

4 Australian Government expenditure and funding

Introduction

Much of the responsibility of the Australian Government in respect of the provision of health goods and services relates to funding (see Box 2.1, page 6). This chapter examines, firstly, the expenditures directly incurred by the Australian Government in providing and supporting health goods and services through programs for which it is primarily responsible. These include mainstream programs and some 'Indigenous-specific' programs. The methods for estimating the proportions of that mainstream expenditure incurred in respect of Aboriginal and Torres Strait Islander peoples varied across programs. They are described in Appendices 3 and 4 (available online at <www.aihw.gov.au>). Patient contributions towards the cost of health services, including any patient co-payments under the Medicare and PBS arrangements, have been treated as non-government expenditures and are discussed in Chapter 6.

Secondly, the chapter looks at the funding of health goods and services by the Australian Government. This includes the funding provided to support state and territory governments' health services and funding of health goods and services through rebates on private health insurance premiums.

Australian Government expenditure

In 2001-02, expenditure on health goods and services for Aboriginal and Torres Strait Islander peoples by the Australian Government was \$407.3 million, representing 2.0% of its total health expenditure (Table 4.1). These expenditures included:

- health programs administered by the Department of Health and Ageing and other agencies in the Health and Ageing portfolio (\$398.0 million) (see Table 4.6 on page 28); and
- expenditure by the Department of Veterans' Affairs (DVA) in respect of eligible veterans and their dependants (\$9.3 million).

Spending by DVA on health services for Aboriginal and Torres Strait Islander veterans and dependants is not easily quantified. DVA does not require knowledge about the Indigenous background of applicants for benefits under the *Veterans' Entitlements Act 1986*.

Consequently, the estimates of DVA's expenditure on Indigenous veterans are low, in accordance with informal advice that the proportion of Indigenous veterans is 1% or lower.

Table 4.1: Expenditure by the Australian Government on health goods and services for Indigenous and non-Indigenous people, by type of health good or service, Australia, 2001–02

Health good or service type	Expenditure (\$ million)			Expenditure per person (\$)		
	Indigenous	Non-Indigenous	Indigenous share (%)	Indigenous	Non-Indigenous	Ratio
Public (non-psychiatric) hospitals	9.1	175.6	4.9	19.74	9.26	2.13
Private hospitals	—	7.7	0.5	0.08	0.40	0.19
Services for older people	30.5	3,379.2	0.9	66.57	178.28	0.37
Medical services	83.7	8,700.4	1.0	182.58	459.01	0.40
Medicare medical services	71.8	7,578.0	0.9	156.68	399.80	0.39
Other Health and Ageing portfolio programs	9.3	505.5	1.8	20.22	26.67	0.76
DVA medical services	2.6	616.9	0.4	5.69	32.55	0.17
Pharmaceuticals ^(a)	35.9	4,671.4	0.8	78.30	246.45	0.32
Benefit-paid items	35.6	4,637.7	0.8	77.57	244.68	0.32
PBS	34.3	4,266.0	0.8	74.82	225.06	0.33
RPBS	1.3	371.7	0.3	2.75	19.61	0.14
Other pharmaceuticals ^(b)	0.3	33.7	1.0	0.73	1.78	0.41
Community health services	166.8	30.7	84.5	363.81	1.62	224.55
OATSIH funded ACCHS services	166.1	20.2	89.2	362.33	1.07	340.17
Other community health ^(c)	0.7	10.5	6.0	1.48	0.56	2.66
Patient transport	12.4	65.3	15.9	26.95	3.44	7.82
Dental services	0.2	70.8	0.3	0.48	3.73	0.13
Medicare dental services	0.1	7.7	0.8	0.13	0.40	0.33
Other dental ^(d)	0.2	63.1	0.3	0.35	3.33	0.10
Other professional services	6.0	433.0	1.4	13.18	22.84	0.58
Medicare optometry services	1.4	170.6	0.8	3.00	9.00	0.33
Other ^(e)	4.7	262.4	1.7	10.18	13.84	0.74
Aids and appliances	1.0	102.5	0.9	2.12	5.41	0.39
Public health	16.3	317.4	4.9	35.49	16.74	2.12
Other health services (nec)	19.5	692.3	2.7	42.53	36.52	1.16
Health administration	25.9	832.9	3.0	56.54	43.94	1.29
Total	407.3	19,479.2	2.0	888.39	1,027.67	0.86

(a) Includes estimated benefits through the PBS and RPBS. PBS benefits include those via special supply arrangements (Section 100 in remote AHSs), as well as mainstream PBS.

