

HealthExpenditure

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Australian health expenditure— 1982–83 to 1993–94

Health Expenditure Bulletin No. 11 provides estimates of total health expenditure in Australia for the period 1982–83 to 1993–94. Detailed data are presented, by area of expenditure and source of funds, for each year from 1986–87 to 1992–93. Similar breakdowns of expenditure data for earlier years have been published in previous issues of this bulletin. Estimates of aggregate data only are presented for 1993–94.

The major focus of this bulletin is on measuring variations in annual growth in expenditure for different areas of health care. However, the bulletin also looks at changes to the mix of service funding sources and expenditure levels for particular health services.

Total health expenditure— 1982–83 to 1993–94

Total health expenditure, in current prices, rose from \$13,239 million to \$36,369 million between 1982–83 and 1993–94. This represented an increase of 174.7%, or an average rate of 9.6% per annum.

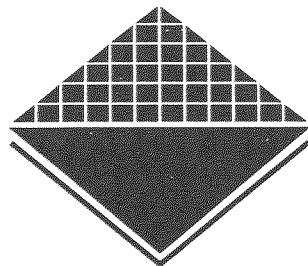
Expenditure on health, in constant 1989–90 prices, rose during that period by 57.6%, or an average rate of 4.2% per annum.

However, the rate at which total health expenditure grew was not uniform over the whole period examined. As table 1 shows, annual growth in total health expenditure, in current prices, ranged from a low of 4.4% in 1993–94 to 13.6% in 1986–87. In terms of constant 1989–90 prices, the picture for expenditure is very different. Expenditure growth, in constant 1989–90 prices, was highest at 6.2% in 1983–84, compared with a low of 2.2% in 1990–91.

In each of the seven years from 1983–84 to 1989–90, the annual growth rate for current price expenditure was above 10.0%. The average annual growth rate during this period was 11.7%.

While expenditure continued to grow after 1989–90, annual growth rates showed a downward trend. Growth reached its lowest point of 4.4% in 1993–94.

As will be shown later in table 7, the growth between 1992–93 and 1993–94 for total health



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Highlights

- Total health expenditure reached \$36,369 million in 1993–94, representing an average of \$2,049 per person.
- Expenditure on health care, in constant 1989–90 prices, rose by 57.6% from 1982–83, resulting in an average growth rate of 4.2% per annum.
- Health expenditure per person, in constant 1989–90 prices, rose at 2.8% per year from 1982–83 to 1993–94.
- Expenditure by the private sector, as a proportion of total health expenditure, rose from 28.1% in 1984–85 to 32.8% in 1991–92, then fell to 31.8% in 1993–94. Over the same period, the Commonwealth proportion of total health expenditure fell from 46.1% to 45.5%, while expenditure by State, Territory and local government authorities fell from 25.8% to 22.8%.
- Health expenditure, as a proportion of gross domestic product (GDP), rose from 7.7% in 1982–83 to 8.5% in 1993–94.
- In 1992–93, the latest year for which detailed breakdowns are available, non-institutional health care expenditure represented more than half (52.3%) of all recurrent expenditure.

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expenditure was not shared to the same extent by all sources of funds. Commonwealth expenditure, in constant 1989–90 prices, rose by 6.2%, compared with 6.3% in the preceding year. The combined expenditures by State, Territory and local government authorities, which had grown by 0.6% between 1991–92 and 1992–93, fell by 2.0% in 1993–94. Private sector expenditure growth rose from 2.6% to 4.1%.

Predictably, the introduction of Medicare in February 1984 resulted in a large transfer of funding responsibility between sectors (particularly between the Commonwealth and private sectors, which is discussed later under 'Health expenditure, by source of funds').

However, Medicare's impact on total health expenditure is unclear. The reasons for this were outlined in *Australian health expenditure 1970–71 to 1984–85* (out of print).

There were a number of factors that influenced both the overall level of health expenditure and the annual rate of change. In this analysis, these have been subsumed into three major categories:

- inflation;
- change in population size; and
- variation in the mix and use of health services.

The contribution of each of these categories to the percentage increase in total health expenditure over the previous year, for all years from 1983–84 to 1993–94, is shown in figure 1 and table 2.

Inflation and its effect on growth has been isolated by comparing total health expenditure growth in current prices with growth in terms of constant 1989–90 prices. The difference between the two growth

rates is the part of growth that is attributable to inflation.

The effect of change in population size was measured by comparing total health expenditure growth with per person health expenditure growth, in constant 1989–90 prices.

Growth in per person health expenditure, in constant 1989–90 prices, was used to measure the influence that change in the use and mix of services exerted on growth in health expenditure. The subsections that follow provide a more detailed analysis of the effects of each of these factors on health expenditure growth.

Inflation

In the case of those health services that are marketed (e.g. private medical services, dental services and pharmaceuticals), inflation relates to price changes in those services. In the case of non-marketed goods and services (e.g. public sector expenditure on public hospitals), inflation measures the price changes in the various inputs, such as labour and medical supplies.

The effect of price changes (inflation) on annual health expenditure growth was more pronounced during the period up

Table 1: Total health expenditure (current and constant 1989–90 prices) and annual growth rates, 1982–83 to 1993–94

Year	Amount (\$ million)		Growth rate over the previous year (%)	
	Current prices	Constant (1989–90) prices ^(a)	Current prices	Constant (1989–90) prices ^(a)
1982–83	13,239	20,673
1983–84	14,958	21,960	13.0	6.2
1984–85	16,546	22,862	10.6	4.1
1985–86	18,586	24,180	12.3	5.8
1986–87	21,115	25,341	13.6	4.8
1987–88	23,328	26,287	10.5	3.7
1988–89	26,127	27,719	12.0	5.4
1989–90	28,795	28,795	10.2	3.9
1990–91	31,224	29,435	8.4	2.2
1991–92	33,172	30,340	6.2	3.1
1992–93	34,848	31,461	5.1	3.7
1993–94 ^(b)	36,369	32,573	4.4	3.5

(a) Health expenditure for 1982–83 to 1993–94 is deflated to constant prices using specific health deflators (table 22).

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW unpublished data.