



Health expenditure

Information Bulletin No 4

January 1990

Australian health expenditure to 1987-88

This bulletin is the fourth in a series and provides estimates of total Australian health expenditure and sources of funds to 1987-88 together with a preliminary estimate of 1988-89 expenditure (page 10). A detailed breakdown by area of expenditure for 1987-88 is not yet available but will be given in a forthcoming Information Bulletin. Highlights are:

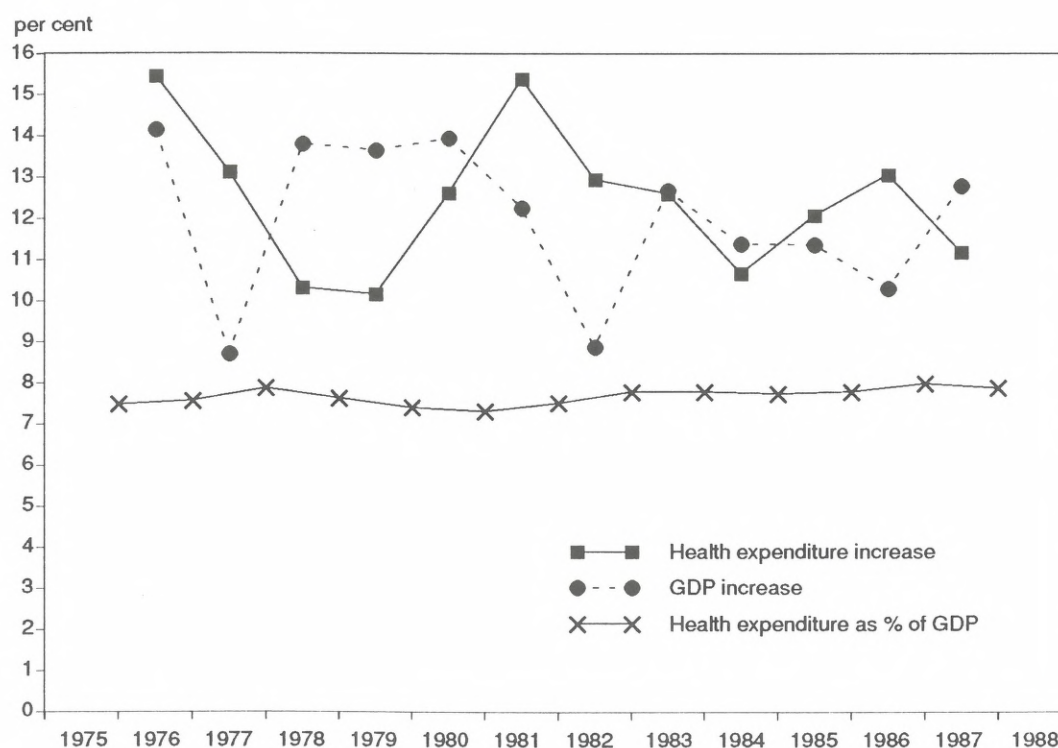
- Health expenditure by Australian Governments and individuals in 1987-88 was \$23.4 billion or \$1,415 per person.
- It increased by 41 per cent since 1984-85, representing a

real annual average growth per person of 2.5 per cent.

- As a proportion of gross domestic product (GDP), health expenditure has been roughly stable for the past 13 years in the range of 7.4 to 8.0 per cent of GDP (Figure 1).
- Between 1985-86 and 1986-87 there was a relatively rapid growth in health expenditure — 13 per cent (3.5 per cent in real terms), mostly due to relatively large price and wage increases in the health sector.

- Private sector expenditure increased by an annual average rate of 15.1 per cent between 1984-85 and 1987-88, compared to a 10.9 per cent increase in government funded expenditure.
- Private health insurance funded expenditure increased by an annual average rate of 20.3 per cent in the same period.
- Government funding of health care fell from 72 per cent of total health expenditure in 1984-85 to 69 per cent in 1987-88.

Figure 1: Increases in total health expenditure and GDP, and health expenditure as a percentage of GDP, 1975-76 to 1987-88



General overview of the five years 1982-83 to 1987-88

From 1982-83 to 1987-88 health expenditure grew by 76 per cent and GDP by 74 per cent, so both health expenditure and the capacity to fund it through increased national income increased in step.

As a proportion of GDP, whether measured in current prices or adjusted for inflation, health expenditure stayed in the range 7.8 and 8.0 per cent of GDP (Table 3).

The stability in the five years 1982-83 to 1987-88 maintained the pattern of stability in Australian health expenditure in the past 12 years. In some years the growth of health expenditure was higher than GDP because of price pressures and other factors specific to the health sector, but in other years GDP growth was greater. Over the years the fluctuations cancelled out (Figure 1).

Health expenditure per person in 1987-88 was \$1,415. The average rate of growth per person in real terms from 1982-83 to 1987-88 was 3.0 per cent per year.

Table 1: Total health expenditure and rate of growth, 1982-83 to 1987-88

| Year | Amount (\$m) | | Rate of Growth (%) | |
|---------|----------------|----------------------------|--------------------|-------------------------|
| | Current prices | Constant 1984-85 prices(a) | Current prices | Constant 1984-85 prices |
| 1982-83 | 13,326 | 15,071 | | |
| 1983-84 | 15,006 | 15,979 | 12.6 | 6.0 |
| 1984-85 | 16,607 | 16,607 | 10.7 | 3.9 |
| 1985-86 | 18,613 | 17,459 | 12.1 | 5.1 |
| 1986-87 | 21,046 | 18,075 | 13.1 | 3.5 |
| 1987-88 | 23,400 | 18,864 | 11.2 | 4.4 |

Note: (a) Health expenditure 1982-83 to 1987-88 deflated to constant prices using specific health deflators (Table 15).

Table 2: Health expenditure per person and rate of growth, 1982-83 to 1987-88 (current and constant 1984-85 prices)

| Year | Per person (\$) | | Rate of growth (%) | |
|---------|-----------------|-------------------------|--------------------|-------------------------|
| | Current prices | Constant 1984-85 prices | Current prices | Constant 1984-85 prices |
| 1982-83 | 871 | 986 | | |
| 1983-84 | 969 | 1,032 | 11.2 | 4.7 |
| 1984-85 | 1,059 | 1,059 | 9.3 | 2.6 |
| 1985-86 | 1,171 | 1,098 | 10.5 | 3.7 |
| 1986-87 | 1,294 | 1,111 | 10.6 | 1.2 |
| 1987-88 | 1,415 | 1,141 | 9.4 | 2.7 |

Source: 1982-83 to 1986-87 population figures from ABS *Australian Demographic Statistics*, Cat No 3101.0. 1987-88 population from ABS *Estimated Resident Population by Age and Sex*, Cat No 3201.0.

Table 3: Total health expenditure and GDP (current and 1984-85 constant prices), 1982-83 to 1987-88

| | 1982-83 | 1983-84 | 1984-85 | 1985-86 | 1986-87 | 1987-88 |
|---|---------|---------|---------|---------|---------|---------|
| Current prices | | | | | | |
| Total health expenditure (\$m) | 13,326 | 15,006 | 16,607 | 18,613 | 21,046 | 23,400 |
| Per cent change over previous year | | (12.6) | (10.7) | (12.1) | (13.1) | (11.2) |
| GDP (\$m) | 170,740 | 192,383 | 214,270 | 238,637 | 263,249 | 296,921 |
| Per cent change | | (12.7) | (11.4) | (11.4) | (10.3) | (12.8) |
| Health expenditure as percentage of GDP | 7.8 | 7.8 | 7.8 | 7.8 | 8.0 | 7.9 |
| Constant 1984-85 prices | | | | | | |
| Total health expenditure (\$m) | 15,071 | 15,979 | 16,607 | 17,459 | 18,075 | 18,864 |
| Per cent change over previous year | | (6.0) | (3.9) | (5.1) | (3.5) | (4.4) |
| GDP (\$m) | 192,927 | 203,150 | 214,270 | 223,443 | 229,711 | 239,646 |
| Per cent change | | (5.3) | (5.5) | (4.3) | (2.8) | (4.3) |
| Health expenditure as percentage of GDP | 7.8 | 7.9 | 7.8 | 7.8 | 7.9 | 7.9 |

Source: GDP figures from ABS *Australian National Accounts — National Income and Expenditure* June quarter 1989. Cat No 5206.0.

Health spending by Governments and the private sector

The period 1982-83 to 1987-88 provides an opportunity to observe changes since the introduction of Medicare in February 1984.

The most obvious change in the five years to 1987-88 was the increase in government expenditure as a proportion of total health expenditure from 60.7 per cent to 69.3 per cent.