(b) Enhanced rural and remote pharmacy package.

(c) Includes bush nursing, mental health 'More options, better outcome', rural nursing initiatives.

(d) Expenditure by DVA on dental services for eligible veterans and their dependents.

(e) Expenditure by Hearing Services Australia on audiology services and by DVA on other professional services for eligible veterans and their dependents.

Source: AIHW Health expenditure database.

The major Indigenous expenditures were on:

- community health services – \$166.8 million (41.0% of total expenditure);
- medical services – \$83.7 million (20.6%);

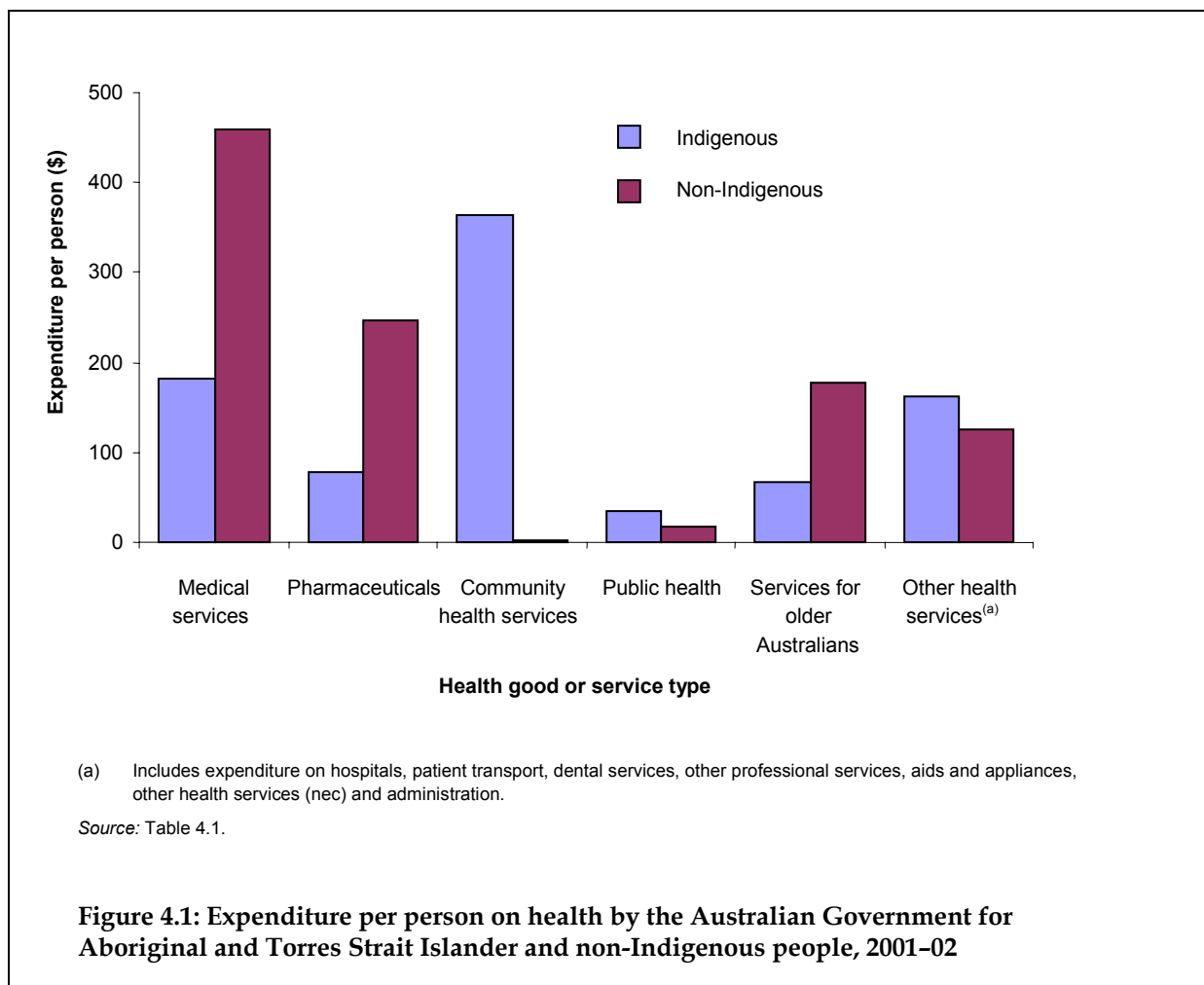
- pharmaceuticals – \$35.9 million (8.8%);
- services for older people – \$30.5 million (7.5%); and
- public health activities – \$16.3 million (4.0%).

