

5 International comparisons

The countries included in this comparison are current members of the OECD, and also countries in the Asia-Pacific region. The comparison, which looks at the period from 1994 to 2004, provides an indication of the relative efforts being made to meet the need for health goods and services in countries with similar economic and social structures, or with which Australia has important economic and social links. Differences between countries in terms of what is included as 'health expenditure' complicate the comparison to some extent, so caution is warranted when making comparisons. It is also important to acknowledge that there is no definitive relationship between what a country spends on health and the health status of its population.

Health expenditure by different countries can be compared as a proportion of GDP. This gives a measure of the proportion of a nation's productive effort that is spent on funding its health goods and services. Short term fluctuations in the health to GDP ratio can, however, be misleading because they can reflect movements in GDP as well as in health expenditure.

Health expenditure per person allows for comparisons between countries and within a country over time without the distorting effect of movements in GDP and population size differences. In calculating it, allowance was made for the different purchasing powers of currencies in the various countries. This has been done by using purchasing power parities (PPPs) to convert expenditures in each of the countries first into US dollars and then into Australian dollars. The PPPs used are for the whole of the GDP because of the poor reliability of health-specific ones, particularly in the early part of the period.

For the OECD countries, weighted averages as a whole have been calculated to take into account the proportional relevance of each component. For example, the weighted average of the per person health expenditure is total health expenditure divided by the total OECD population.

5.1 Health expenditure in OECD countries

The OECD median health to GDP ratio for 1994, 1999 and 2004 was respectively 7.7%, 8.0% and 8.9%. Australia's average was higher in each of these years (respectively, 7.9%, 8.4% and 9.6%). A similar story applies to health expenditure in per person terms (Table 43).

The United States was by far the highest spender on health care, spending 15.3% of GDP in 2004 and an average expenditure per person that was around double the amount for Australia (\$8,299 per person compared with \$4,226 for Australia) (Table 43).

In 2004, Australia's three tiers of government funded an average of 67.5% of total health expenditure, which was 5.0 percentage points below the OECD median of 72.5%. Over the decade, the government contribution to the funding of health care in Australia edged up by 1.4 percentage points, while the government share for the OECD overall decreased by 3.0 percentage points (Table 44).

Australia's per person out-of pocket expenditure (\$373 in current prices) was \$40 below the weighted mean in 1994 but \$189 above the weighted mean in 2004 (Table 45). Out-of-pocket expenditure as a percentage of total expenditure, non-government expenditure and HFCE all rose between the two periods. These trends were the reverse of two of the three OECD weighted averages – while out-of-pocket expenditure rose as a percentage of total household final consumption expenditure, it fell as a percentage of total health expenditure and non-government expenditure (Table 45).

Table 43: Health expenditure as a proportion of GDP and per person, OECD countries, 1994 to 2004^(a)

