

# 2 Total government and non-government expenditure and funding

## Introduction

It is estimated that, in 2001–02, \$1.18 was spent on health goods and services for Aboriginal and Torres Strait Islander peoples for every dollar spent on non-Indigenous people. That was less than the ratio of Indigenous to non-Indigenous spending reported in the second study into health expenditure for Indigenous Australians (AIHW 2001). The decline in the relativity between spending on health for Indigenous Australians and non-Indigenous people occurred despite the continued poorer health status of Indigenous Australians and recognition by all levels of government of the need to address this imbalance.

The relatively small differential between average health expenditures per person for Indigenous and non-Indigenous people results from the interaction of several differences in:

- the volume and mix of health goods and services provided to the two groups; and
- the costs of providing given types of services to the two groups.

Indigenous people generally experience much higher rates of morbidity; for example, their average rate of separation from hospitals is about double that of their non-Indigenous counterparts (AIHW 2005a:168–9). On the other hand, the mix of high and low cost services provided to the two groups is different—for example, separations for Indigenous people are more likely to relate to lower cost interventions (such as dialysis) than those for their non-Indigenous counterparts.

The average cost of given services provided to Aboriginal and Torres Strait Islander peoples reflects the fact that a greater proportion of Indigenous Australians live in remote and very remote regions where the costs of providing goods and services tend to be higher.

## Expenditure and funding

This report provides estimates of recurrent expenditure and funding for health goods and services for Aboriginal and Torres Strait Islander peoples and compares these with estimates of expenditure and funding for non-Indigenous people. It does not include expenditure on health capital, such as expenditure on hospital buildings and purchases of large items of equipment. The distinction between expenditure and funding is explained in Box 2.1.

For expenditures, an estimated 70.5% was related to programs for which state and territory governments and local governments were responsible (Table 2.2). Australian Government programs accounted for most (23.4%) of the remainder.

Governments are estimated to have provided 92.7% of the funding for expenditures on health goods and services for Aboriginal and Torres Strait Islander peoples in 2001–02. The states and territories contributed 49.5% and the Australian Government, an estimated 43.1%

(Table 2.4). The rest came from non-government sources – injury compensation insurers, private health insurers and out-of-pocket payments by users of services.

### **Box 2.1: Defining health expenditure and funding**

*When examining how much is spent on health and who provides the funds for that spending, two concepts are used – funding and expenditure. These concepts, while related, are quite distinct.*

#### **Health expenditure**

*Health expenditure is reported in terms of who incurs the expenditure, rather than who provides the funds to pay for that expenditure. For example in the provision of public hospital services, nearly all the expenditure (that is, expenditure on medical and surgical supplies, drugs, salaries of doctors and nurses, etc.) is incurred by the states and territories.*

#### **Health funding**

*Health funding is reported on the basis of who ultimately provides the funds that are used to pay for health goods and services, not who actually buys the inputs that are used up in the production of the related goods and services. In the case of public hospital care, although the states and territories incur most of the related expenditure, the Australian Government and the states and territories each provide around half of the funding that is used to pay for the services. Some other funding comes from private health insurers (for insured patients) and from individuals who choose to be treated as private patients and pay any fees charged. There is also some non-government funding that hospitals receive from injury compensation insurers.*

## **Expenditure on health goods and services**

Expenditure on health goods and services for Aboriginal and Torres Strait Islander peoples during 2001–02 was estimated at \$1,788.6 million (Table 2.1). About 62.7% of this was directed to two areas of expenditure – services provided to admitted patients in acute-care hospitals (\$682.5 million) and community health services (\$439.9 million).

On a per person basis, estimated expenditure on health for Aboriginal and Torres Strait Islander peoples averaged \$3,900.83, compared with \$3,308.35 for non-Indigenous people – a ratio of 1.18:1.

Four major areas of expenditure had above parity Indigenous to non-Indigenous per capita expenditure ratios (Figure 2.1). These were community health services, public health activities, non-admitted patient services and admitted patient services.

Community health services cover a broad range of non-institutional health care provision, including maternal and child health clinics, dental services, mental health services, alcohol and drug treatment programs, family planning services and some medical services provided by salaried doctors who do not bill Medicare. They include all the services provided by Aboriginal Community Controlled Health Services (ACCHSs) except those by doctors entitled to bill Medicare under special (Section 19(2)) arrangements. In many cases, community health services may have acted as substitutes for other, often privately provided, services (such as dental, medical and other professional services) that non-Indigenous people were more likely to access.