Expenditure on community health services for Indigenous Australians was largely via primary health care services provided by ACCHSs. Most of this expenditure is administered by the OATSIH.

Of the \$83.7 million expenditure on medical services, \$71.8 million was through Medicare benefits (see Table 4.3 **Error! Reference source not found.**). In addition to the spending through Medicare, medical services expenditure includes primary care strategies for Indigenous Australians, estimates of DVA expenditure on Local Medical Officers for medical services to Indigenous veterans, and other DoHA programs such as alternative funding for general practice services.

Expenditure on pharmaceuticals for Aboriginal and Torres Strait Islander peoples includes an estimated \$35.6 million in benefits paid through the PBS and RPBS (see Table 4.1). It also includes other DoHA programs, such as rural pharmacy support and pharmacy development programs. The PBS benefits include those via special supply arrangements (Section 100 of the *National Health Act 1953*), as well as mainstream PBS.

The expenditure of \$30.5 million on services for older Aboriginal and Torres Strait Islander peoples includes subsidies paid by the Australian Government for high-level residential aged care (see Glossary). A further \$9.0 million was spent on other high-level care services for Indigenous Australians. Most of these services were provided through multi-purpose services in rural and remote areas and by flexible care services. Many such services are specifically targeted towards Aboriginal and Torres Strait Islander peoples.



On a per person basis, the Australian Government spent an estimated \$888.39 per Aboriginal and Torres Strait Islander person, compared with \$1,027.67 for non-Indigenous people. Comparison of expenditure per person on major health goods and services highlights a somewhat different pattern of service use by Indigenous and non-Indigenous people (Figure 4.1). Average expenditure per person on community health services and public health activities was higher for Indigenous Australians, but was lower in the case of medical services, pharmaceuticals and services for older people.

Indigenous-specific program expenditure

Indigenous-specific health programs are programs where health services are directed towards Aboriginal and Torres Strait Islander peoples. Expenditure on Aboriginal and Torres Strait Islander peoples through these programs was \$240.0 million, which represented 58.9% of all Australian Government expenditure on services for Indigenous people in 2001-02 (Table 4.2). Although these are classified as 'Indigenous-specific', an estimated 9.5% was for services used by non-Indigenous people (estimated at \$22.7 million).

Over three-quarters of these expenditures were for Indigenous health programs that were administered by the OATSIH. They cover grants to ACCHSs and administration costs associated with OATSIH-managed programs.

Table 4.2: Expenditure by the Australian Government on Indigenous-specific health programs and Indigenous-targeted provisions of mainstream programs, 2001-02 (\$ million)

Health good or service type	Indigenous	Non-Indigenous ^(a)	Indigenous share (%)
OATSIH administered programs including ACCHSs	166.1	20.2	89.2
Other services ^(b)	52.2	—	100.0
<i>Sub-total</i>	<i>218.3</i>	<i>20.2</i>	<i>91.5</i>
Special provisions within mainstream programs			
MBS Section 19(2) (<i>Health Insurance Act 1973</i>) exemptions	10.7	1.3	89.1
PBS Section 100 (<i>National Health Act 1953</i>) for remote area AHSs	10.9	1.2	90.0
Total	240.0	22.7	91.4

(a) An estimated 10% of all expenditure on services provided by ACCHSs relates to non-Indigenous people.