Table 4: Percentage of health expenditure by source of funds

| Year | Source of funds | | | Private | Total |
|---------|-------------------------|-----------------------------|------------------|---------|-------|
| | Commonwealth Government | State and Local Governments | Total Government | | |
| 1982-83 | 26.26 | 34.48 | 60.74 | 39.26 | 100 |
| 1983-84 | 30.42 | 34.25 | 64.67 | 35.33 | 100 |
| 1984-85 | 37.68 | 34.00 | 71.68 | 28.32 | 100 |
| 1985-86 | 37.50 | 34.00 | 71.50 | 28.50 | 100 |
| 1986-87 | 36.05 | 34.41 | 70.46 | 29.55 | 100 |
| 1987-88 | 35.88 | 33.45 | 69.33 | 30.67 | 100 |

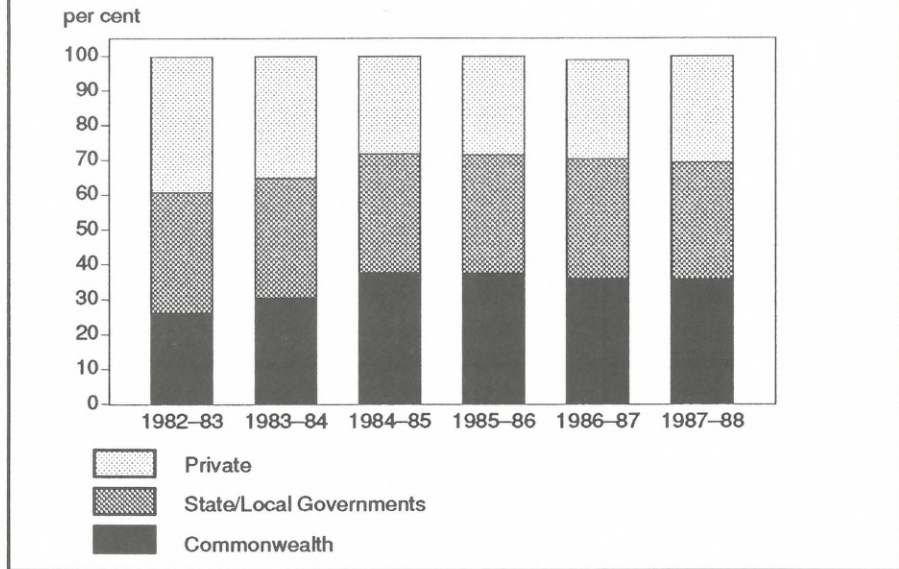
There was a one-off increase in the Commonwealth Government proportion when Medicare was introduced (Table 4). This increase reflected the replacement of payments by individuals to health insurance funds by Medicare benefits. Many medical costs which were the responsibility of individuals became payable by the Commonwealth.

There has been a fall since the first full year of Medicare in the proportion of Government funded health expenditure, from 71.7 per cent in 1984-85 to 69.3 per cent in 1987-88.

Correspondingly, the private sector proportion rose from 28.3 per cent in 1984-85 to 30.7 per cent in 1987-88.

A large part of the private sector expenditure increase was funded by private health insurance funds. From 1984-85 to 1987-88 health insurance funded expenditure increased at an annual

Figure 2: Proportion of total health expenditure by source of funds



average rate of 20.4 per cent from \$1,459m to \$2,548m. There was a 17.5 per cent annual average increase in benefits for public hospital treatment of private patients, a 21.7 per cent increase in

benefits for private hospital treatment and an 18.3 per cent increase in benefits for services by chiropractors, dentists and other health professionals, and for spectacles.

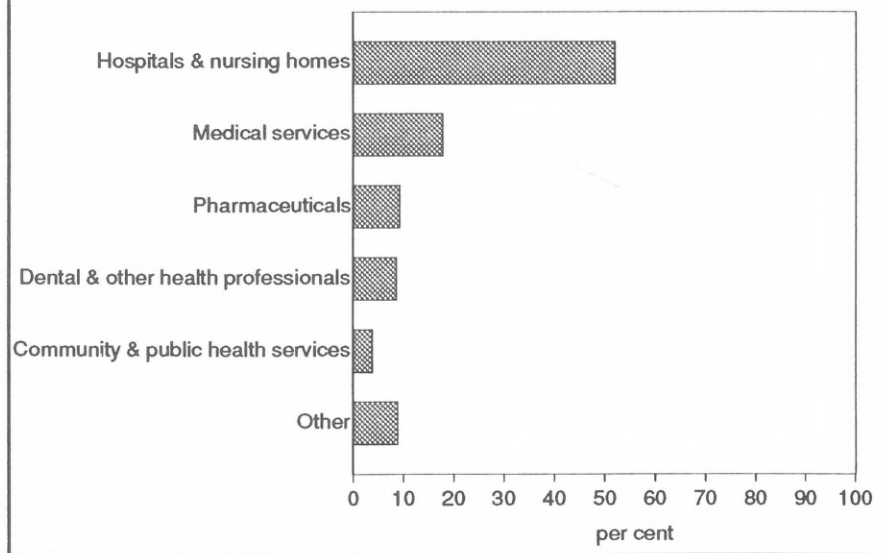
Where the dollar was spent in 1986-87

Details of area of expenditure in 1987-88 are not yet available. In 1986-87, for each \$100 of recurrent health expenditure in 1986-87, the largest amount, \$44, went on hospitals. Another \$8 was spent on nursing homes (Table 9).

Expenditure on non-institutional services was distributed in five main areas. Medical services received \$18, pharmaceuticals \$9, dental services \$5, and other health professionals such as physiotherapists and chiropractors \$3.

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

Figure 3: Recurrent health expenditure by major area, 1986-87



Changes in distribution of health expenditure from 1982-83 to 1986-87

The proportion spent on hospitals fell from 45.9 per cent of total recurrent expenditure in 1982-83 to 43.6 per cent in 1986-87 (Tables 5-9). Although hospital expenditure went against this trend in 1986-87 with an increase in the proportion over the previous year from 43.4 to 43.6 per cent, this mostly represented an increase in nurses' wages and not a shift in the proportion of actual resources used in hospitals.

In the hospital sector, expenditure

by the recognised public and repatriation hospitals increased by an average annual rate of 9.9 per cent from 1982-83 to 1986-87 compared to a 12 per cent average annual increase in private hospital expenditure. Private hospital expenditure increased from 13.7 per cent of acute hospital expenditure to 14.6 per cent in 1986-87.

The areas where proportions increased significantly in the four-year period were medical services

(from 17.2 to 17.8 per cent), pharmaceuticals (from 8.4 to 9.1), other professional services (from 2.7 to 3.4) and community health, health promotion and illness prevention (from 3.4 to 3.7).

The increase in the share of pharmaceutical expenditure to 9.1 per cent of recurrent expenditure reversed a trend of the previous 15 years. From 1969-70 to 1982-83 the pharmaceutical share fell from 19.1 to 8.4 per cent.

Table 5: Total health expenditure by area of expenditure and source of funds, 1982-83 (a)

