

# 6 Total expenditures

This chapter provides information on total expenditures for health services for Aboriginal and Torres Strait Islander people. Spending through private sector programs and local government programs is examined, then drawn together with the information from preceding chapters on expenditures through Commonwealth programs and through State and Territory programs in an analysis of total expenditures. This allows for a description of the source of funds for health services. The differences between funding for Aboriginal and Torres Strait Islander health and non-Indigenous health expenditures are presented.

Finally, decomposition of the changes in expenditure between 1995–96 and 1998–99 is presented.

## Private and local government expenditures

### Expenditures through non-government (private) programs

In the Australian health system not all health services are provided to people through public programs. Services provided through private programs account for around 22% of all health expenditure and so it is important to examine the different elements of this part of the health system. This also provides context for the examinations of expenditure through government programs presented within this report.

The Aboriginal and Torres Strait Islander and non-Indigenous compositions of private sector program expenditures are quite different from those of government program expenditures. Levels of private sector expenditure are very much lower among Aboriginal and Torres Strait Islander people (Table 6.1), reflecting their substantially greater level of socioeconomic disadvantage. The expenditure per person ratio through private sector programs is greatest for non-PBS medicines and appliances, at 0.46:1. The ratio of expenditures through private hospitals is substantially lower at 0.11:1, estimated at \$25 per person for Aboriginal and Torres Strait Islander people and \$222 per person for non-Indigenous people.

The estimates of expenditure for Aboriginal and Torres Strait Islander people using private programs are quite uncertain. Only 4% of Aboriginal and Torres Strait Islander people have private health insurance, so this is used to estimate private health insurance subsidies going to Aboriginal and Torres Strait Islander people. For dental and other private health professional services such as physiotherapy it is clear from a variety of sources, including population surveys, that use is low, but there are no good data to say how low. In 1995–96 it was assumed that Aboriginal and Torres Strait Islander people have 20% of the per person usage of these services that the general population has. This assumption has been also used in 1998–99. For non PBS medicines, data from the household expenditure survey on expenditure of low-

income people in this area have been used to estimate Aboriginal and Torres Strait Islander expenditure.

In total, it is estimated \$60 million (5%) of the total Aboriginal and Torres Strait Islander health services expenditure of \$1,245 million was for private sector services such as private hospitals, private dentists and non-PBS medicines.

**Table 6.1: Estimated private sector expenditures for and by Aboriginal and Torres Strait Islander people and non-Indigenous people, total and per person, 1998–99**

Source	Indigenous		Non-Indigenous		Ratio
	Total (\$m)	Per person (\$)	Total (\$m)	Per person (\$)	
Private hospitals	10	25	4,092	222	0.11
Dental & other professionals	17	42	3,928	213	0.20
Non-PBS medicines	27	66	2,653	144	0.46
Medical (compensable, etc.)	5	11	688	37	0.30
Private health insurance administration	2	5	622	34	0.14
<b>Total expenditure on private sector services</b>	<b>60</b>	<b>148</b>	<b>11,982</b>	<b>650</b>	<b>0.23</b>

*Note:* Part of this private sector expenditure is indirectly funded by the Commonwealth Government through private health insurance subsidies (see Tables 6.2 and 6.3).

*Source:* AIHW Health Expenditure Database.

## Expenditures through local government programs

Local governments have a role in providing community and public health services and aged care services. The expenditure on aged care facilities managed by local governments is included in the Commonwealth programs in Chapter 3. In the community and public health areas it is estimated that local governments manage expenditures of \$200 million (ABS Public Finance Database). It is unknown what proportion of these services are used by Aboriginal and Torres Strait Islander people. It is assumed that usage is in proportion to twice the Aboriginal and Torres Strait Islander population proportion; that is, 4.4% of local government expenditures (\$8 million) is assumed to be for Aboriginal and Torres Strait Islander people. This assumption was used for some of the State health authorities where no data on community health use by Aboriginal and Torres Strait Islander people were available.

## Total expenditures

Details of expenditures through government and private programs are provided in Table 6.2. Expenditures through government programs deliver 95% of the health services used by Aboriginal and Torres Strait Islander people. Comparatively, these programs deliver 74% of total expenditures on health services for non-Indigenous people.

Of expenditure through government programs for and by Aboriginal and Torres Strait Islander people, 69% is for admitted patient services and community and public health.

Total government program expenditures for and by Aboriginal and Torres Strait Islander people were estimated to be \$2,918 per person—1.56 times the amount spent for and by non-Indigenous people through these programs.