Expenditure on Aboriginal and Torres Strait Islander peoples was substantially lower than for other Australians for medical services, services for older people and pharmaceuticals.

**Table 2.1: Total expenditure<sup>(a)</sup> on health, Indigenous and non-Indigenous people, by type of health good or service, current prices, Australia, 2001–02**

Health good or service type	Total expenditure (\$ million)			Expenditure per person (\$)		
	Indigenous	Non-Indigenous	Indigenous share (%)	Indigenous	Non-Indigenous	Ratio
Hospitals	849.5	21,456.9	3.8	1,852.75	1,132.01	1.64
Admitted patient services	682.5	17,927.4	3.7	1,488.38	945.80	1.57
Private hospitals	11.5	5,057.1	0.2	25.08	266.80	0.09
Public hospitals	671.0	12,870.2	5.0	1,463.30	679.00	2.16
Non-admitted patient services	142.4	3,116.5	4.4	310.57	164.42	1.89
Emergency departments	34.6	615.7	5.3	75.51	32.48	2.32
Other services	107.8	2,500.8	4.1	235.06	131.94	1.78
Public (psychiatric) hospitals	24.7	413.0	5.6	53.80	21.79	2.47
Medical services	99.6	11,112.5	0.9	217.19	586.27	0.37
Medicare benefit items	75.9	9,185.4	0.8	165.47	484.60	0.34
Other	23.7	1,927.2	1.2	51.72	101.67	0.51
Community health services <sup>(b)(c)</sup>	439.9	2,810.5	13.5	959.30	148.27	6.47
Dental services <sup>(b)</sup>	21.8	3,734.2	0.6	47.59	197.01	0.24
Other professional services	16.9	2,252.4	0.7	36.76	118.83	0.31
Pharmaceuticals	66.2	9,011.6	0.7	144.36	475.43	0.30
Benefit-paid <sup>(d)</sup>	42.3	5,471.8	0.8	92.20	288.68	0.32
Other pharmaceuticals	23.9	3,539.8	0.7	52.16	186.75	0.28
Aids and appliances	15.8	2,474.0	0.6	34.51	130.52	0.26
Services for older people	49.9	4,591.6	1.1	108.83	242.24	0.45
Patient transport	62.8	892.7	6.6	136.95	47.09	2.91
Public health activities	72.5	1,029.9	6.6	158.15	54.33	2.91
Other health services (nec)	50.6	1,458.9	3.4	110.44	76.97	1.43
Health administration (nec)	43.1	1,883.6	2.2	93.99	99.37	0.95
<b>Total</b>	<b>1,788.6</b>	<b>62,708.9</b>	<b>2.8</b>	<b>3,900.83</b>	<b>3,308.35</b>	<b>1.18</b>

(a) Total expenditure by type of health good or service is the same as total funding (refer to Box 2.1).

(b) Community health services include state and territory government expenditure on dental services.