| | Public sector | | | Private sector | | | | Total (\$m) | Percentage of recurrent expenditure |
|---|-------------------------------------|--|------------------------------|---------------------------------------|----------------------|-------------------|---------------------------|----------------|--|
| | Commonwealth Government (\$m) | State and Local Governments (\$m) | Total Government (\$m) | Health insurance funds (\$m) | Individuals (\$m) | Other(e) (\$m) | Total private (\$m) | | |
| Total institutional | 1,563 | 3,516 | 5,078 | 1,259 | 381 | 343 | 1,983 | 7,062 | 56.4 |
| Total hospitals | 720 | 3,359 | 4,079 | 1,249 | 92 | 328 | 1,670 | 5,749 | 45.9 |
| Recognised public | 387 | 2,920 | 3,307 | 733 | - | 281 | 1,013 | 4,320 | 34.5 |
| Private | 113 | - | 113 | 509 | 55 | 40 | 603 | 716 | 5.7 |
| Repatriation | 199 | - | 199 | 8 | - | - | 8 | 207 | 1.7 |
| Public psychiatric | 22 | 439 | 461 | - | 37 | 8 | 45 | 506 | 4.0 |
| Total nursing homes | 788 | 70 | 858 | 2 | 211 | 2 | 216 | 1,073 | 8.6 |
| Government and other | 566 | 70 | 635 | 2 | 145 | 2 | 149 | 784 | 6.3 |
| Deficit financed | 222 | - | 222 | - | 67 | 1 | 67 | 289 | 2.3 |
| Other institutional services | 55 | 87 | 142 | 7 | 78 | 13 | 98 | 240 | 1.9 |
| Ambulance | 32 | 87 | 119 | 7 | 78 | 13 | 98 | 217 | 1.7 |
| Other institutional (nec) | 23 | - | 23 | - | - | - | - | 23 | 0.2 |
| Total non-institutional | 1,651 | 346 | 1,998 | 1,142 | 1,447 | 171 | 2,759 | 4,757 | 38.0 |
| Medical services | 992 | - | 992 | 854 | 187 | 118 | 1,159 | 2,151 | 17.2 |
| Dental services | 16 | 52 | 67 | 175 | 312 | 11 | 498 | 565 | 4.5 |
| Other professional services | 25 | - | 25 | 54 | 233 | 27 | 314 | 339 | 2.7 |
| Community health services | 96 | 257 | 353 | 1 | 3 | 2 | 6 | 359 | 2.9 |
| Pharmaceuticals total | 483 | - | 483 | 13 | 555 | 5 | 573 | 1,056 | 8.4 |
| Benefits paid items | 483 | - | 483 | - | 177 | - | 177 | 659 | 5.3 |
| All other items | - | - | - | 13 | 379 | 5 | 397 | 397 | 3.2 |
| Aids and appliances | 38 | 1 | 39 | 44 | 157 | 6 | 207 | 246 | 2.0 |
| Other non-institutional | 1 | 37 | 38 | 2 | - | - | 2 | 40 | 0.3 |
| Health promotion and illness prevention | 2 | 65 | 68 | - | - | - | - | 68 | 0.5 |
| Administration | 118 | 95 | 212 | 265 | - | - | 265 | 477 | 3.8 |
| Research | 116 | 13 | 129 | - | 23 | - | 23 | 152 | 1.2 |
| Total recurrent expenditure | 3,449 | 4,036 | 7,485 | 2,666 | 1,851 | 514 | 5,031 | 12,516 | 100.0 |
| Capital consumption | 22 | 319 | 341 | | | | (b) | 341 | |
| Capital expenditure | 28 | 240 | 269 | (c) | (c) | (c) | 200 | 469 | |
| Total health expenditure | 3,500 | 4,595 | 8,094 | (d) | (d) | (d) | 5,231 | 13,326 | |

Notes: (a) Details of revisions to these figures since *Information Bulletin No 3* are provided on pages 14-16

(b) Capital consumption (depreciation) for the private sector is included in current expenditure above

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

(d) See (b) and (c)

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

Table 6: Total health expenditure by area of expenditure and source of funds, 1983-84 (a)

| | Public sector | | | Private sector | | | | Total (\$m) | Percentage of recurrent expenditure |
|---|-------------------------------|-----------------------------------|------------------------|------------------------------|-------------------|----------------|---------------------|-------------|-------------------------------------|
| | Commonwealth Government (\$m) | State and Local Governments (\$m) | Total Government (\$m) | Health insurance funds (\$m) | Individuals (\$m) | Other(e) (\$m) | Total private (\$m) | | |
| Total institutional | 1,865 | 3,916 | 5,781 | 1,216 | 424 | 339 | 1,978 | 7,759 | 55.3 |
| Total hospitals | 899 | 3,708 | 4,607 | 1,127 | 180 | 327 | 1,635 | 6,242 | 44.5 |
| Recognised public | 523 | 3,227 | 3,750 | 614 | - | 287 | 901 | 4,651 | 33.1 |
| Private | 123 | - | 123 | 505 | 142 | 32 | 680 | 803 | 5.7 |
| Repatriation | 227 | - | 227 | 7 | - | - | 7 | 234 | 1.7 |
| Public psychiatric | 25 | 481 | 507 | - | 38 | 8 | 47 | 554 | 3.9 |
| Total nursing homes | 905 | 107 | 1,012 | - | 243 | 3 | 246 | 1,257 | 9.0 |
| Government and other | 657 | 107 | 763 | - | 168 | 2 | 170 | 933 | 6.7 |
| Deficit financed | 248 | - | 248 | - | 75 | 1 | 76 | 324 | 2.3 |
| Other institutional services | 61 | 101 | 162 | 89 | - | 8 | 98 | 260 | 1.9 |
| Ambulance | 37 | 101 | 138 | 89 | - | 8 | 98 | 236 | 1.7 |
| Other institutional (nec) | 24 | - | 24 | - | - | - | - | 24 | 0.2 |
| Total non-institutional | 2,269 | 395 | 2,665 | 910 | 1,743 | 165 | 2,818 | 5,483 | 39.1 |
| Medical services | 1,508 | - | 1,508 | 614 | 209 | 114 | 936 | 2,444 | 17.4 |
| Dental services | 19 | 53 | 72 | 174 | 397 | - | 571 | 643 | 4.6 |
| Other professional services | 39 | - | 39 | 53 | 295 | 46 | 395 | 434 | 3.1 |
| Community health services | 113 | 291 | 404 | - | - | - | - | 404 | 2.9 |
| Pharmaceuticals total | 546 | - | 546 | 18 | 654 | 4 | 675 | 1,221 | 8.7 |
| Benefits paid items | 546 | - | 546 | - | 186 | - | 186 | 732 | 5.2 |
| All other items | - | - | - | 18 | 468 | 4 | 489 | 489 | 3.5 |
| Aids and appliances | 38 | 4 | 42 | 50 | 188 | 1 | 240 | 282 | 2.0 |
| Other non-institutional | 6 | 47 | 54 | - | - | - | - | 54 | 0.4 |
| Health promotion and illness prevention | 4 | 79 | 82 | - | - | - | - | 82 | 0.6 |
| Administration | 193 | 95 | 288 | 241 | - | - | 241 | 529 | 3.8 |
| Research | 135 | 17 | 152 | - | 30 | - | 30 | 182 | 1.3 |
| Total recurrent expenditure | 4,465 | 4,503 | 8,968 | 2,367 | 2,196 | 504 | 5,067 | 14,035 | 100.0 |
| Capital consumption | 26 | 332 | 358 | | | | (b) | 358 | |
| Capital expenditure | 74 | 305 | 379 | (c) | (c) | (c) | 234 | 613 | |
| Total health expenditure | 4,565 | 5,140 | 9,704 | (d) | (d) | (d) | 5,301 | 15,006 | |

Notes: (a) Details of revisions to these figures since *Information Bulletin No 3* are provided on pages 14-16

(b) Capital consumption (depreciation) for the private sector is included in current expenditure above

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

(d) See (b) and (c)

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

Table 7: Total health expenditure by area of expenditure and source of funds, 1984-85 (a)

| | Public sector | | | Private sector | | | | Total (\$m) | Percentage of recurrent expenditure |
|---|-------------------------------------|--|------------------------------|---------------------------------------|----------------------|-------------------|---------------------------|----------------|--|
| | Commonwealth Government (\$m) | State and Local Governments (\$m) | Total Government (\$m) | Health insurance funds (\$m) | Individuals (\$m) | Other(e) (\$m) | Total private (\$m) | | |
| Total institutional | 2,553 | 4,197 | 6,750 | 866 | 509 | 290 | 1,666 | 8,416 | 54.5 |
| Total hospitals | 1,482 | 4,019 | 5,501 | 832 | 179 | 279 | 1,290 | 6,791 | 44.0 |
| Recognised public | 1,043 | 3,479 | 4,522 | 295 | - | 238 | 532 | 5,054 | 32.7 |
| Private | 166 | - | 166 | 533 | 136 | 33 | 703 | 869 | 5.6 |
| Repatriation | 248 | 6 | 254 | 4 | - | - | 4 | 258 | 1.7 |
| Public psychiatric | 25 | 534 | 559 | - | 43 | 8 | 51 | 611 | 4.0 |
| Total nursing homes | 1,005 | 64 | 1,069 | - | 270 | 3 | 273 | 1,343 | 8.7 |
| Government and other | 722 | 64 | 786 | - | 188 | 2 | 190 | 976 | 6.3 |
| Deficit financed | 283 | - | 283 | - | 83 | 1 | 83 | 367 | 2.4 |
| Other institutional services | 66 | 114 | 179 | 34 | 60 | 8 | 103 | 282 | 1.8 |
| Ambulance | 39 | 114 | 153 | 34 | 60 | 8 | 103 | 256 | 1.7 |
| Other institutional (nec) | 26 | - | 26 | - | - | - | - | 26 | 0.2 |
| Total non-institutional | 3,246 | 467 | 3,713 | 389 | 1,837 | 223 | 2,449 | 6,162 | 39.9 |
| Medical services | 2,354 | - | 2,354 | - | 249 | 130 | 378 | 2,733 | 17.7 |
| Dental services | 22 | 64 | 86 | 229 | 443 | - | 672 | 759 | 4.9 |
| Other professional services | 63 | - | 63 | 70 | 287 | 85 | 441 | 504 | 3.3 |
| Community health services | 129 | 351 | 480 | 1 | 3 | 3 | 7 | 487 | 3.2 |
| Pharmaceuticals total | 629 | - | 629 | 24 | 664 | 4 | 691 | 1,320 | 8.5 |
| Benefits paid items | 629 | - | 629 | - | 221 | - | 221 | 850 | 5.5 |
| All other items | - | - | - | 24 | 442 | 4 | 470 | 470 | 3.0 |
| Aids and appliances | 41 | 2 | 42 | 66 | 192 | 2 | 259 | 301 | 1.9 |
| Other non-institutional | 9 | 50 | 59 | - | - | - | - | 59 | 0.4 |
| Health promotion and illness prevention | 9 | 110 | 119 | - | - | - | - | 119 | 0.8 |
| Administration | 220 | 107 | 327 | 204 | - | - | 204 | 531 | 3.4 |
| Research | 157 | 22 | 179 | - | 39 | - | 39 | 219 | 1.4 |
| Total recurrent expenditure | 6,185 | 4,903 | 11,088 | 1,459 | 2,386 | 513 | 4,358 | 15,446 | 100.0 |
| Capital consumption | 30 | 350 | 380 | | | | (b) | 380 | |
| Capital expenditure | 42 | 394 | 436 | (c) | (c) | (c) | 345 | 781 | |
| Total health expenditure | 6,257 | 5,647 | 11,904 | (d) | (d) | (d) | 4,703 | 16,607 | |