(b) Includes expenditure on administering the funding to ACCHSs, Coordinated Care Trials, Childhood Pneumococcal Vaccination Program for Aboriginal and Torres Strait Islander children and Aboriginal and Torres Strait Islander flexible services.

Source: AIHW Health expenditure database.

Medicare and the Pharmaceutical Benefits Scheme

Estimates of expenditure on Aboriginal and Torres Strait Islander peoples through Medicare and the PBS are largely based on survey data (see Appendix 3).

Benefits to Indigenous Australians through Medicare – including some benefits for non-medical services – were estimated at \$73.3 million and through the PBS at \$34.3 million (Table 4.3). Medicare expenditures per person for Indigenous Australians were 39% of the non-Indigenous average. Their average shares of expenditure on pharmaceutical benefits were lower still, with the total PBS ratio estimated at 0.33:1.

Table 4.3: Expenditure incurred by the Health and Ageing portfolio on Medicare and the Pharmaceutical Benefits Scheme, by Indigenous status and health service type, Australia, 2001–02

Health good or service type	Expenditure (\$ million)			Expenditure per person (\$)		
	Indigenous	Non-Indigenous	Indigenous share (%)	Indigenous	Non-Indigenous	Ratio
Medicare benefits						
MBS Medical services						
Primary care services						
GP services	34.0	2,708.2	1.2	74.18	142.87	0.52
Pathology referred by GPs	13.3	851.3	1.5	29.00	44.91	0.65
Imaging referred by GPs	8.8	714.2	1.2	19.12	37.68	0.51
Specialist services						
Consultations	4.9	1,033.5	0.5	10.75	54.52	0.20
Procedures	6.6	1,391.7	0.5	14.48	73.42	0.20
Pathology referred by Specs.	1.8	387.6	0.5	4.03	20.45	0.20
Imaging referred by Specs.	2.3	491.6	0.5	5.11	25.93	0.20
<i>MBS medical</i>	<i>71.8</i>	<i>7,578.0</i>	<i>0.9</i>	<i>156.68</i>	<i>399.80</i>	<i>0.39</i>
MBS Other services						
Optometry services	1.4	170.6	0.8	3.00	9.00	0.33
Dental services	0.1	7.7	0.8	0.13	0.40	0.33
<i>MBS benefits</i>	<i>73.3</i>	<i>7,756.3</i>	<i>0.9</i>	<i>159.81</i>	<i>409.20</i>	<i>0.39</i>
Pharmaceutical benefits						
Mainstream PBS^(a)						
GP prescribed	19.4	3,452.7	0.6	42.36	182.15	0.23
Specialist prescribed	3.1	712.0	0.4	6.84	37.56	0.18
Doctor's bag	0.1	9.7	1.2	0.26	0.51	0.50
<i>Mainstream PBS</i>	<i>22.7</i>	<i>4,174.3</i>	<i>0.5</i>	<i>49.46</i>	<i>220.23</i>	<i>0.22</i>
Drugs dispensed under Section 100 of the <i>National Health Act</i>^{(b)(c)}						
Remote area AHS ^(b)	10.9	1.2	90.0	23.77	0.06	373.95
Other Section 100 drugs ^(c)	0.7	90.5	0.8	1.59	4.77	0.33
<i>Other PBS</i>	<i>11.6</i>	<i>91.7</i>	<i>11.3</i>	<i>25.36</i>	<i>4.84</i>	<i>5.24</i>
<i>Pharmaceutical benefits</i>	<i>34.3</i>	<i>4,266.0</i>	<i>0.8</i>	<i>74.82</i>	<i>225.06</i>	<i>0.33</i>
Total MBS and PBS^(a)	107.6	12,022.3	0.9	234.63	634.26	0.37

(a) Excludes expenditure through the RPBS.

(b) Further details on Section 100 benefits for remote area AHS are included in Appendix 3, which is available at <www.aihw.gov.au>.

(c) Excludes highly specialised drugs dispensed from public and private hospitals.

Sources: AIHW—GPSCU BEACH data; AIHW & Britt et al. 2003; AIHW & GPSCU 2004a; DoHA 2004a; Deeble et al. 1998; DoHA unpublished data.