Expenditure for and by Aboriginal and Torres Strait Islander people through private programs such as private hospitals, dental, other health professionals and over-the-counter medicines was estimated to be \$60 million. The Indigenous to non-Indigenous ratio of 0.23:1 reflects lower access to private services by Aboriginal and Torres Strait Islander people due to lower income levels and less accessibility to private services in remote areas.

**Table 6.2: Expenditure by program for and by Aboriginal and Torres Strait Islander people and non-Indigenous people, total and per person, 1998–99**

	Total expenditure (\$m)	Indigenous		Non-Indigenous		Ratio Indigenous/non-Indigenous
		Total (\$m)	Per person	Total (\$m)	Per person	
<b>Expenditure through State Government programs</b>						
Acute-care institutions						
Admitted patient services	10,549	453	1,115	10,096	548	2.04
Non admitted patient services	2,687	125	307	2,562	139	2.21
Mental health institutions	491	26	64	465	25	2.53
High-care residential aged care	332	8	19	324	18	1.11
Community and public health	2,787	228	561	2,559	139	4.04
Patient transport	576	35	87	541	29	2.96
Health research	196	6	14	190	10	1.37
Administration	224	15	38	209	11	3.32
<b>Total</b>	<b>17,843</b>	<b>896</b>	<b>2,205</b>	<b>16,947</b>	<b>920</b>	<b>2.40</b>
<i>Per cent of expenditure</i>	<i>37.4</i>	<i>72.0</i>	<i>..</i>	<i>36.5</i>	<i>..</i>	<i>..</i>
<b>Expenditure through Commonwealth Government programs</b>						
Acute-care institutions	186	4	11	181	10	1.07
High-care residential aged care	3,562	32	80	3,530	192	0.42
Community and public health	535	122	299	413	22	13.36
Patient transport	44	8	19	36	2	9.86
Medicare and other medical	8,704	73	179	8,632	468	0.38
PBS drugs	3,627	25	61	3,602	195	0.31
Health research	293	3	7	291	16	0.44
Administration	608	15	36	593	32	1.13
<b>Total</b>	<b>17,558</b>	<b>281</b>	<b>691</b>	<b>17,277</b>	<b>937</b>	<b>0.74</b>
<i>Per cent of expenditure</i>	<i>36.9</i>	<i>22.6</i>	<i>..</i>	<i>37.2</i>	<i>..</i>	<i>..</i>
<b>Expenditure through local government programs</b>						
	<b>214</b>	<b>8</b>	<b>20</b>	<b>206</b>	<b>11</b>	<b>1.78</b>
<i>Per cent of expenditure</i>	<i>0.4</i>	<i>0.6</i>	<i>..</i>	<i>0.4</i>	<i>..</i>	<i>..</i>
<b>Expenditure on private sector services</b>						
Private hospitals	4,102	10	25	4,092	222	0.11
Dental & other professional	3,945	17	42	3,928	213	0.20
Non-prescribed medicines & appliances	2,680	27	66	2,653	144	0.46
Medical (compensable, etc.)	692	5	11	688	37	0.30
Administration	624	2	5	622	34	0.14
<b>Total</b>	<b>12,042</b>	<b>60</b>	<b>148</b>	<b>11,982</b>	<b>650</b>	<b>0.23</b>
<i>Per cent of expenditure</i>	<i>25.3</i>	<i>4.8</i>	<i>..</i>	<i>25.8</i>	<i>..</i>	<i>..</i>
<b>Total</b>	<b>47,657</b>	<b>1,245</b>	<b>3,065</b>	<b>46,412</b>	<b>2,518</b>	<b>1.22</b>

(a) Includes Medicare optometrical and dental as well as medical services.

Source: AIHW Health Expenditure Database.

## Sources of funding

Tables 6.3 and 6.4 look at financing rather than administration. For non-Indigenous Australians, governments met about 68% of recurrent health care costs, with the remainder being privately financed. For Aboriginal and Torres Strait Islander people the proportions were quite different. Governments funded just over 90% of their health costs—\$1,131 million out of \$1,245 million total expenditure. Governments meet a similar proportion of health care costs for non-Indigenous people in low socioeconomic groups (Deeble et al. 1998).