Notes: (a) Details of revisions to these figures since *Information Bulletin No 3* are provided on pages 14-16

(b) Capital consumption (depreciation) for the private sector is included in current expenditure above

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

(d) See (b) and (c)

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

Table 8: Total health expenditure by area of expenditure and source of funds, 1985-86 (a)

| | Public sector | | | Private sector | | | | Total (\$m) | Percentage of recurrent expenditure |
|---|-------------------------------|-----------------------------------|------------------------|------------------------------|-------------------|----------------|---------------------|-------------|-------------------------------------|
| | Commonwealth Government (\$m) | State and Local Governments (\$m) | Total Government (\$m) | Health insurance funds (\$m) | Individuals (\$m) | Other(e) (\$m) | Total private (\$m) | | |
| Total institutional | 2,769 | 4,687 | 7,455 | 1,021 | 552 | 175 | 1,747 | 9,203 | 53.5 |
| Total hospitals | 1,606 | 4,524 | 6,129 | 981 | 186 | 161 | 1,328 | 7,457 | 43.4 |
| Recognised public | 1,136 | 3,966 | 5,102 | 344 | - | 126 | 469 | 5,571 | 32.4 |
| Private | 168 | - | 168 | 634 | 139 | 28 | 800 | 969 | 5.6 |
| Repatriation | 283 | 6 | 289 | 4 | - | - | 4 | 293 | 1.7 |
| Public psychiatric | 18 | 551 | 570 | - | 47 | 7 | 54 | 624 | 3.6 |
| Total nursing homes | 1,088 | 47 | 1,135 | - | 303 | 3 | 306 | 1,441 | 8.4 |
| Government and other | 781 | 47 | 828 | - | 209 | 2 | 211 | 1,039 | 6.0 |
| Deficit financed | 307 | - | 307 | - | 94 | 1 | 95 | 402 | 2.3 |
| Other institutional services | 75 | 116 | 191 | 40 | 63 | 11 | 114 | 305 | 1.8 |
| Ambulance | 45 | 116 | 161 | 40 | 63 | 11 | 114 | 275 | 1.6 |
| Other institutional (nec) | 31 | - | 31 | - | - | - | - | 31 | 0.2 |
| Total non-institutional | 3,668 | 534 | 4,203 | 517 | 2,108 | 205 | 2,830 | 7,033 | 40.9 |
| Medical services | 2,708 | - | 2,708 | 17 | 271 | 120 | 408 | 3,116 | 18.1 |
| Dental services | 25 | 70 | 94 | 294 | 525 | 2 | 821 | 915 | 5.3 |
| Other professional services | 69 | - | 69 | 90 | 352 | 76 | 518 | 587 | 3.4 |
| Community health services | 121 | 403 | 525 | 1 | - | - | 1 | 526 | 3.1 |
| Pharmaceuticals total | 693 | - | 693 | 31 | 755 | 5 | 791 | 1,484 | 8.6 |
| Benefits paid items | 693 | - | 693 | - | 243 | - | 243 | 936 | 5.4 |
| All other items | - | - | - | 31 | 512 | 5 | 548 | 548 | 3.2 |
| Aids and appliances | 43 | 2 | 45 | 84 | 205 | 2 | 291 | 337 | 2.0 |
| Other non-institutional | 9 | 59 | 69 | - | - | - | - | 69 | 0.4 |
| Health promotion and illness prevention | 30 | 135 | 165 | - | - | - | - | 165 | 1.0 |
| Administration | 258 | 68 | 327 | 233 | - | - | 233 | 560 | 3.3 |
| Research | 170 | 25 | 195 | - | 42 | - | 42 | 237 | 1.4 |
| Total recurrent expenditure | 6,896 | 5,449 | 12,345 | 1,770 | 2,702 | 380 | 4,853 | 17,198 | 100.0 |
| Capital consumption | 35 | 381 | 416 | | | | (b) | 416 | |
| Capital expenditure | 49 | 498 | 547 | (c) | (c) | (c) | 452 | 999 | |
| Total health expenditure | 6,980 | 6,328 | 13,308 | (d) | (d) | (d) | 5,305 | 18,613 | |

- Notes: (a) Details of revisions to these figures since *Information Bulletin No 3* are provided on pages 14-16
(b) Capital consumption (depreciation) for the private sector is included in current expenditure above
(c) Capital expenditure for the private sector cannot be broken down by source of funds
(d) See (b) and (c)
(e) The 'other' column includes the health costs paid by workers compensation and motor vehicle third party insurance funds

Table 9: Total health expenditure by area of expenditure and source of funds, 1986-87 (a)

| | Public sector | | | Private sector | | | | Total (\$m) | Percentage of recurrent expenditure |
|---|-------------------------------------|--|------------------------------|---------------------------------------|----------------------|-------------------|---------------------------|----------------|--|
| | Commonwealth Government (\$m) | State and Local Governments (\$m) | Total Government (\$m) | Health insurance funds (\$m) | Individuals (\$m) | Other(e) (\$m) | Total private (\$m) | | |
| Total institutional | 2,874 | 5,474 | 8,348 | 1,288 | 631 | 217 | 2,136 | 10,485 | 53.8 |
| Total hospitals | 1,562 | 5,265 | 6,827 | 1,244 | 228 | 202 | 1,674 | 8,500 | 43.6 |
| Recognised public | 1,169 | 4,580 | 5,749 | 421 | - | 149 | 570 | 6,319 | 32.4 |
| Private | 91 | - | 91 | 816 | 176 | 46 | 1,037 | 1,127 | 5.8 |
| Repatriation | 282 | 6 | 288 | 7 | - | - | 7 | 295 | 1.5 |
| Public psychiatric | 20 | 679 | 699 | - | 52 | 8 | 60 | 759 | 3.9 |
| Total nursing homes | 1,215 | 80 | 1,296 | - | 338 | 4 | 341 | 1,637 | 8.4 |
| Government and other | 861 | 80 | 942 | - | 233 | 3 | 235 | 1,177 | 6.0 |
| Deficit financed | 354 | - | 354 | - | 105 | 1 | 106 | 460 | 2.4 |
| Other institutional services | 97 | 129 | 226 | 45 | 66 | 11 | 121 | 347 | 1.8 |
| Ambulance | 46 | 129 | 175 | 45 | 66 | 11 | 121 | 296 | 1.5 |
| Other institutional (nec) | 51 | - | 51 | - | - | - | - | 51 | 0.3 |
| Total non-institutional | 4,104 | 527 | 4,630 | 616 | 2,413 | 252 | 3,281 | 7,911 | 40.6 |
| Medical services | 2,960 | - | 2,960 | 38 | 334 | 128 | 500 | 3,460 | 17.8 |
| Dental services | 26 | 72 | 98 | 345 | 567 | 2 | 913 | 1,011 | 5.2 |
| Other professional services | 81 | - | 81 | 105 | 361 | 112 | 579 | 660 | 3.4 |
| Community health services | 154 | 377 | 530 | 1 | - | - | 1 | 532 | 2.7 |
| Pharmaceuticals total | 833 | - | 833 | 30 | 905 | 7 | 942 | 1,775 | 9.1 |
| Benefits paid items | 824 | - | 824 | - | 189 | - | 189 | 1,013 | 5.2 |
| All other items | 9 | - | 9 | 30 | 716 | 7 | 752 | 761 | 3.9 |
| Aids and appliances | 40 | 1 | 41 | 98 | 246 | 2 | 346 | 387 | 2.0 |
| Other non-institutional | 10 | 77 | 87 | - | - | - | - | 87 | 0.4 |
| Health promotion and illness prevention | 39 | 156 | 194 | 1 | - | - | 1 | 196 | 1.0 |
| Administration | 246 | 71 | 317 | 282 | - | - | 282 | 599 | 3.1 |
| Research | 215 | 29 | 243 | - | 44 | - | 44 | 287 | 1.5 |
| Total recurrent expenditure | 7,478 | 6,256 | 13,734 | 2,188 | 3,088 | 468 | 5,744 | 19,478 | 100.0 |
| Capital consumption | 41 | 413 | 454 | | | | (b) | 454 | |
| Capital expenditure | 68 | 572 | 640 | (c) | (c) | (c) | 475 | 1,115 | |
| Total health expenditure | 7,587 | 7,241 | 14,828 | (d) | (d) | (d) | 6,219 | 21,046 | |