Country	1994		1999		2004	
	Health to GDP (%)	Per person (A\$)	Health to GDP (%)	Per person (A\$)	Health to GDP (%)	Per person (A\$)
United States	13.2	4,638	13.1	5,636	15.3	8,299
Switzerland	9.5	3,260	10.5	3,925	11.6	5,545
Germany	9.9	2,787	10.5	3,327	^(b) 10.9	^(b) 4,057
France	9.3	2,534	9.2	3,004	10.5	4,296
Iceland	8.2	2,360	9.3	3,311	10.2	4,530
Belgium	7.7	2,157	8.5	2,746	^(b) 10.1	^(b) 4,109
Greece	9.7	1,602	9.6	1,908	10.0	2,940
Portugal	7.3	1,220	8.7	1,854	10.0	2,466
Canada	9.5	2,711	9.0	3,130	9.9	4,304
Norway	7.9	2,350	9.4	3,661	9.7	5,394
Australia^(c)	7.9	2,150	8.4	2,830	9.6	4,226
Austria	7.8	2,268	9.6	3,301	9.6	4,249
Netherlands	8.1	2,297	8.0	2,774	9.2	4,136
Sweden	8.1	2,183	8.4	2,753	9.1	3,842
Denmark	8.4	2,416	8.5	2,986	8.9	3,918
Italy	7.5	2,029	7.6	2,412	8.4	3,253
New Zealand	7.1	1,575	7.6	1,979	8.4	2,833
Hungary	8.2	964	7.3	1,065	8.3	1,799
United Kingdom	7.0	1,758	7.1	2,227	8.3	3,463
Spain	7.3	1,470	7.3	1,885	8.1	2,848
Japan	6.7	1,935	7.4	2,378	^(b) 8.0	^(b) 3,036
Luxembourg	5.3	2,515	5.8	3,545	8.0	6,921
Turkey	3.6	247	6.4	510	7.7	789
Finland	7.7	1,848	6.9	2,128	7.5	3,040
Czech Republic	6.9	1,082	6.7	1,210	7.3	1,851
Ireland	6.9	1,482	6.2	2,115	7.1	3,531
Mexico	5.8	566	5.6	610	6.5	900
Poland	5.6	511	5.9	736	6.5	1,095
Slovak Republic	..	..	5.8	750	^(b) 5.9	^(b) 1,049
Korea	4.4	668	4.7	926	5.6	1,563
Weighted average (29)^{(d)(e)}	9.5	2,381	9.8	2,919	11.1	4,182
Median (29)^(d)	7.7	2,029	8.0	2,412	8.9	3,531

(a) See definition of 'OECD financial year' in Box 4.

(b) 2003 data.

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

(d) Excludes the Slovak Republic.

(e) Averages weighted by GDP or population.

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

Sources: AIHW health expenditure database; OECD 2006.

Table 44: Government health expenditure as a proportion of total health expenditure, OECD countries, 1994 to 2004^(a) (per cent)

Country	1994	1999	2004
United States	45.0	43.8	44.7
Mexico	45.0	47.8	46.4
Korea	33.4	45.9	51.4
Greece	50.2	53.4	52.8
Switzerland	54.2	55.3	58.4
Netherlands	72.9	62.7	62.3
Australia^(b)	66.1	70.0	67.5
Poland	72.8	71.1	68.6
Canada	72.0	70.0	69.8
Austria	74.4	70.0	70.7
Spain	75.5	72.0	70.9
Belgium	^(c) 78.5	75.8	^(d) 71.1
Portugal	63.4	67.6	71.9
Turkey	68.9	61.1	72.1
Hungary	87.3	72.4	72.5
Italy	74.4	72.0	76.4
Finland	75.5	75.3	76.6
New Zealand	77.5	77.5	77.4
Germany	80.2	78.5	^(d) 78.2
France	76.0	76.0	78.4
Ireland	71.9	72.8	79.5
Japan	78.6	81.1	^(d) 81.5
Denmark	82.2	82.2	^(e) 82.9
Iceland	83.6	83.6	83.4
Norway	84.6	82.6	83.5
Sweden	87.1	85.7	84.9
United Kingdom	83.9	80.6	85.5
Slovak Republic	..	89.6	^(d) 88.3
Czech Republic	93.9	90.5	89.2
Luxembourg	91.7	89.8	90.4
Weighted average (29)^{(f)(g)}	61.0	59.7	60.0
Median (29)^(f)	75.5	72.4	72.5

(a) See definition of 'OECD financial year' in Box 4.

(b) Expenditure based on the OECD SHA framework.

(c) 1995 data.

(d) 2003 data.

(e) 2002 data.

(f) Excludes the Slovak Republic.

(g) Weighted by total health expenditure.

Sources: AIHW health expenditure database; OECD 2006.