Public health activities

The total Australian Government expenditure on Aboriginal and Torres Strait Islander peoples through public health programs was estimated at \$16.3 million—4.9% of total expenditure through these programs (Table 4.4). This is very much influenced by expenditure on one core public health activity, organised immunisation, which accounted for

\$6.8 million out of the estimated \$16.3 million. That included an estimated \$5.1 million spent on the Childhood Pneumococcal Vaccination Program for Aboriginal and Torres Strait Islander children.

Table 4.4: Expenditure by the Australian Government on core public health activities for Indigenous Australians, 2001-02

Health activity	Indigenous (\$ million)	Non-Indigenous (\$ million)	Indigenous share (%)
Communicable disease control	0.5	18.8	2.4
Selected health promotion	3.4	42.8	7.4
Organised immunisation	6.8	45.7	13.0
Environmental health	0.4	14.7	2.4
Food standards and hygiene	0.7	14.5	4.5
Breast cancer screening	—	1.6	1.1
Cervical screening	1.2	64.6	1.9
Prevention of hazardous and harmful drug use	0.8	32.0	2.5
Public health research	2.4	82.5	2.9
PHOFA administration ^(a)	—	0.2	4.9
Total public health activities	16.3	317.4	4.9

(a) Public health outcomes funding agreement, see glossary.

Source: AIHW Health expenditure database.

Australian Government funding

Total funding of Indigenous health by the Australian Government in 2001-02 was estimated at \$771.5 million (Table 4.5). This was 2.5% of its estimated overall funding for health services in that year. The Government's average funding per Indigenous person was 6% higher than for non-Indigenous people.

Table 4.5: Funding by the Australian Government on health goods and services for Indigenous and non-Indigenous Australians, by health good or service type, Australia, 2001–02

Health good or service type	Funding (\$ million)			Funding per person (\$)		
	Indigenous	Non-Indigenous	Indigenous share (%)	Indigenous	Non-Indigenous	Ratio
Hospitals	352.9	9,436.9	3.6	769.64	497.86	1.55
Total admitted patient services	294.0	7,977.0	3.6	641.10	420.84	1.52
Non-admitted patient services	58.9	1,459.8	3.9	128.54	77.01	1.67
Emergency departments	13.9	307.3	4.3	30.24	16.21	1.87
Other non-admitted patient services	45.1	1,152.4	3.8	98.30	60.80	1.62
Public (psychiatric) hospitals	—	0.2	2.4	0.01	0.01	1.01
Medical services	84.5	8,876.3	0.9	184.35	468.29	0.39
MBS services	71.8	7,578.0	0.9	156.68	399.80	0.39
Other ^(a)	12.7	1,298.3	1.0	27.67	68.49	0.40
Community health services	167.7	40.5	80.6	365.74	2.13	171.38
Dental services	1.5	349.1	0.4	3.29	18.42	0.18
MBS services	0.1	7.7	0.8	0.13	0.40	0.33
Other dental ^(b)	1.4	341.4	0.4	3.15	18.01	0.17
Other professional services	6.6	556.5	1.2	14.43	29.36	0.49
MBS services	1.4	170.6	0.8	3.00	9.00	0.33
Other ^(c)	5.2	386.0	1.3	11.43	20.36	0.56
Pharmaceuticals	36.0	4,690.2	0.8	78.49	247.44	0.32
Benefit-paid	35.6	4,637.7	0.8	77.57	244.68	0.32
Other pharmaceuticals ^(d)	0.4	52.4	0.8	0.92	2.77	0.33
Aids and appliances	1.4	196.3	0.7	3.06	10.35	0.30
Services for older people	30.5	3,379.2	0.9	66.57	178.28	0.37
Patient transport	12.6	121.0	9.4	27.51	6.39	4.31
Public health activities	31.2	557.5	5.3	68.00	29.41	2.31
Research	19.5	692.3	2.7	42.53	36.52	1.16
Health administration	27.0	1,069.5	2.5	58.92	56.42	1.04
Total	771.5	29,965.2	2.5	1,682.54	1,580.88	1.06

(a) DVA funding for medical services for eligible veterans and their dependants; DoHA funding through primary care strategies, trials of coordinated care and a notional distribution of the 30% rebate on private health insurance premiums.