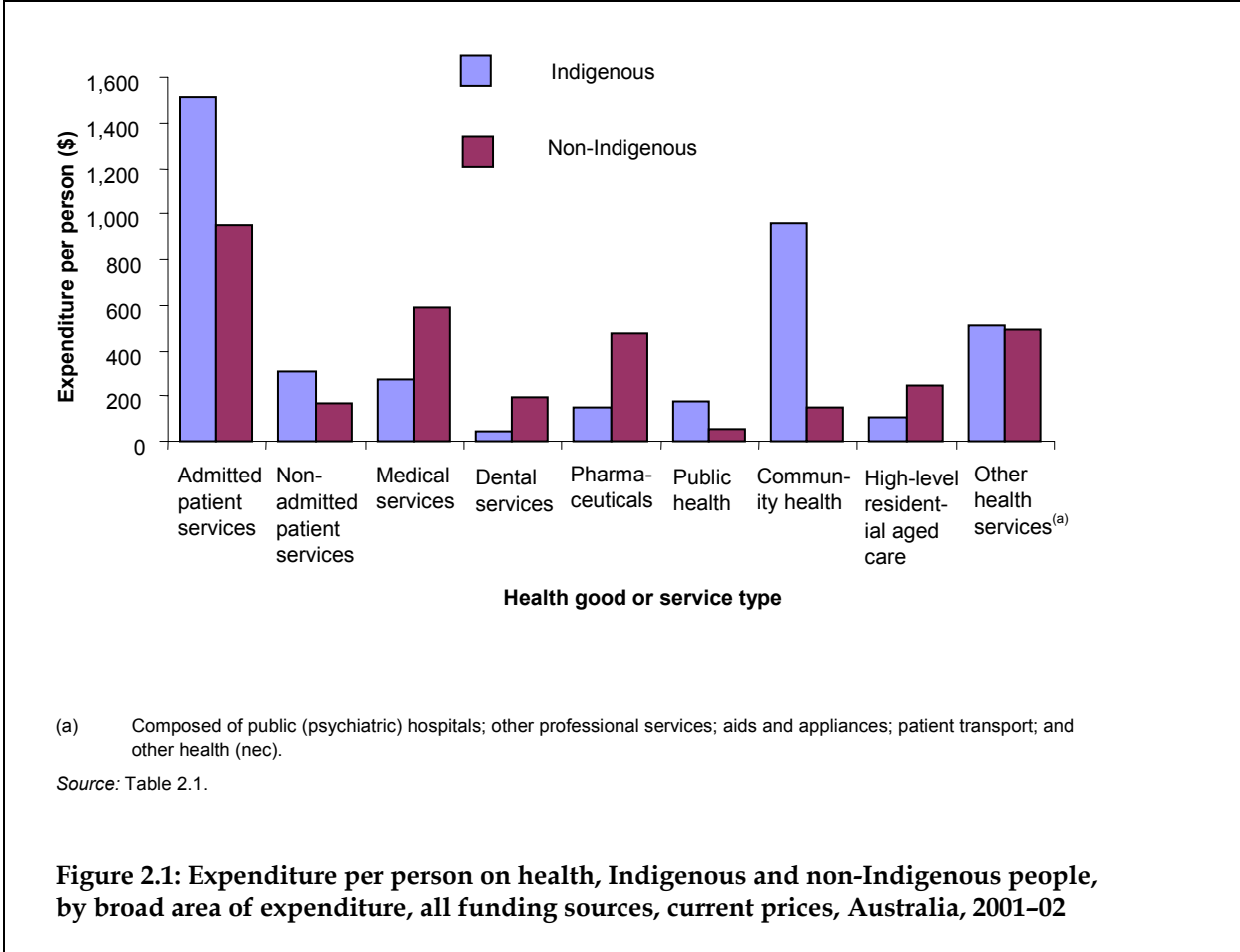
(c) Includes \$186.3 million in OATSIH expenditure through the ACCHSs. The Indigenous ratio for the non-ACCHS component of community health is estimated at 4.06:1 and for the non-ACCHS component of total at 1.07:1.

(d) Includes estimates of benefits via the PBS and RPBS.

Source: AIHW Health expenditure database.

Almost three-quarters (70.5%) of the expenditure on many of the major health goods and services for Aboriginal and Torres Strait Islander peoples were provided through state and local government programs, which included some Australian Government and non-government expenditure. Almost half of that (\$849.5 million or 47.5%) was for services provided by hospitals. (These expenditures are discussed in detail in Chapter 5.) Dialysis services were estimated to account for some \$28.2 million of Indigenous expenditure on hospital services (AIHW unpublished data).

Programs managed by the Australian Government, including Medicare and the PBS, accounted for nearly a quarter of expenditure (23.4%) (see Chapter 4). Only 6.2% of expenditure was through non-government programs – mainly for dental services, non-benefit pharmaceuticals, and aids and appliances. These were essentially services that did not attract large amounts of direct government funding. Also, they were services for which the levels of utilisation and expenditure were influenced by private health insurance coverage rates (see Chapter 6).



**Table 2.2: Expenditure on health for Aboriginal and Torres Strait Islander peoples, by program, 2001–02**

Program responsibility	Total expenditure (\$ million)	Per cent of total
Through state and local government programs <sup>(a)</sup>	1,260.5	70.5
Through Australian Government programs <sup>(b)</sup>	418.1	23.4
Australian Government Health and Ageing portfolio programs	408.8	22.9
Medicare and PBS <sup>(b)</sup>	118.4	6.6
Indigenous-specific programs <sup>(c)</sup>	218.3	12.2
Other Health and Ageing portfolio programs	72.1	4.0
Department of Veterans' Affairs programs	9.3	0.5
RPBS	1.3	0.1
Other DVA programs	8.1	0.5
Non-government health services <sup>(d)</sup>	110.0	6.2
<b>Total</b>	<b>1,788.6</b>	<b>100.0</b>

(a) Includes Australian Government direct expenditure of \$9.1 million on public hospitals.