Table 45: Out-of-pocket health expenditure per person, and as shares of total health expenditure, non-government health expenditure and household final consumption expenditure^(a), OECD countries, 1994 and 2004^(b)

Country	1994				2004			
	Per person out-of-pocket expenditure (A\$)	Share of total health (%)	Share of non-govt health (%)	Share of total HFCE (%)	Per person out-of-pocket expenditure (A\$)	Share of total health (%)	Share of non-govt health (%)	Share of total HFCE (%)
Switzerland	1,078	33.1	72.2	5.5	1,769	31.9	76.8	6.3
Greece	n.a.	n.a.	n.a.	n.a.	1,329	45.2	95.7	6.7
United States	717	15.5	28.1	3.0	1,092	13.2	23.8	2.9
Belgium	n.a.	n.a.	n.a.	n.a.	^(c) 968	^(c) 23.5	^(c) 83.5	^(c) 4.5
Norway	348	14.8	96.3	2.5	847	15.7	95.2	3.6
Australia^(d)	373	17.4	51.1	2.3	845	20.0	61.6	3.3
Iceland	387	16.4	100.0	2.4	753	16.6	100.0	3.0
Spain	297	20.2	82.5	2.5	672	23.6	81.0	3.4
Canada	417	15.4	55.1	2.6	642	14.9	49.4	2.7
Italy	455	22.4	87.6	2.9	636	19.6	83.0	2.8
Austria	^(e) 449	^(e) 15.3	^(e) 49.7	^(e) 2.7	624	14.7	50.1	2.6
Korea	370	55.4	83.2	4.7	577	36.9	76.0	4.1
Finland	379	20.5	83.4	3.0	575	18.9	80.9	2.9
Denmark	404	16.7	93.9	2.8	544	13.9	92.8	2.6
Portugal	n.a.	n.a.	n.a.	n.a.	532	21.6	76.8	3.5
Japan	^(e) 312	^(e) 15.3	^(e) 90.2	^(e) 1.9	^(c) 525	^(c) 17.3	^(c) 93.4	^(c) 2.5
New Zealand	253	16.1	71.6	2.0	488	17.2	76.1	2.5
Ireland	220	14.9	53.0	1.9	477	13.5	65.9	2.3
Luxembourg	170	6.8	82.1	0.9	462	6.7	69.9	1.4
Mexico	301	53.2	96.7	4.3	456	50.6	94.4	4.8
Hungary	123	12.7	100.0	1.8	435	24.2	88.0	3.8
Germany	281	10.1	51.2	1.8	^(c) 423	^(c) 10.4	^(c) 47.9	^(c) 2.0
France	280	11.0	45.9	1.8	325	7.6	34.9	1.5
Netherlands	n.a.	n.a.	n.a.	n.a.	324	7.8	20.8	1.5
Poland	139	27.2	100.0	2.5	307	28.1	89.5	2.9
Czech Republic	66	6.1	100.0	0.8	192	10.4	95.5	1.5
Turkey	74	30.1	96.6	1.6	152	19.3	69.1	2.2
Slovak Republic	..	..	..	..	^(c) 123	^(c) 11.7	^(c) 100.0	^(c) 1.2
Sweden	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United Kingdom	195	11.1	68.9	1.3	n.a.	n.a.	n.a.	n.a.
Weighted average (23)^{(f) (g)}	413	16.8	40.3	2.7	656	15.4	36.6	2.8
Median (23)^(f)	312	16.1	83.2	2.5	544	16.6	76.8	2.8

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

(b) See definition of 'OECD financial year' in Box 4.

(c) 2003 data.

(d) Expenditure based on the OECD SHA framework.

(e) 1995 data.

(f) Excludes Belgium, Greece, Netherlands, Portugal, Slovak Republic, Sweden and the United Kingdom.

(g) Averages weighted by population for per person out-of-pocket expenditure and by health expenditure or HFCE for other categories.

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

Sources: AIHW health expenditure database; OECD 2006.