(b) DVA funding for dental services for eligible veterans and their dependants and a notional distribution of the 30% rebate on private health insurance premiums.

(c) Funding, through Hearing Services Australia, of audiology services and by DVA of other professional services for eligible veterans and their dependants.

(d) Includes funding through the enhanced rural and remote pharmacy package, the pharmacy development program, pharmacy reform implementation funding and notional distribution of the 30% rebate on private health insurance premiums.

Source: AIHW Health expenditure database.

In addition to funding its own expenditures, the Australian Government provided \$9.5 billion in funding to the states, territories and non-government organisations in 2001–02. Over \$7 billion of this funding was through Special Purpose Payments (SPPs) under the provisions of Section 96 of the Australian Constitution. An estimated 4.6% of these funds were directed to health services for Aboriginal and Torres Strait Islander peoples (Table 4.6).

Table 4.6: Funding by the Australian Government on health for Indigenous Australians and non-Indigenous people, Australia, 2001–02

Funding type	Funding (\$ million)			Funding per person (\$)		
	Indigenous	Non-Indigenous	Indigenous share (%)	Indigenous	Non-Indigenous	Ratio
DVA health goods and services	9.3	1,663.2	0.6	20.34	87.74	0.23
DoHA and other Portfolio agencies	398.0	17,816.0	2.2	868.05	939.92	0.92
SPPs to states and territories	340.5	7,093.7	4.6	742.70	374.24	1.98
Other funding ^(a)	23.6	3,392.4	0.7	51.46	178.97	0.29
Total funding	771.5	29,965.2	2.5	1,682.54	1,580.88	1.06

(a) Includes DVA funding of hospital services and funding of health services through the allocation of the 30% rebate on private health insurance premiums.

Source: AIHW Health expenditure database.

The most important of the health SPPs provide funding for:

- public hospital and related health services under the Australian Health Care Agreements (AHCAs) – these account for over 90% of all health SPPs; and
- state/territory initiatives aimed at achieving agreed public health outcomes under the Public Health Outcomes Funding Agreements (PHOFAs).

Funding through the SPPs was attributed to Indigenous and non-Indigenous people according to the estimated shares of the state and territory government programs that the funding supported.

The Australian Government also provided subsidies to holders of private health insurance through its 30% premium rebate. These indirectly supported health services that attracted benefits from private health insurers, such as private hospital services, dental and other professional services, and health goods (medicines and aids and appliances) as well as the administrative expenses of the insurance funds. The rebates were allocated between Indigenous and non-Indigenous elements according to the estimated proportions of the insured populations. Analysis based on previous National Health Surveys suggested that the Indigenous proportion of the insured population was very low at around 15–20% of all Indigenous people.

Just over half (52.8%) of Australian Government funding for Aboriginal and Torres Strait Islanders went to programs that it directly managed, with 45.8% going to programs administered by state and territory governments (Table 4.7).

Table 4.7: Funding by the Australian Government of health for Indigenous and non-Indigenous people, by sector incurring expenditure, Australia, 2001-02 (\$ million)

Health good or service type	Australian Government funding of						Total Australian Government funding	
	Australian Government expenditure		State and territory government expenditure		Non-government expenditure		Indigenous	Non-Indigenous
	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous		
Admitted patient services	7.5	149.9	280.2	6,080.9	6.2	1,746.1	294.0	7,977.0
Private hospitals	—	7.7	—	—	6.2	1,746.1	6.2	1,753.8
Public hospitals	7.5	142.2	280.2	6,080.9	—	—	287.8	6,223.1
Non-admitted patient services	1.5	33.4	57.4	1,426.4	—	—	58.9	1,459.8
Emergency departments	0.4	7.0	13.5	300.3	—	—	13.9	307.3
Other services	1.2	26.3	43.9	1,126.1	—	—	45.1	1,152.4
Medical services	83.7	8,700.4	—	—	0.8	175.9	84.5	8,876.3
Community health services ^(a)	166.8	30.7	0.9	9.5	—	0.2	167.7	40.5
Dental services ^(b)	0.2	70.8	—	—	1.3	278.3	1.5	349.1
Other professional services	6.0	433.0	—	—	0.6	123.5	6.6	556.5
Pharmaceuticals	35.9	4,671.4	—	—	0.1	18.7	36.0	4,690.2
Services for older people	30.5	3,379.2	—	—	—	—	30.5	3,379.2
Patient transport	12.4	65.3	—	—	0.3	55.8	12.6	121.0
Public health activities	16.3	317.4	14.9	240.2	—	—	31.2	557.5
Other health services ^(c)	46.4	1,627.7	—	0.2	1.5	330.3	47.9	1,958.2
All health goods and services	407.3	19,479.2	353.4	7,757.2	10.7	2,728.8	771.5	29,965.2
<i>Share of expenditure</i>	<i>2.0%</i>	<i>98.0%</i>	<i>4.4%</i>	<i>95.6%</i>	<i>0.4%</i>	<i>99.6%</i>	<i>2.5%</i>	<i>97.5%</i>
Expenditure per person (\$)	888.39	1,027.67	770.82	409.25	23.41	143.97	1,682.54	1,580.88
Ratio (Indigenous/non-Indigenous)	0.86:1		1.88:1		0.16:1		1.06:1	