Notes: (a) Details of revisions to these figures since *Information Bulletin No 3* are provided on pages 14-16

(b) Capital consumption (depreciation) for the private sector is included in current expenditure above

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

(d) See (b) and (c)

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

Table 10: Annual change in real recurrent health expenditure

| Area of expenditure | Annual change (per cent) | | | | Average |
|---|--------------------------|---------------|---------------|---------------|---------------|
| | 1982-83 | 1983-84 | 1984-85 | 1985-86 | 1982-83 |
| | to 1983-84 | to 1984-85 | to 1985-86 | to 1986-87 | to 1986-87 |
| Total institutional | 3.5 | 2.1 | 3.3 | 3.8 | 3.2 |
| Total hospitals | 2.3 | 2.4 | 3.8 | 3.9 | 3.1 |
| Recognised public | 1.5 | 2.3 | 4.2 | 3.3 | 2.8 |
| Private | 5.7 | 1.8 | 5.4 | 6.0 | 4.7 |
| Repatriation | 6.9 | 3.5 | 7.6 | -8.3 | 2.2 |
| Public psychiatric | 3.1 | 3.8 | -3.4 | 10.8 | 3.4 |
| Total nursing homes | 10.4 | 0.5 | 1.4 | 3.5 | 3.9 |
| Government and other | 12.2 | -1.6 | 0.6 | 3.2 | 3.5 |
| Deficit financed | 5.5 | 6.6 | 3.5 | 4.4 | 5.0 |
| Other institutional services | 2.3 | 2.0 | 2.2 | 3.6 | 2.5 |
| Ambulance | 2.5 | 2.1 | 1.3 | -1.7 | 1.0 |
| Other institutional (nec) | 0.3 | 1.5 | 10.2 | 51.8 | 14.2 |
| Total non-institutional | 8.4 | 4.9 | 6.4 | 3.1 | 5.7 |
| Medical services | 6.0 | 3.0 | 5.9 | 1.2 | 4.0 |
| Dental services | 4.8 | 8.1 | 9.4 | -0.6 | 5.4 |
| Other professional services | 20.3 | 9.4 | 10.2 | 2.8 | 10.5 |
| Community health services | 6.1 | 13.5 | 2.0 | -6.6 | 3.5 |
| Pharmaceuticals total | 11.4 | 3.2 | 6.2 | 11.1 | 7.9 |
| Benefits paid items | 6.9 | 11.0 | 4.0 | 0.6 | 5.5 |
| All other items | 18.9 | -8.3 | 10.2 | 29.0 | 11.6 |
| Aids and appliances | 10.2 | 2.1 | 5.6 | 6.7 | 6.1 |
| Other non-institutional | 25.0 | 3.0 | 10.5 | 16.0 | 13.3 |
| Health promotion and illness prevention | 14.8 | 35.5 | 31.2 | 9.4 | 22.2 |
| Administration | 4.2 | -5.2 | -0.7 | -0.7 | -0.6 |
| Research | 13.2 | 13.4 | 2.1 | 13.3 | 10.4 |
| Total recurrent expenditure | 5.6 | 3.2 | 4.6 | 3.5 | 4.3 |

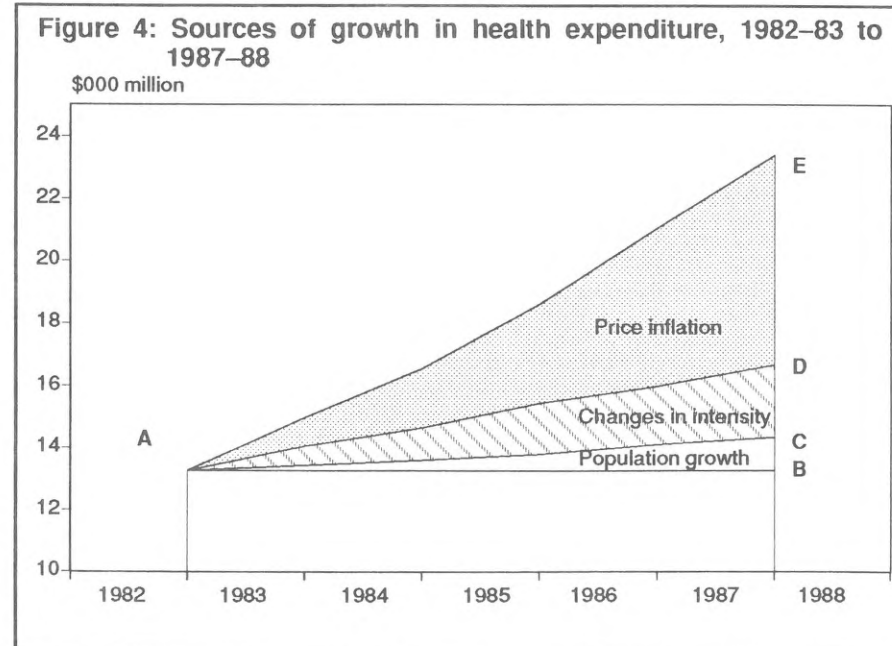
Sources of growth in health expenditure 1982-83 to 1987-88

Total health expenditure grew at an average of 12 per cent a year from 1982-83 to 1987-88 because of a combination of factors, including price inflation, population growth, and changes in intensity.

Changes in intensity encompasses such factors as changes in number of bed-days per person, casemix, number of medical and other health services per person and changes due to the ageing of the population. It is calculated as the residual remaining after the effects of population growth and inflation are taken out.

Figure 4 shows the decomposition of expenditure growth into the three components of price inflation, population growth and changes in intensity.

The change in total health expenditure is shown as line AE. Real or constant 1982-83 prices total health expenditure is plotted as line AD. The area ADE indicates the price effect. Population growth makes only a small contribution to the growth in total



health expenditure as shown by the area ABC. The effect of changes in intensity is shown as the area ACD.

Over time, the price inflation explains most of the increase in expenditure. From 1982-83 to 1987-88, health expenditure in-

creased by 76 per cent, of which 62.6, 24.8 and 12.6 per cent were due to health price inflation, changes in intensity and population growth respectively. The interaction between these three factors has been distributed according to the weight of each factor.

Total health expenditure in 1988-89

The preliminary estimate for total health expenditure in 1988-89 is \$25.85 billion.

This is based on preliminary ABS figures, which in the past have been revised upwards as better data become available, particularly in the private sector component.

The estimate is made by applying the ABS estimated health expenditure growth rate for 1987-88 to 1988-89 of 10.5 per cent to the AIH estimate of health expenditure in 1987-88.

The AIH figures are higher than

the ABS figures (Table 11) partly because the AIH includes health research funded by universities as health expenditure whereas ABS counts it as an education expenditure, and partly because of methodological differences.