Table 46: Components of growth in health expenditure, selected OECD countries, 1994 to 2004^(a), (per cent)

Country	Nominal growth	Inflation			Real growth		Total
		General	Excess health	Health	Population component	Utilisation component	
Australia ^(b)	8.3	2.5	0.5	2.9	1.2	3.9	5.2
Canada	5.8	1.9	—	1.9	1.0	2.8	3.8
Czech Republic	8.9	5.6	2.0	7.7	-0.1	1.2	1.1
Denmark ^(c)	4.8	1.9	-0.1	1.9	0.4	2.4	2.9
Finland	5.2	1.7	1.1	2.8	0.3	2.0	2.3
France	5.0	1.3	0.2	1.5	0.4	2.9	3.4
Italy	6.0	3.1	-0.5	2.6	0.2	3.2	3.3
Spain ^(c)	7.3	3.4	-0.3	3.1	0.5	3.5	4.1
Sweden ^(d)	6.1	1.6	2.0	3.6	0.2	2.2	2.4
Switzerland ^(e)	4.1	0.6	0.3	0.9	0.5	2.6	3.2
United States	6.8	1.9	1.3	3.2	1.1	2.4	3.5

(a) See definition of 'OECD financial year' in Box 4.

(b) Expenditure based on the OECD SHA framework.

(c) 1994 to 2001.

(d) 1994 to 2002.

(e) 1994 to 2003.

Sources: AIHW health expenditure database; OECD 2006.

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, either from population growth or from more intensive per person use of goods and services. The general rate of inflation is an indication of price pressures that apply throughout the economy, and the rate of excess health inflation indicates additional price rises specific to the health sector. The ability of a nation's health financing system to influence health prices is an important factor in controlling growth in total expenditure on health.

- For the decade to 2004, Australia had an average annual excess health inflation rate of 0.5% which was the fifth highest for this group of 11 countries (Table 46).
- Rates of health inflation were positive for all countries (Table 46).

In order to compare the level of expenditure without the complication of different rates of population growth, it is useful to examine real growth in average per person expenditure on health. For the decade to 2004, Australia had an annual average real growth in per person expenditure of 3.9% (Table 46). This represents extra volumes of health services delivered per Australian: this was the highest of the 11 countries in this group.

5.2 Health expenditure in the Asia–Pacific region

There is a very broad range of economies within the Asia–Pacific region, including highly developed economies like Australia, Japan and South Korea (Tables 43 to 45) as well as developing economies like Malaysia, Thailand, Vietnam, Indonesia and Bangladesh (Table 47).

In 2003 Australia had the third highest health to GDP ratio, at 9.2%. For the other countries in Table 47, Myanmar (2.8%), Indonesia (3.1%) and Bhutan (3.1%)—had very low health to GDP ratios.

Australia (\$3,870 per person) had the highest average expenditure on health while Bhutan (\$16 per person) had the lowest.

There are many reasons underlying these substantial differences between the levels of resourcing for health in these countries. In the case of Myanmar, for example, the funds available to governments to provide support for that country's health system are quite limited. Only 19.4% of total health funding was provided by the government in 2003.

Table 47: Health expenditure comparison for selected Asia-Pacific countries, 2003

Country	Health to GDP (%)	Per person (A\$)	Government to total (%)	Per person out-of-pocket (A\$)	Out-of-pocket to total (%)	Out-of-pocket to non-government (%)
Australia^(a)	9.2	3,870	67.6	761	19.7	60.6
Singapore	4.5	1,484	36.1	922	66.2	97.1
Myanmar	2.8	606	19.4	487	80.3	99.7
Malaysia	3.8	250	58.2	77	30.9	73.8
Fiji	3.7	161	61.3	62	38.7	100.0
Tonga	6.5	157	85.1	17	10.9	72.6
Samoa	5.4	145	79.0	24	16.4	77.9
Thailand	3.3	117	61.6	34	28.1	74.8
China	5.6	94	36.2	53	54.3	87.6
Vanuatu	3.9	83	73.8	10	12.0	45.8
Timor-Leste	9.6	61	75.9	4	6.2	25.6
Cambodia	10.9	51	19.3	36	69.6	86.2
Mongolia	6.7	51	63.8	17	33.0	91.1
Philippines	3.2	48	43.7	21	44.3	78.2
Sri Lanka	3.5	47	45.0	26	48.9	88.9
Indonesia	3.1	46	35.9	22	46.1	74.3
Solomon Islands	4.8	44	93.4	2	3.5	53.1
India	4.8	41	24.8	30	73.4	97.0
Vietnam	5.2	38	29.1	21	56.3	78.9
Papua New Guinea	3.4	35	88.9	3	9.7	87.2
Bangladesh	3.4	22	31.3	13	58.9	85.8
Nepal	5.3	19	27.8	12	66.6	92.2
Lao	3.2	17	38.5	8	46.4	75.5
Bhutan	3.1	16	83.5	3	16.5	100.0