(b) Patient co-payments of \$10.8 million under Medicare and PBS are included here, although they are shown elsewhere in this report as expenditures incurred by the non-government sector.

(c) Excludes benefits paid for medical services under exclusions from Section 19(2) of the *Health insurance act 1973* and for pharmaceuticals under Section 100 of the *National health act 1953* in respect of remote area AHSs.

(d) Includes private hospital services, dental services, other professional services and health aids and appliances.

Source: AIHW Health expenditure database.

## Expenditure on primary and secondary/tertiary services

Primary health services are those provided to whole populations (community health services and public health activities) and those provided in, or flowing from, a patient-initiated contact with a health service. Secondary and tertiary services are those generated within the system by referral, hospital admission, etc. Because such distinctions are not always easy to make, there is some approximation in these estimates.

Average expenditures per person on both primary and secondary/tertiary care services were higher for Indigenous Australians than for non-Indigenous people, although the ratio was somewhat higher for primary care – 1.23:1 compared with 1.14:1 (Table 2.3). Higher Indigenous spending on primary care services came largely from a much higher Aboriginal and Torres Strait Islander use of community health services (including those provided through the ACCHSs). The higher Indigenous spending on secondary/tertiary services was largely in hospitals. Average spending on hospital services for non-Indigenous people was lower, but their expenditure on medical services and pharmaceuticals was almost three times as great.

**Table 2.3: Estimated expenditure on primary and secondary/tertiary health services, by area of expenditure and Indigenous status, 2001-02**

Health good or service type	Primary				Secondary/tertiary			
	Total (\$ million)		Per person (\$)		Total (\$ million)		Per person (\$)	
	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous
Hospitals	71.2	1,558.3	155.29	82.21	778.3	19,898.6	1,697.47	1,049.80
Admitted patient services	n.a.	n.a.	n.a.	n.a.	682.5	17,927.4	1,488.38	945.80
Non-admitted patient services	71.2	1,558.3	155.29	82.21	71.2	1,558.3	155.29	82.21
Public (psychiatric) hospitals	n.a.	n.a.	n.a.	n.a.	24.7	413.0	53.80	21.79
Medical services	82.9	7,071.0	180.79	373.05	16.7	4,041.6	36.40	213.22
MBS services	59.2	5,143.8	129.06	271.37	16.7	4,041.6	36.40	213.22
Other	23.7	1,927.2	51.72	101.67	n.a.	n.a.	n.a.	n.a.
Community health services <sup>(a)</sup>	439.9	2,810.5	959.30	148.27	n.a.	n.a.	n.a.	n.a.
Dental services <sup>(b)</sup>	21.8	3,734.2	47.59	197.01	n.a.	n.a.	n.a.	n.a.
Other professional services	8.4	1,126.2	18.38	59.42	8.4	1,126.2	18.38	59.42
Pharmaceuticals	59.6	7,479.6	129.93	394.61	6.6	1,532.0	14.44	80.82
Aids and appliances	14.2	2,053.4	31.06	108.33	1.6	420.6	3.45	22.19
Services for older people	n.a.	n.a.	n.a.	n.a.	49.9	4,591.6	108.83	242.24
Patient transport	31.4	178.5	68.48	9.42	31.4	714.1	68.48	37.68
Public health activities	72.5	1,029.9	158.15	54.33	n.a.	n.a.	n.a.	n.a.
<b>Total<sup>(c)</sup></b>	<b>801.9</b>	<b>27,041.7</b>	<b>1,748.96</b>	<b>1,426.64</b>	<b>892.9</b>	<b>32,324.7</b>	<b>1,947.45</b>	<b>1,705.36</b>
<i>Ratio: Indigenous/non-Indigenous</i>	<i>1.23:1</i>				<i>1.14:1</i>			

(a) Includes expenditure on dental services by state and territory governments.