For State Government programs 96% of the funding for Aboriginal and Torres Strait Islander people was public funding, as compared with 89% for non-Indigenous people. For Commonwealth programs it was a similar pattern, with 94% of the funding for Aboriginal and Torres Strait Islander people being public funding, as compared with 85% for non-Indigenous people. And for private sector services, 5% of the funding for Aboriginal and Torres Strait Islander people was subsidised by Government (through private health insurance subsidies), as compared with 12% for non-Indigenous people. The higher public funding for non-Indigenous people in the private sector is due to the fact that much of the Commonwealth private health insurance subsidies eventually goes towards private hospitals, and Aboriginal and Torres Strait Islander people use this area of private services at an even lower rate than other private services—the Indigenous/non-Indigenous ratio for private hospitals is 0.11:1 as compared with a ratio for all private services of 0.23:1 (Table 6.2).

Overall, the ratio of Indigenous to non-Indigenous expenditures per person was 1.64:1 for public funding alone, somewhat higher than the 1995–96 figures of 1.52:1. The difference between the Indigenous/non-Indigenous expenditure ratio for government expenditures and the ratio for all health expenditures of 1.22:1 is explained by the much lower use of private services by Aboriginal and Torres Strait Islander people.

All of the State and Territory outlays were direct; that is, their outlays went through programs and/or authorities which they themselves administered. However, nearly 50% of the Commonwealth's overall contribution was indirect through its sharing of the cost of public hospitals and some other services under the Australian Health Care Agreements, public health funding agreements and other payment arrangements. When these payments by the Commonwealth to the States are included, the two levels of government contributed very similar amounts to funding expenditure on services for Aboriginal and Torres Strait Islander people—\$566 million from the Commonwealth and \$559 million from the States and Territories (Table 6.3).

**Table 6.3: Sources of funding for government and private sector programs for and by Aboriginal and Torres Strait Islander people, 1998–99, (\$m)**

Source of funds	Cwth govt	State govt	Local govt	Total govt	Private	Total
<b>Expenditure through State Govt programs</b>						
Acute-care institutions	259.7	302.9	0.0	562.6	15.3	577.9
Mental health institutions	..	25.6	0.0	25.6	0.4	26.0
High-care residential aged care	2.4	4.1	0.0	6.5	1.4	7.9
Community and public health	31.8	182.8	0.0	214.6	13.3	227.9
Patient transport	..	32.5	0.0	32.5	2.8	35.3
Health research	..	3.3	0.0	3.3	2.5	5.7
Administration	4.9	7.7	0.0	12.6	2.7	15.3
<b>Total</b>	<b>298.7</b>	<b>559.0</b>	<b>0.0</b>	<b>857.6</b>	<b>38.4</b>	<b>896.0</b>
<i>Per cent of expenditure</i>	..	..	..	95.7	4.3	100.0
<b>Expenditure through Commonwealth Government programs</b>						
Acute-care institutions	4.3	0.0	0.0	4.3	..	4.3
High-care residential aged care	27.2	0.0	0.0	27.2	5.1	32.3
Community and public health	121.7	0.0	0.0	121.7	..	121.7
Patient transport	7.8	0.0	0.0	7.8	..	7.8
Medicare and other medical <sup>(a)</sup>	65.6	0.0	0.0	65.6	7.0	72.6
PBS drugs	20.4	0.0	0.0	20.4	4.4	24.8
Health research	2.8	0.0	0.0	2.8	0.0	2.8
Administration	14.7	0.0	0.0	14.7	..	14.7
<b>Total</b>	<b>264.6</b>	<b>0.0</b>	<b>0.0</b>	<b>264.6</b>	<b>16.4</b>	<b>281.0</b>
<i>Per cent of expenditure</i>	..	..	..	94.2	5.8	100.0
<b>Expenditure through local government programs</b>	<b>0.0</b>	<b>0.0</b>	<b>6.0</b>	<b>6.0</b>	<b>2.0</b>	<b>8.1</b>
<b>Expenditure on private sector services</b>						
Private hospitals	1.7	0.0	0.0	1.7	8.3	10.0
Dental & other professional	0.6	0.0	0.0	0.6	16.4	17.0
Non-prescribed medicines & appliances	0.1	0.0	0.0	0.1	26.8	26.9
Medical (compensable, etc.)	0.0	0.0	0.0	0.0	4.5	4.5
Administration	0.4	0.0	0.0	0.4	1.5	1.9
<b>Total</b>	<b>2.7</b>	<b>0.0</b>	<b>0.0</b>	<b>2.7</b>	<b>57.5</b>	<b>60.2</b>
<i>Per cent of expenditure</i>	..	..	..	4.5	95.5	100.0
<b>Total funding</b>	<b>566.0</b>	<b>559.0</b>	<b>6.0</b>	<b>1,131.0</b>	<b>114.3</b>	<b>1,245.2</b>
<i>Per cent of expenditure</i>	..	..	..	90.8	9.2	100.0

(a) Includes Medicare optometrical and dental as well as medical services.