(a) Includes funding of dental services by states and territories.

(b) Excludes funding of dental services by states and territories.

(c) Includes health administration (nec), aids and appliances and other health services (nec).

Source: AIHW Health expenditure database.

Changes in expenditure on selected major programs over time

The estimates of average expenditure per person by the Australian Government on its two largest mainstream programs – Medicare and PBS – increased in real terms by 9.8% from an estimated \$210.93 in 1998–99 (at 2001–02 prices) to \$231.50 in 2001–02 (Table 4.8). However, because the increase in respect of non-Indigenous people was even greater (15.2%) over the period, the Indigenous to non-Indigenous per person expenditure ratio actually fell (from 0.39:1 in 1998–99 to 0.37:1 in 2001–02).

Spending through OATSIH’s major Indigenous-specific funding programs also showed substantial real increase over the period. The Indigenous component increased by an estimated 32.0% from \$274.47 per person in 1998–99 to \$362.33 in 2001–02. With these particular programs, because their non-Indigenous component was relatively small, a small change in the estimated non-Indigenous use in one year can substantially change the Indigenous to non-Indigenous ratio. This appears to have been the case in the 1998–99 estimates when the per person use by non-Indigenous people was estimated at just under 0.2% of the Indigenous use, compared with 0.6% in 1995–96 and 0.3% in 2001–02.

For both the MBS/PBS expenditures and the spending through OATSIH, the Indigenous to non-Indigenous expenditure ratios were higher in 2001–02 than in 1995–96 (0.37:1 compared with 0.25:1 for Medicare/PBS, and 341.56:1 compared with 172.35:1 for spending under OATSIH).

Table 4.8: Average health expenditure per person by the Australian Government, on selected major programs, constant prices, 1995–96, 1998–99 and 2001–02

Program	1995–96			1998–99			2001–02		
	Indigenous (\$)	Non-Indigenous (\$)	Ratio	Indigenous (\$)	Non-Indigenous (\$)	Ratio	Indigenous (\$)	Non-Indigenous (\$)	Ratio
MBS—Medical only ^(a)	105.06	390.00	0.27	160.47	391.16	0.41	156.68	399.80	0.39
PBS ^(b)	25.64 ^(c)	135.59	0.19	50.46	151.19	0.33	74.82	225.06	0.33
MBS/PBS ^{(a)(b)}	130.70	525.59	0.25	210.93	542.35	0.39	231.50	624.86	0.37
OATSIH-funded ACCHSs	268.76	1.56	172.35	274.47	0.48	566.43	362.33	1.07	340.17

(a) Excludes MBS benefits paid for specified dental services and optometry services, which also attract MBS benefit payments from the Australian Government.

(b) Does not include RPBS benefits for veterans.

(c) Based on the revised current price estimate of \$9.3 million for PBS benefits for Indigenous Australians in 1995–96 (AIHW 2001:42); down from \$9.8 million (Deeble et al 1998: 21). That revision reduced the current price per person estimate from \$26.64 to \$25.28.

Sources: Deeble et al 1998, AIHW 2001, and AIHW Health expenditure database.