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

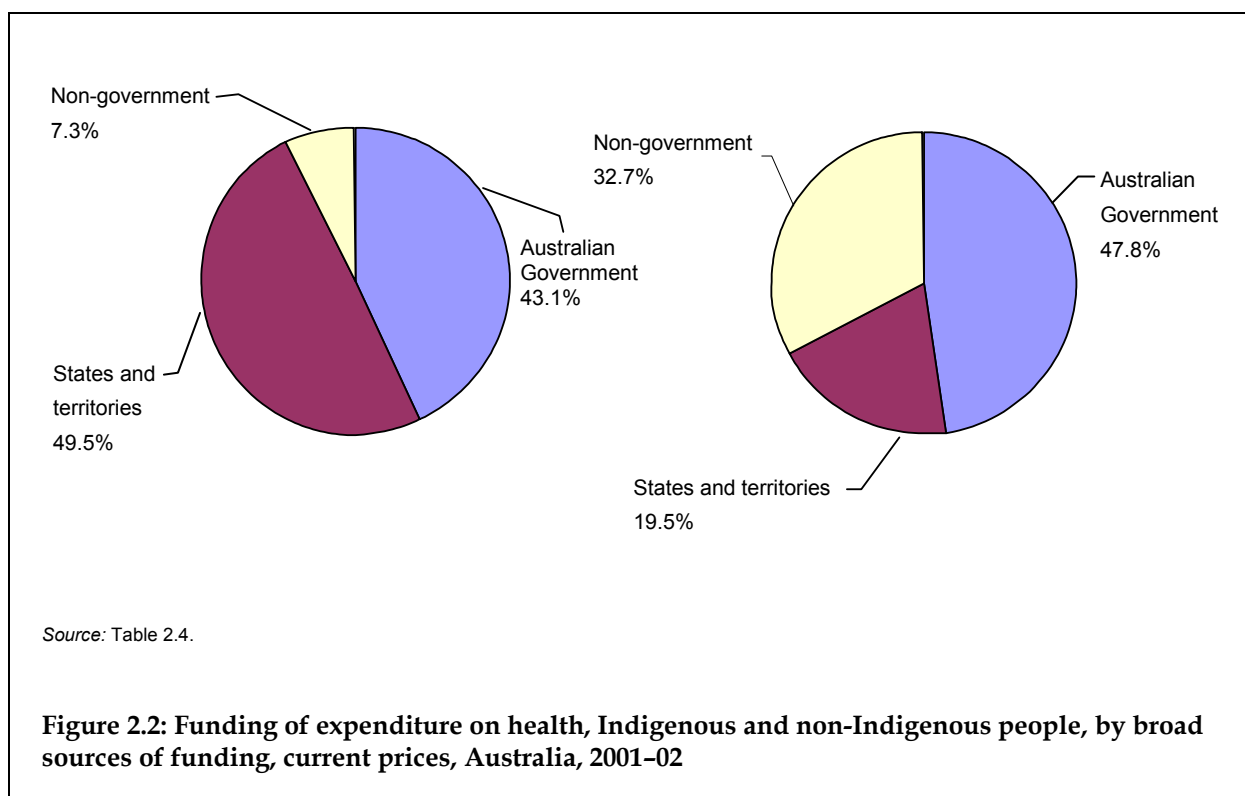
(c) Excludes expenditure on health administration and health services (nec).

Source: AIHW Health expenditure database.

## Funding of health services

Governments provided an estimated 92.7% of the funding used to pay for health goods and services for Aboriginal and Torres Strait Islander peoples during 2001–02 (Table 2.4).

The shares of funding provided by both the state and territory governments and the non-government sector for Indigenous Australians were quite different from their relative shares in respect of non-Indigenous people. The states and territories provided nearly half (49.5%) of the funding for Aboriginal and Torres Strait Islander peoples, compared with 19.5% for non-Indigenous Australians. Non-government sources, on the other hand, provided a much lower share (7.3%) of the funding for services for Indigenous people than for non-Indigenous people (32.7%). The Australian Government's funding was similar for both groups – 43.1% for Indigenous Australians and 47.8% for non-Indigenous people.



The main reason for the differences between Indigenous and non-Indigenous funding shares of the states and territories and non-government sources was the greater reliance by Aboriginal and Torres Strait Islander peoples on publicly provided services, particularly public hospitals and community health services, combined with their lower use of privately provided services. This is not surprising given the relatively poorer socioeconomic position of Aboriginal and Torres Strait Islander peoples.