Table 11: ABS and AIH estimates of health expenditure, 1982-83 to 1988-89

| | Year | | | | | | |
|---|---------|---------|---------|---------|---------|------------|---------|
| | 1982-83 | 1983-84 | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 |
| ABS estimates of health expenditure (\$m) | | | | | | | |
| Commonwealth Government final consumption | 710 | 887 | 989 | 977 | 1,071 | 1,283 | 1,385 |
| State and Local Government final consumption | 4,541 | 5,195 | 6,081 | 6,775 | 7,651 | 8,380 | 9,218 |
| Private final consumption | 7,199 | 7,925 | 8,462 | 9,405 | 10,680 | 12,049 | 13,443 |
| Total final consumption expenditure | 12,450 | 14,007 | 15,532 | 17,157 | 19,402 | 21,712 | 24,046 |
| Commonwealth Government gross fixed capital | 24 | 69 | 42 | 48 | 68 | 84 | 69 |
| State and Local Government gross fixed capital | 245 | 303 | 394 | 498 | 572 | 547 | 568 |
| Total Government fixed capital expenditure | 269 | 372 | 436 | 546 | 640 | 631 | 637 |
| ABS estimates of total health expenditure (excluding private capital) | 12,719 | 14,379 | 15,968 | 17,703 | 20,042 | 22,343 | 24,683 |
| Change (%) | | 13.1 | 11.1 | 10.9 | 13.2 | 11.5 | 10.5 |
| AIH estimates of health expenditure (\$m) | 13,326 | 15,006 | 16,607 | 18,613 | 21,046 | 23,400 (a) | 25,850 |
| Change (%) | | 12.6 | 10.7 | 12.1 | 13.1 | 11.2 | 10.5 |

Note: (a) The 1988-89 AIH estimate is obtained by applying the ABS 1987-88 to 1988-89 health expenditure growth rate of 10.47% to the AIH 1987-88 health expenditure estimate.

Source: ABS health expenditure data for 1982-83 from ABS Cat No 5206.0 March quarter 1987
 ABS health expenditure data for 1983-84 from ABS Cat No 5206.0 March quarter 1988 special issue
 ABS health expenditure data for 1984-85 from ABS Cat No 5206.0 December quarter 1988
 ABS health expenditure data for 1985-86 to 1988-89 from ABS Cat No 5206.0 June quarter 1989

Rebates on medical expenses

Since 1985-86 Australians have been entitled to claim a 29 per cent tax rebate for net medical expenses exceeding \$1,000.

Net medical expenses are medical expenses actually paid less any refunds received from Medicare, a health fund or any other insurer.

For the expenses to be classified as medical, they must have some connection to an illness or an operation. They include artificial limbs, contact lenses, wheelchairs, hearing aids, guide dog costs, manual care controls for a disabled driver, kidney dialysis, and nurses' fees.

In some cases, for example expenditure on massage or chiropractic treatment, the treatment must be at the direction of a legally qualified medical practitioner to qualify for a tax rebate.

The cost of the rebate in 1986-87 was \$40.3 million, and was

Table 12: Rebates on medical expenditure, 1985-86 and 1986-87

| State | 1985-86 | | 1986-87 | |
|------------|------------------|-----------------|------------------|-----------------|
| | Number of claims | Amount (\$'000) | Number of claims | Amount (\$'000) |
| Taxable | | | | |
| NSW | 18,955 | 7,473 | 21,589 | 10,772 |
| Vic | 21,411 | 8,184 | 25,297 | 11,790 |
| Qld | 8,442 | 2,698 | 9,453 | 3,704 |
| WA | 4,353 | 1,686 | 5,395 | 3,934 |
| SA | 3,766 | 2,030 | 4,517 | 2,596 |
| Tas | 661 | 247 | 750 | 336 |
| NT | 183 | 38 | 222 | 64 |
| ACT | 2,004 | 518 | 2,172 | 679 |
| Nontaxable | 4,801 | 4,565 | 6,254 | 6,465 |
| Australia | 64,576 | 27,439 | 75,649 | 40,340 |

Source: *Taxation Statistics* 1985-86 and 1986-87, Table 1.12, p110

spread across 75,649 people (Table 12). The average size of the rebate was \$533, indicating the average net medical expense for these people (or families) was \$2,825.

This tax concession is in effect a Commonwealth Government

subsidy, so it should be included as Commonwealth-funded expenditure. For 1986-87 this would slightly increase the Commonwealth share of health expenditure from 36.05 to 36.24 per cent and reduce the private sector share accordingly.

Health research expenditure

There have been fluctuations in health research expenditure as a percent of health expenditure since 1975-76. Health research reached a high point of 0.67 per cent of health expenditure in 1976-77 and then declined until 1981-82. Since then there has been significant growth.

This growth is shown in the old series and the new series (which includes health research directly funded by tertiary institutions).

The annual average growth from 1981-82 to 1986-87 is 17.5 per cent in current terms or 9.6 per cent in real terms. This compares to recurrent health expenditure growth in current terms of 12.0 per cent and in real terms of 3.9 per cent.

The method for calculating health research expenditure has changed since 1981-82. Before 1981-82 information published on health research expenditure excluded research funded by universities and CAEs out of their own resources. Only university and CAE research funded by grants from external bodies such as the National Health and Medical Research Council (NHMRC) was included.

Since 1981-82 information from the ABS publication, *Research and Experimental Development All-sector Summary* (Catalogue No 8112.0), has been used to estimate total research expenditure. This series collects information about all research, including that funded using internal university and CAE moneys.

As a result health research expenditure information recorded in AIH publications for the years before 1981-82 (old series data) is not comparable to information for 1981-82 onwards (new series data). The figures for both the old series and the new series are

Figure 5: Health research expenditure, 1975-76 to 1986-87

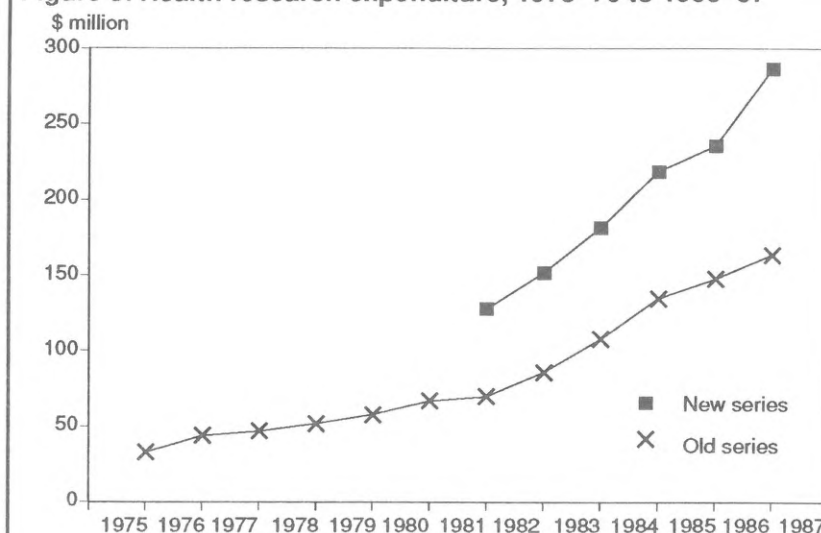
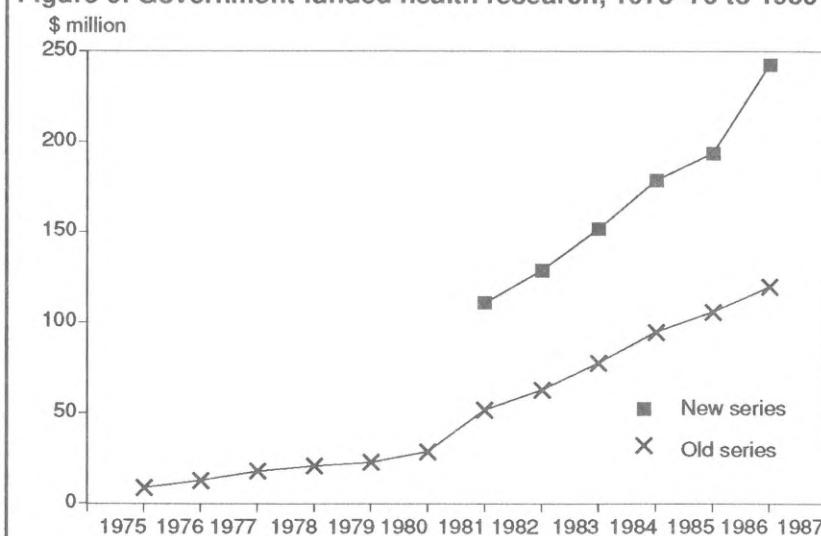


Figure 6: Government funded health research, 1975-76 to 1986-87



given in Tables 13 and 14. The difference between the two series is quite considerable. The new series figure in 1986-87 is 75 per cent more than the old series figure.

Although the new figures give a more complete picture of health

research expenditure in Australia they do not include all hospital resources used in health research. Some hospital research costs are funded by NHMRC grants or university funding, but some comes out of general hospital budgets.