Source: AIHW Health Expenditure Database.

**Table 6.4: Sources of funding for government and private sector programs for and by non-Indigenous people, 1998–99 (\$m)**

Source of funds	Cwth govt	State govt	Local govt	Total govt	Private	Total
<b>Expenditure through State Government programs</b>						
Acute-care institutions	5,687	5,709	0.0	11,396	1,263	12,659
Mental health institutions		444	0	444	21	465
High-care residential aged care	196	42	0	238	85	324
Community and public health	197	2,233	0	2,431	128	2,559
Patient transport		208	0	208	333	541
Health research		190	0	190	0	190
Administration	67	102	0	169	40	209
<b>Total</b>	<b>6,148</b>	<b>8,929</b>	<b>0</b>	<b>15,077</b>	<b>1,870</b>	<b>16,947</b>
<i>Per cent of expenditure</i>	..	..	..	89.0	11.0	100.0
<b>Expenditure through Commonwealth Government programs</b>						
Acute-care institutions	181	0	0	181		181
High-care residential aged care	2,787	0	0	2,787	743	3,530
Community and public health	413	0	0	413		413
Patient transport	36	0	0	36		36
Medicare and other medical <sup>(a)</sup>	7,485	0	0	7,485	1,146	8,632
PBS drugs	3,005	0	0	3,005	597	3,602
Health research	172	0	0	172	119	291
Administration	593	0	0	593		593
<b>Total</b>	<b>14,672</b>	<b>0</b>	<b>0</b>	<b>14,672</b>	<b>2,605</b>	<b>17,277</b>
<i>Per cent of expenditure</i>	..	..	..	84.9	15.1	100.0
<b>Expenditure through local government programs</b>						
	<b>0</b>	<b>0</b>	<b>165</b>	<b>165</b>	<b>42</b>	<b>206</b>
<b>Expenditure on private sector services</b>						
Private hospitals	1,052	0	0	1,052	3,040	4,092
Dental & other professional	182	0	0	182	3,746	3,928
Non-prescribed medicines & appliances	50	0	0	50	2,603	2,653
Medical (compensable, etc.)	0	0	0	0	688	688
Administration	129	0	0	129	494	622
<b>Total</b>	<b>1,412</b>	<b>0</b>	<b>0</b>	<b>1,412</b>	<b>10,570</b>	<b>11,982</b>
<i>Per cent of expenditure</i>	..	..	..	11.8	88.2	100.0
<b>Total funding</b>	<b>22,231</b>	<b>8,929</b>	<b>165</b>	<b>31,325</b>	<b>15,087</b>	<b>46,412</b>
<i>Per cent of expenditure</i>	..	..	..	67.5	22.5	100.0

(a) Includes Medicare optometrical and dental as well as medical services.

Source: AIHW Health Expenditure Database.

## **Changes in health expenditures from 1995–96 to 1998–99**

Health services expenditure for Aboriginal and Torres Strait Islander people in 1995–96 was estimated to be \$853 million. The 1998–99 estimate was \$1,245 million. The inflation-adjusted change in per person expenditure was 28%. (Population growth between the three years was 6.5% and health inflation was 6.6%.) Some of this change was due to methodological changes between the first and second reports; some reflected statistical error; and some was due to increases in the volume of services delivered.

The difference between the two estimates is \$392 million (nominal), of which \$252 million (65%) was in State Government programs, and \$107 million was in Commonwealth Government programs.

### **Changes in expenditures through State Government programs**

The change in the State Government program expenditure estimates from \$645 million in 1995–96 to \$897 million in 1998–99 was divided between increases in admitted patient expenditure and changes in the estimates of other expenditures such as community and public health services. The admitted patient expenditure increase was driven by an increase in hospital separation rates per 1,000 population of 16% for Aboriginal and Torres Strait Islander people, compared with an increase in separations per 1,000 population for the general population of 4%.

Between 1995–96 and 1998–99 population growth was 6.5% and health inflation was 6.6%. The inflation adjusted change in per person expenditure was 22% (Table 6.5).

Out of the 22%, at least 12% was documented increases in the volume of health services, and the remaining change was due to different methods, statistical error and possible other real growth. In contrast, inflation-adjusted expenditure through State Government programs per non-Indigenous person increased about 11% in this period.