(a) Expenditure based on the OECD SHA framework.

Sources: AIHW health expenditure database, WHO database.

5.3 Australian System of Health Accounts

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 social expenditures to the OECD. The AIHW's responsibilities in this regard include expenditure on welfare services, social security and housing as well as health.

The format that the AIHW uses for its national reports of expenditure on health is based on one adopted by the World Health Organization (WHO) during the 1970s, known as the Australian National Health Accounts (NHA). Australia's reporting format has not changed markedly since the AIHW's first national health expenditure report in 1986, despite considerable change in the way health care is delivered. WHO has recently moved to adopt 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* (OECD 2000), was developed to encourage international consistency in the way health expenditure was reported throughout the OECD membership. This International Classification for Health Accounts (ICHA) classifies expenditure on health in terms of:

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

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

The *provider* classification is a list of health care provider types which 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 OECD System of Health Accounts is the value of total expenditure. The NHA includes all the 'health' and 'health-related' functional classifications – except 'Education and training of health personnel' – in its estimates of total health expenditure. The SHA, on the other hand, includes, as well as the 'health' functions, only HC.R.1 – 'Capital formation of health care provider institutions' – from the 'health-related' functions in its total health expenditure estimates. In 2004, the difference was \$1.9 billion – 2.1% of NHA total health expenditure (Tables 1 and 48).

The AIHW's health expenditure database for all years since 1998–99 is structured in a way that allows simultaneous reporting according to the NHA reporting matrix and the SHA classifications. Through the work of the Health Expenditure Advisory Committee (HEAC) it is expected that an Australian System of Health Accounts will be developed that can be mapped to the OECD's SHA, but which uses terminology that is more relevant to the Australian domestic situation. If this can be 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 2003–04 and 2004–05, following the OECD format.

The definitions of OECD categories can be found at:
<http://www.oecd.org/dataoecd/49/51/21160591.pdf>.

Table 48: Total health expenditure by financing agents, Australia, current prices, 2003–04 and 2004–05

SHA Code	Description	2003–04		2004–05	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
<i>HF.1</i>	<i>General government</i>	52,254	67.6	57,682	67.5
HF.1.1	General government excluding social security funds	52,254	67.6	57,682	67.5
HF.1.1.1	Central government	34,487	44.6	38,233	44.8
HF.1.1.2, 1.1.3	Provincial / local government	17,767	23.0	19,448	22.8
HF.1.2	Social security funds	—	—	—	—
<i>HF.2</i>	<i>Private sector</i>	25,100	32.4	27,744	32.5
HF.2.1	Private social insurance	—	—	—	—
HF.2.2	Private insurance enterprises (other than social insurance)	5,594	7.2	5,685	6.7
HF.2.3	Private household out-of-pocket expenditure	15,207	19.7	17,080	20.0
HF.2.4	Non-profit institutions serving households (other than social insurance)	—	—	—	—
HF.2.5	Corporations (other than health insurance)	4,299	5.6	4,979	5.8
<i>HF.3</i>	<i>Rest of the world</i>	—	—	—	—
Total health expenditure		77,353	100.0	85,426	100.0

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

Source: AIHW health expenditure database.