Table 13: Health research expenditure

| <i>Year</i> | <i>Old series (\$m)</i> | <i>% of total health expenditure</i> | <i>New series (\$m)</i> | <i>% of total health expenditure</i> |
|-------------|-------------------------|--------------------------------------|-------------------------|--------------------------------------|
| 1975-76 | 33 | .58 | .. | .. |
| 1976-77 | 44 | .67 | .. | .. |
| 1977-78 | 47 | .63 | .. | .. |
| 1978-79 | 52 | .63 | .. | .. |
| 1979-80 | 58 | .64 | .. | .. |
| 1980-81 | 67 | .66 | .. | .. |
| 1981-82 | 70 | .59 | 128 | 1.08 |
| 1982-83 | 86 | .65 | 152 | 1.14 |
| 1983-84 | 108 | .72 | 182 | 1.21 |
| 1984-85 | 135 | .81 | 219 | 1.32 |
| 1985-86 | 148 | .80 | 237 | 1.27 |
| 1986-87 | 164 | .78 | 287 | 1.36 |

Table 14: Government health research expenditure

| <i>Year</i> | <i>Old series (\$m)</i> | <i>% of total government expenditure on health</i> | <i>New series (\$m)</i> | <i>% of total government expenditure on health</i> |
|-------------|-------------------------|--|-------------------------|--|
| 1975-76 | 9 | .22 | .. | .. |
| 1976-77 | 13 | .29 | .. | .. |
| 1977-78 | 18 | .39 | .. | .. |
| 1978-79 | 21 | .41 | .. | .. |
| 1979-80 | 23 | .41 | .. | .. |
| 1980-81 | 29 | .45 | .. | .. |
| 1981-82 | 52 | .75 | 111 | 1.51 |
| 1982-83 | 63 | .78 | 129 | 1.59 |
| 1983-84 | 78 | .80 | 152 | 1.57 |
| 1984-85 | 95 | .80 | 179 | 1.50 |
| 1985-86 | 106 | .80 | 195 | 1.47 |
| 1986-87 | 120 | .81 | 243 | 1.64 |

Health prices

Australian health prices increased by an annual average of 7.0 per cent from 1982-83 to 1987-88 compared to an annual average increase in the CPI of 7.2 per cent and an annual increase in average weekly earnings (AWE) of 6.9 per cent.

This was in marked contrast to the United States where the health CPI increased by an annual average of 6.7 per cent from 1983 to 1988 compared to a general CPI increase of 3.5 per cent.

The small difference between the Australian health price index and AWE was entirely due to changes in prices between 1985-86 and 1986-87. The health price index increased rapidly because of large health award wage increases in June and July 1986. From December 1985 to December 1986 the award rate for registered nurses increased by 7.7 per cent compared to 2.5 per cent for the labourforce as a whole.

Overall in 1986-87, compared to 1985-86, the health price index increased by 9.3 per cent compared to the AWE increase of 7.8 per cent and the CPI increase of 9.4 per cent.

Despite the higher health price inflation in 1986-87, medium-term changes in the Australian health price index were commensurate with increases in the CPI and AWE.

Table 15: Health expenditure and economy wide deflators (base year 1984–85 = 100)

| Financial year | Total health expenditure deflator | CPI ^(a) | GDP ^(b) IPD | AWE ^(c) | Hospital & clinical deflator | Other health & welfare deflator | Total health & welfare deflator | IPD1 ^(d) | IPD2 ^(e) | IPD3 ^(f) |
|----------------|-----------------------------------|--------------------|------------------------|--------------------|------------------------------|---------------------------------|---------------------------------|---------------------|---------------------|---------------------|
| 1970–71 | 22.3 | 26.6 | 24.9 | 19.8 | 21.4 | na | 21.4 | 22.4 | 21.3 | 21.8 |
| 1971–72 | 24.4 | 28.4 | 26.5 | 22.2 | 23.7 | na | 23.8 | 24.6 | 22.7 | 23.4 |
| 1972–73 | 26.3 | 30.1 | 28.9 | 24.3 | 25.2 | na | 25.5 | 26.5 | 24.7 | 25.2 |
| 1973–74 | 30.4 | 34.0 | 33.2 | 27.9 | 28.9 | na | 29.6 | 30.6 | 28.4 | 28.8 |
| 1974–75 | 38.4 | 39.7 | 39.8 | 35.7 | 38.1 | 36.5 | 37.8 | 39.1 | 37.4 | 36.9 |
| 1975–76 | 44.6 | 44.9 | 45.9 | 40.3 | 44.2 | 41.8 | 44.9 | 45.4 | 43.4 | 42.8 |
| 1976–77 | 50.6 | 51.0 | 51.0 | 45.3 | 50.4 | 52.5 | 51.1 | 51.2 | 47.7 | 47.6 |
| 1977–78 | 55.0 | 55.9 | 54.9 | 50.0 | 54.7 | 56.3 | 55.3 | 55.5 | 51.7 | 51.4 |
| 1978–79 | 58.3 | 60.5 | 59.4 | 53.7 | 57.9 | 59.4 | 58.8 | 58.8 | 55.4 | 55.1 |
| 1979–80 | 64.3 | 66.6 | 65.8 | 59.0 | 64.0 | 65.3 | 63.9 | 64.2 | 62.3 | 61.5 |
| 1980–81 | 71.7 | 72.9 | 72.6 | 67.2 | 71.3 | 72.5 | 71.6 | 71.7 | 69.9 | 69.2 |
| 1981–82 | 79.9 | 80.5 | 80.1 | 76.0 | 79.8 | 82.2 | 79.8 | 80.1 | 78.7 | 78.2 |
| 1982–83 | 88.4 | 89.7 | 88.4 | 86.7 | 88.7 | 89.6 | 88.5 | 88.8 | 89.8 | 89.0 |
| 1983–84 | 93.9 | 95.9 | 94.6 | 92.9 | 94.1 | 94.7 | 94.1 | 94.3 | 95.6 | 94.3 |
| 1984–85 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1985–86 | 106.6 | 108.4 | 106.8 | 106.3 | 105.8 | 106.5 | 105.8 | 106.1 | 108.2 | 110.9 |
| 1986–87 | 116.4 | 118.5 | 114.6 | 114.6 | 116.2 | 112.7 | 115.5 | 115.2 | 115.6 | 120.2 |
| 1987–88 | ^(g) 124.0 | 127.2 | 124.0 | 120.9 | 122.1 | 119.6 | 121.5 | 121.4 | 121.7 | 129.2 |

Notes: (a) CPI from ABS *Consumer Price Index* Cat No 6401.0, various years.

(b) GDP implicit price deflator (IPD) for 1970–71 to 1973–74 and 1974–75 to 1988–89 from ABS *Australian National Accounts* Cat No 5206.0, December 1986 and June quarter 1989 respectively.

(c) AWE from ABS *Average Weekly Earnings* Cat No 6302.0, various years. Hospital and clinical, total health and welfare, other health and welfare deflators from ABS unpublished data.

(d) IPD1 is the implicit price deflator for government final consumption expenditure on health, social security and welfare (ABS, *Australian National Accounts — National Income and Expenditure* Cat No 5206.0 December 1986)

(e) IPD2 is the implicit price deflator for general government public gross fixed capital expenditure (ABS, *Australian National Accounts — National Income and Expenditure* Cat No 5206.0 December 1986)

(f) IPD3 is the implicit price deflator for private gross fixed capital expenditure on non-dwelling constructions (ABS, *Australian National Accounts — National Income and Expenditure* Cat No 5206.0 December 1986)

(g) Total health expenditure deflator for 1987–88 is based on 1986–87 expenditure weights.

Technical notes

Definitions, sources and notes

The AIH collects information for the estimates of health expenditure from a wide range of sources, with the ABS and the Commonwealth Department of Community Services and Health providing most of the raw data.

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

These figures do not include expenditures which are primarily of a welfare nature even if they have a health component. Also excluded are most costs associated with the training of health personnel in universities and colleges of advanced education. However in some cases, for example, hospital based nursing training, the cost of training cannot be separated from the operational costs of health services.

The 1987-88 figures for total health expenditure (Tables 1 to 4) are based on near final figures for 85 per cent of expenditure. These figures will be revised, but the revisions are not expected to be significant.

Further details of the sources and definitions of the health expenditure categories used in this bulletin are contained in Appendixes A and B of the AIH publication *Australian Health Expenditure 1970-71 to 1984-85*.