**Table 2.4: Health funding for Indigenous and non-Indigenous people, by service type and broad sources of funding, current prices, Australia, 2001-02 (\$ million)**

Health good or service type	Australian Government funding		State and territory government funding		Non-government funding		Total funding = total expenditure	
	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous
Admitted patient services	294.0	7,977.0	373.4	5,628.8	15.1	4,321.6	682.5	17,927.4
Private hospitals	6.2	1,753.8	1.6	172.9	3.7	3,130.5	11.5	5,057.1
Public hospitals	287.8	6,223.1	371.8	5,456.0	11.4	1,191.1	671.0	12,870.2
Non-admitted patient services	58.9	1,459.8	75.6	1,484.3	7.9	172.4	142.4	3,116.5
Emergency departments	13.9	307.3	18.8	273.6	2.0	34.7	34.6	615.7
Other services	45.1	1,152.4	56.8	1,210.7	5.9	137.7	107.8	2,500.8
Public (psychiatric) hospitals	—	0.2	23.6	394.6	1.1	18.2	24.7	413.0
Medical services	84.5	8,876.3	—	—	15.1	2,236.2	99.6	11,112.5
Community health services <sup>(a)</sup>	167.7	40.5	271.9	2,762.5	0.3	7.5	439.9	2,810.5
Dental services <sup>(b)</sup>	1.5	349.1	—	—	20.3	3,385.1	21.8	3,734.2
Other professional services	6.6	556.5	—	—	10.2	1,695.9	16.9	2,252.4
Pharmaceuticals	36.0	4,690.2	1.5	0.7	28.7	4,320.8	66.2	9,011.6
Services for older people	30.5	3,379.2	11.7	420.0	7.7	792.4	49.9	4,591.6
Patient transport	12.6	121.0	47.6	327.7	2.6	443.9	62.8	892.7
Public health activities	31.2	557.5	41.3	472.3	—	—	72.5	1,029.9
Other health services <sup>(c)</sup>	47.9	1,958.0	39.1	719.2	22.5	3,139.3	109.6	5,816.6
<b>All health goods and services</b>	<b>771.5</b>	<b>29,965.2</b>	<b>885.7</b>	<b>12,210.2</b>	<b>131.4</b>	<b>20,533.5</b>	<b>1,788.6</b>	<b>62,708.9</b>
<i>Share of total funding</i>	<i>43.1</i>	<i>47.8</i>	<i>49.5</i>	<i>19.5</i>	<i>7.3</i>	<i>32.7</i>	<i>100.0</i>	<i>100.0</i>
Expenditure per person (\$)	1,682.54	1,580.88	1,931.66	644.18	286.63	1,083.29	3,900.83	3,308.35
Ratio (Indigenous/Non-Indigenous)	1.06:1		3.00:1		0.26:1		1.18:1	

(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.



In terms of the total amount provided, the top three areas of funding for Indigenous Australians were:

- services to admitted patients in acute-care hospitals (\$682.5 million);
- community health services (\$439.9 million); and
- non-admitted patient services in acute-care hospitals (\$142.4 million) (Table 2.4).

For non-Indigenous people, the top three areas were admitted patient services in acute-care hospitals (\$17,927.4 million), medical services (\$11,112.5 million) and pharmaceuticals (\$9,011.6 million). Of the funding for admitted patient services, more than one-quarter (28.2%) was for private hospitals, compared with only 1.7% in the case of Indigenous people.

## **Funding of primary and secondary/tertiary health services**

Government funding was evenly apportioned between primary and secondary/tertiary health services. The Australian Government's funding of primary health care (\$341.8 million) represented 42.6% of its total funding of health services for Aboriginal and Torres Strait Islander peoples (Table 2.5). Similarly, 47.0% of funding by state and territory governments was for primary health care. Funding for community health services was the largest component of state and territory government funding for primary care.

For secondary/tertiary care, the shares were broadly similar in respect of Indigenous Australians, although the contribution by the states and territories was slightly higher (Table 2.6). For the non-Indigenous population, the Australian Government's share was much higher. This was mainly because the funding programs for which it had primary responsibility – Medicare, PBS and residential aged care subsidy – relate to goods and services for which Indigenous use was lowest.