Table 49: Total health expenditure by mode of production, Australia, current prices, 2003–04 and 2004–05

SHA Code	Description	2003–04		2004–05	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
In-patient care^(a)					
HC.1.1;2.1	Curative & rehabilitative care	24,621	31.8	26,795	31.4
HC.3.1	Long-term nursing care	5,469	7.1	6,013	7.0
Services of day-care					
HC.1.2;2.2	Day cases of curative & rehabilitative care	—	—	—	—
HC.3.2	Day cases of long-term nursing care	—	—	—	—
Out-patient care					
HC.1.3;2.3	Out-patient curative & rehabilitative care	23,131	29.9	26,010	30.4
HC.1.3.1	Basic medical and diagnostic services	8,840	11.4	9,829	11.5
HC.1.3.2	Out-patient dental care	4,603	6.0	5,054	5.9
HC.1.3.3	All other specialised health care	2,257	2.9	2,781	3.3
HC.1.3.9	All other out-patient curative care	5,988	7.7	6,592	7.7
HC.2.3	Out-patient rehabilitative care	1,443	1.9	1,754	2.1
Home care					
HC.1.4;2.4	Home care (curative & rehabilitative)	—	—	—	—
HC.3.3	Home care (long term nursing care)	2	—	27	—
Ancillary services to health care					
HC.4.1	Clinical laboratory	1,271	1.6	1,374	1.6
HC.4.2	Diagnostic imaging	1,455	1.9	1,602	1.9
HC.4.3	Patient transport and emergency rescue	1,278	1.7	1,435	1.7
HC.4.9	All other miscellaneous ancillary services	86	0.1	66	0.1
Medical goods dispensed to out-patients					
HC.5.1	Pharmaceuticals and other medical non-durables	10,322	13.3	10,943	12.8
HC.5.2	Therapeutic appliances and other medical durables	3,060	4.0	3,622	4.2
<i>Total expenditure on personal health care</i>		<i>70,695</i>	<i>91.4</i>	<i>77,886</i>	<i>91.2</i>
HC.6	Prevention and public health services	1,114	1.4	1,252	1.5
HC.7	Health administration and health insurance	2,271	2.9	2,358	2.8
<i>Total expenditure on collective health care</i>		<i>3,384</i>	<i>4.4</i>	<i>3,611</i>	<i>4.2</i>
<i>Total current expenditure on health care</i>		<i>74,079</i>	<i>95.8</i>	<i>81,497</i>	<i>95.4</i>
Health-related functions					
HC.R.1	Capital formation of health care provider institutions	3,274	4.2	3,929	4.6
Total health expenditure		77,353	100.0	85,426	100.0

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

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

Source: AIHW health expenditure database.

Table 50: Total health expenditure by provider, Australia, current prices, 2003–04 and 2004–05

SHA Code	Description	2003–04		2004–05	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
HP.1	Hospitals	27,947	36.1	30,305	35.5
HP.2	Nursing and residential care facilities	5,094	6.6	5,605	6.6
HP.3	Providers of ambulatory health care	24,952	32.3	27,877	32.6
HP.3.1	Offices of physicians	9,727	12.6	11,120	13.0
HP.3.2	Offices of dentists	4,611	6.0	5,064	5.9
HP.3.3–3.9	All other providers of ambulatory health care	10,614	13.7	11,695	13.7
HP.4	Retail sale and other providers of medical goods	13,032	16.8	14,381	16.8
HP.5	Provision and administration of public health programs	1,087	1.4	1,252	1.5
HP.6	General health administration and insurance	5,241	6.8	6,004	7.0
HP.6.1	Government administration of health	3,026	3.9	3,451	4.0
HP.6.2	Social security funds	—	—	—	—
HP.6.3; 6.4; 6.9	Other social insurance	2,216	2.9	2,553	3.0
HP.7	Other industries (rest of the economy)	—	—	—	—
HP.7.1	Occupational health care services	—	—	—	—
HP.7.2	Private households as providers of home care	—	—	—	—
HP.7.9	All other secondary producers of health care	—	—	—	—
HP.9	Rest of the world	—	—	2	—
Total health expenditure		77,353	100.0	85,426	100.0

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

Source: AIHW health expenditure database