There were methodological changes between the first and second reports, such as an extra 5% loading given for admitted patients for the higher cost intensity per day in treating Aboriginal and Torres Strait Islander patients. Also in a number of instances the States and Territories were able to give more comprehensive estimates of the costs of providing health services for Aboriginal and Torres Strait Islander people; for example, the Australian Capital Territory 1995–96 estimates were clearly an underestimate, but this has been corrected in the 1998–99 estimates.

### **Changes in expenditures through Commonwealth Government programs**

There was a 20% documented increase in the per person volume of health services for Aboriginal and Torres Strait Islander people between 1995–96 and 1998–99 through Commonwealth programs. The remaining change of 19% was due to

different methods, statistical error and possible other real growth (see conclusion to Chapter 3).

It is difficult to comprehensively decompose and identify the reasons for the growth in these estimates. However, substantial growth in the volume of services delivered to Aboriginal and Torres Strait Islander people through Indigenous-specific Commonwealth programs has occurred.

**Table 6.5: Expenditure for Aboriginal and Torres Strait Islander people, 1995–96 and 1998–99, constant prices<sup>(a)</sup>**

Area of expenditure	1995–96		1998–99		1998–99/ 1995–96 Indigenous per person expenditure ratio
	Total (\$m)	Per person Indigenous	Total (\$m)	Per person Indigenous	
Admitted patient expenditure	352	923	441	1,084	1.17
Other through the States' expenditure	316	829	431	1,060	1.28
<i>Total through the States' programs</i>	<i>669</i>	<i>1,753</i>	<i>871</i>	<i>2,145</i>	<i>1.22</i>
Indigenous-specific Commonwealth programs	93	244	118	290	1.19
Medicare/PBS benefits	44	114	78	191	1.67
Other Commonwealth programs	38	98	62	152	1.55
Private funding <sup>(b)</sup> of Commonwealth programs	7	18	16	39	2.21
<i>Total through Commonwealth Government (excluding grants to States)</i>	<i>181</i>	<i>474</i>	<i>273</i>	<i>672</i>	<i>1.42</i>
<i>Total through Commonwealth &amp; State Government programs</i>	<i>849</i>	<i>2,227</i>	<i>1,145</i>	<i>2,817</i>	<i>1.26</i>
Through local government expenditure	4	10	8	19	2.02
Private sector (estimated)	31	82	59	144	1.77
<b>Total recurrent expenditure</b>	<b>884</b>	<b>2,318</b>	<b>1,211</b>	<b>2,981</b>	<b>1.29</b>

(a) Constant price health services expenditures are expressed in chain volume measures, referenced to the year 1997–98.

(b) 'Private funding' includes funding from out-of-pocket payments by patients, health insurance funding and other funding sources such as workers' compensation.

Source: AIHW Health Expenditure Database.

## Overall changes in expenditures from 1995–96 to 1998–99

Due to changes in methods used in the two years and inherent errors in the estimating processes, it is difficult to ascertain the extent of the change in health funding for Aboriginal and Torres Strait Islander people between 1995–96 and 1998–99. An analysis of the impact of statistical and methodological changes on the differences in expenditure estimates in the two studies suggests that there has been an increase in inflation-adjusted per person health service expenditure for Aboriginal and Torres Strait Islander people in the period which is at most 29% and at least 15%.

Table 6.6 shows, by program, changes in the per person constant price estimates for which there was documentary support—and which were unquestionably real—

(column 2), and those where differences in sources and methods make the real content uncertain (column 3). The two were of approximately equal importance. However, there were elements of real change in the second category, so that the true difference between 1995–96 and 1998–99, though clearly less than 29%, was certainly more than 15%.

By comparison, the increase in constant price health services expenditure per person for non-Indigenous people in this period was 10%.

**Table 6.6: Changes in health services expenditure per Aboriginal and Torres Strait Islander person from 1995–96 to 1998–99, 1997–98 prices (per cent)**

<b>Type of program</b>	<b>Documented (real) change %</b>	<b>Additional changes: changes in methods, new data sources and real changes not documented %</b>	<b>Total %</b>	<b>Per cent total expenditure</b>
State & Territory programs	12	9	22	72.0
Commonwealth programs	20	19	42	22.6
Other sectors	30	38	79	5.5
<b>All programs</b>	<b>15</b>	<b>12</b>	<b>29</b>	<b>100.0</b>

*Source:* AIHW Health Expenditure Database.