**Table 2.5: Funding of primary health care for Indigenous and non-Indigenous people, by service types and broad sources of funding, current prices, Australia, 2001-02 (\$ million)**

Health good or service type	Australian Government funding		State and territory government funding		Non-government funding		Total funding = total expenditure	
	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous
Hospitals	29.5	729.9	37.8	742.2	3.9	86.2	71.2	1,558.3
Non-admitted patient services	29.5	729.9	37.8	742.2	3.9	86.2	71.2	1,558.3
Medical services	68.7	5,542.0	—	—	14.2	1,529.0	82.9	7,071.0
Medicare	56.0	4,243.7	—	—	3.1	900.1	59.2	5,143.8
Other	12.7	1,298.3	—	—	11.0	628.9	23.7	1,927.2
Community health services <sup>(a)</sup>	167.7	40.5	271.9	2,762.5	0.3	7.5	439.9	2,810.5
Dental services <sup>(b)</sup>	1.5	349.1	—	—	20.3	3,385.1	21.8	3,734.2
Other professional services	3.3	278.3	—	—	5.1	848.0	8.4	1,126.2
Pharmaceuticals	32.4	3,892.8	1.3	0.6	25.8	3,586.3	59.6	7,479.6
Aids and appliances	1.3	162.9	0.6	38.8	12.4	1,851.8	14.2	2,053.4
Patient transport	6.3	24.2	23.8	65.5	1.3	88.8	31.4	178.5
Public health activities	31.2	557.5	41.3	472.3	—	—	72.5	1,029.9
<b>All health goods and services<sup>(c)</sup></b>	<b>341.8</b>	<b>11,577.1</b>	<b>376.8</b>	<b>4,081.9</b>	<b>83.3</b>	<b>11,382.6</b>	<b>801.9</b>	<b>27,041.7</b>
<i>Share of total funding</i>	<i>42.6</i>	<i>42.8</i>	<i>47.0</i>	<i>15.1</i>	<i>10.4</i>	<i>42.1</i>	<i>100.0</i>	<i>100.0</i>

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

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

(c) Excludes expenditure on health administration and health services (nec).

Source: AIHW Health expenditure database.

**Table 2.6: Funding of secondary/tertiary health care for Indigenous and non-Indigenous people, by service types and broad sources of funding, current prices, Australia, 2001-02 (\$ million)**

Health good or service type	Australian Government funding		State and territory government funding		Non-government funding		Total funding = total expenditure	
	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous	Indigenous	Non-Indigenous
Hospitals	323.4	8,707.0	434.8	6,765.6	20.1	4,426.0	778.3	19,898.6
Admitted patient services	294.0	7,977.0	373.4	5,628.8	15.1	4,321.6	682.5	17,927.4
Non-admitted patient services	29.5	729.9	37.8	742.2	3.9	86.2	71.2	1,558.3
Public (psychiatric) hospitals	—	0.2	23.6	394.6	1.1	18.2	24.7	413.0
Medical services	15.8	3,334.3	—	—	0.9	707.2	16.7	4,041.6
Medicare	15.8	3,334.3	—	—	0.9	707.2	16.7	4,041.6
Dental services <sup>(a)</sup>	—	—	—	—	—	—	—	—
Other professional services	3.3	278.3	—	—	5.1	848.0	8.4	1,126.2
Pharmaceuticals	3.6	797.3	0.1	0.1	2.9	734.5	6.6	1,532.0
Aids and appliances	0.1	33.4	0.1	7.9	1.4	379.3	1.6	420.6
Services for older people	30.5	3,379.2	11.7	420.0	7.7	792.4	49.9	4,591.6
Patient transport	6.3	96.8	23.8	262.2	1.3	355.2	31.4	714.1
<b>All health goods and services<sup>(b)</sup></b>	<b>383.1</b>	<b>16,626.3</b>	<b>470.5</b>	<b>7,455.8</b>	<b>39.3</b>	<b>8,242.6</b>	<b>892.9</b>	<b>32,324.7</b>
<i>Share of total funding</i>	<i>42.9</i>	<i>51.4</i>	<i>52.7</i>	<i>23.1</i>	<i>4.4</i>	<i>25.5</i>	<i>100.0</i>	<i>100.0</i>

(a) Maxillo-facial and cleft lip and palate surgical procedures.

(b) Excludes expenditure on health administration and health services (nec).

Source: AIHW Health expenditure database.