Revisions of definitions and estimates

Some of the figures included in this *Information Bulletin* have been revised since *Information Bulletin No 3* was published in November 1988. The major revisions are:

1 ABS revision of data

1.1 Gross domestic product (GDP)

The average increase in GDP figures for the financial years 1982-83 to 1986-87 in the March quarter 1988 as compared to the June quarter 1989 publication is 1 per cent, with the lowest change in 1982-83 of 0.5 per cent and the highest change in 1984-85 of 1.32 per cent. Revisions included the following areas:

Private final consumption expenditure (PFCE) — revised as a result of the incorporation of data from the 1986-87 Selected Service Industry Surveys. The estimates for operation of motor vehicles and other services have been revised up due to the inclusion of, for example, consumption of diesel fuel, private car park fees, overseas student fees and private tutoring fees.

Gross fixed capital expenditure — private non-dwelling construction revised as a result of a review of the coverage of the agriculture, forestry and fishing industries obtained from the 1986-87 and earlier Agricultural Finance Surveys.

Wages, salaries and supplements — revised due to the annual benchmark revision.

Table 16: Gross domestic product (current and constant 1984-85 prices) and population, 1982-83 to 1987-88

| | Gross domestic product | | Population |
|---------|------------------------|-------------------------|------------|
| | Current prices | Constant 1984-85 prices | (million) |
| | (\$m) | (\$m) | |
| 1982-83 | 170,740 | 192,927 | 15.29 |
| 1983-84 | 192,383 | 203,150 | 15.49 |
| 1984-85 | 214,270 | 214,270 | 15.68 |
| 1985-86 | 238,637 | 223,443 | 15.90 |
| 1986-87 | 263,249 | 229,711 | 16.26 |
| 1987-88 | 296,921 | 239,646 | 16.53 |

Source: GDP figures from ABS *Australian National Accounts — National Income and Expenditure* June quarter 1989 Cat No 5206.0. 1982-83 to 1986-87 population figures from ABS *Australian Demographic Statistics*, Cat No 3101.0. 1987-88 population from Cat No 3201.0

1.2 Private final consumption expenditure.

ABS has revised the figures for 1985-86 on 'dental' and 'other professional services' in the light of more accurate recent information obtained from tax returns. For 'dental' it was revised from \$820m to \$843m, and for 'other professional services' from \$559m to \$587m.

1.3 State and Local Government expenditure on health

Victorian data has been recoded. Part of Government Purpose Classification (GPC) 0513 which is mental health institution expenditure was recoded under GPC 0622 which is expenditure on aged and handicapped welfare, reducing State and Local Government expenditure on health as a whole. For example, for 1985-86, the Victorian expenditure recoded as welfare was \$15.4m. This recoding reflects the categorisation of expenditure on the developmentally disabled as welfare rather than health expenditure.

2 ACT Community and Health Service

The ACT Community and Health Service has revised its total expenditure on health for 1985–86 from \$127.623m to \$130.545m in the light of more accurate information. There were also significant reallocations of ACT expenditure between AIH expenditure categories, eg recognised public hospital expenditure was revised up by \$20 million. Currently ACT expenditure is a component of Commonwealth expenditure but from 1989–90 will become a separate category.

3 Workers' Compensation and Third Party Insurance Organisations

The Government Insurance Office of the Northern Territory has provided more detailed data. The Tasmanian Government Insurance Office has only supplied the relevant information since 1984–85.

4 AIH revision of data

4.1 Commonwealth expenditure on Commonwealth Serum Laboratories

This expenditure was classified under 'research' from 1982–83 to 1985–86 because the larger proportion of the expenditure was research in nature. For 1986–87 the larger proportion was on plasma fractionation which is 'institutional' in nature. Thus, for this year, CSL expenditure is classified in 'other institutional'.

4.2 Commonwealth expenditure on Commonwealth Pathology Laboratories

Up to 1984–85 the salary component costs of the Commonwealth Pathology Laboratories (CPL) was separated from the general administration costs of the (then) Commonwealth Department of Health. After that it was not separated, so an estimation of CPL staffing costs was made using information on number of staff employed by CPL, and this estimated cost was included in 'Medical services' expenditure.

Responsibility for the Commonwealth Pathology Laboratories was transferred to State health authorities and Department of Veterans' Affairs in 1986–87. However, the laboratories are still funded by the Commonwealth under a Health Program Grant. This Health Program Grant is coded as a 'medical services' expenditure.

4.3 Commonwealth expenditure on pharmaceutical benefits — miscellaneous services

Previously every item in this category was classified under 'pharmaceuticals-benefits paid items'. Examples of the items included are dialysis fluids, vaccines and antivenoms, calcitonin, human pituitary hormones and payments to public hospitals. Payments to public hospitals are the expenditure on special formulas and medication dispensed for geriatric and psychiatric patients in 57 centres attached to public hospitals. These centres are not recognised under the Medicare agreement. It is not known exactly how much was spent on geriatric patients and how much on psychiatric patients, but a larger proportion of the payments goes toward the dispensing of medication for psychiatric patients. Thus, payments to public hospitals under pharmaceutical benefits-miscellaneous items is now classified under 'public psychiatric hospitals'.

4.4 Commonwealth expenditure on Medicare medical benefits

There are differences in the figures for Medicare medical benefits obtained from the Department of Community Services and Health *Explanatory Notes* and those from the Health Insurance Commission. The difference is due to the leads and lags in the time of the payout. Previously the Department of Community Services and Health figures for expenditure on Medicare medical benefits were used (with the exclusion of dental and optometrical service expenditure). The Health Insurance Commission Medicare medical benefits figures (again excluding dental and optometrical services) are now used. In 1986–87 the difference between the two figures was \$23.2m. These figures have been changed according to the above convention back to 1982–83.

4.5 ACT Community and Health Service expenditure on mental health services

This had been wrongly placed under 'public psychiatric hospitals'. In fact there are no public psychiatric hospitals in the ACT. The ACT mental health program is community based, so this expenditure is now classified under 'community health'.

4.6 State and Local Government expenditure on community health services

In previous AIH information bulletins a sizeable portion of the ABS category GPC 0521 (community health — clinic) was classified in 'recognised public hospitals' because in the past many community health centres were funded out of hospital budgets. This was done to maintain continuity in the community health expenditure series.

It is no longer possible to continue this adjustment, so there is now a break in the series from 1982–83 for expenditure on community health services. 1981–82 expenditure on community health services is listed in the Australian Institute of Health's (1988) *Australian health expenditure 1970–71 to 1984–85*, AGPS, Canberra, as \$260m. The figure for 1982–83 in that publication was \$297m but in this bulletin is \$359m. This revision does not mean that expenditure on community health services increased by 38 per cent from \$260m to \$359m in 1982–83.

4.7 Health insurance funds expenditure on reinsurance

The 1985–86 figures published in Information Bulletin No.3 wrongly included reinsurance payments in the 'individuals' column of the 'private hospital' row and in the 'State and Local Government' column of the 'recognised hospital' row. These payments are now correctly included in the 'health insurance fund' column. The correction of this error did not change the estimates of total public or private hospital expenditure.

4.8 Health insurance funds expenditure on optical services

Previously, this item was classified under 'other professional'. It is now classified under 'aids and appliances' as it is mostly expenditure on spectacles.

4.9 Health insurance funds expenditure on ambulance services

The levy collected by health insurance funds on behalf of the NSW Ambulance Board was previously included in the 'individuals' column. For data from 1983-84 on it has been included in the 'health insurance fund' column.

4.10 Total private expenditure on ambulance services

Previously, this estimate was made using figures on the private final consumption expenditure on ambulances including Government transfers. Examples of transfer payments for ambulance services are government grants to the Royal Flying Doctor Services and to non-profit organisations like the St John Ambulance Association in Western Australia. Because the transfers are funded by the Commonwealth Government and the figures are already counted under the expenditure by the Commonwealth Government, the total private expenditure on ambulances has been corrected to be net of transfer. The correction of this double-count has reduced the estimate of total ambulance expenditure. For example, the figure for expenditure on ambulance services published in Information Bulletin No. 3 for 1984-85 was \$271m. In this bulletin it is \$256m.

4.11 Health price deflators

More information on government final consumption expenditure deflators is now available. This enables an estimation of real health expenditure using more specific deflators for the different types of expenditure whereas before IPD 1 was used for many types of expenditure. The newly available deflators are 'State and Local Government hospitals and clinical', 'other health and welfare', and 'total health and welfare'. The 'State and Local Government hospitals and clinical' IPD is used for hospitals and all other institutions. The 'other health and welfare' IPD is used for Commonwealth sourced community health services expenditure, other non-institutional, health promotion and illness prevention, administration, and research while the 'total health and welfare' IPD is used for State Government and private sourced expenditure for the aforementioned categories.

Abbreviations and symbols used in tables

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

Note: Figures in the tables in this bulletin may not add due to rounding.

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