other medications | Pharmaceuticals for which no PBS or RPBS benefit was paid and other medications.<br>Includes:<br>• 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<br>• pharmaceuticals dispensed through private prescriptions that do not fulfil the criteria for payment of benefit under the PBS or RPBS<br>• 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 | 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.<br>For 2003–04 onwards, this category includes patient transport expenses that are included in the operating costs of public hospitals. |
| Pharmaceutical Benefits Scheme (PBS) | A national, government-funded scheme that subsidises the cost of a wide range of pharmaceutical drugs, and that covers all Australians to help them afford standard medications. |
| Private Health Insurance Incentives Scheme (PHIIS) | The PHIIS, which was introduced on 1 July 1997, was to encourage more people to take out private health insurance by providing a subsidy to low-income earners who did, and a tax penalty to high-income earners who did not. Middle-income earners were not the target of this policy and as such they were neither eligible for the tax subsidy nor liable to incur a tax penalty, regardless of their private health insurance status. The scheme ceased operation on 31 December 1998. |
| Private hospital | A health care provider facility, other than a public hospital, that has been established under state or territory legislation as a hospital or freestanding day procedure unit and authorised to facilitate the provision of hospital services to patients. A private hospital is not defined by whether it is privately owned but by whether it is *not* a public hospital (as defined below). Private hospital expenditure includes expenditures incurred by a private hospital in providing contracted and/or ad hoc treatments for public patients. |
| Private patient | A person admitted to a private hospital, or a person admitted to a public hospital who is treated by a doctor of their own choice and/or who has private ward accommodation. This means that the patient will be charged for medical services, food and accommodation. |

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| Public health activities | Nine types of activities undertaken or funded by the key jurisdictional health departments that address issues related to populations, rather than individuals. These activities comprise:<br>• communicable disease control<br>• selected health promotion<br>• organised immunisation<br>• environmental health<br>• food standards and hygiene<br>• breast cancer, cervical and bowel cancer screening<br>• prevention of hazardous and harmful drug use<br>• public health research.<br>These activities do not include treatment services. |
| Public health services | Services provided and/or funded by governments that are aimed at protecting and promoting the health of the whole population or specified population subgroups and/or preventing illness or injury in the whole population or specified population subgroups.<br>Public health services do not include treatment services.<br>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 *National public health expenditure* or *Public health expenditure in Australia* reports. |
| Public hospital | A health care provider facility that has been established under state or territory legislation as a hospital or as a freestanding day procedure unit. Public hospitals are operated by, or on behalf of, the government of the state or territory in which they are established and are authorised under that state/territory's legislation to provide or facilitate the provision of hospital services to patients. Public hospitals are recognised under the 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 2008–09 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. |

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| Rebates of health insurance premiums | Introduced in January 1999, a non-means tested rebate on private health insurance premiums replaced the PHIIS subsidy. There are two types of rebates of health insurance premiums.<br><br>The first rebate is where the 30–40% rebate is taken as a reduced premium payable by the individual with private health cover (with the health fund claiming payment from the Australian Government).<br><br>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. |
| 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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