

Health expenditure Australia 2004–05

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Preface

In 2004–05, Australia’s health expenditure totalled \$87.3 billion, representing 9.8% of gross domestic product (GDP). This compares with 8.1% of GDP in 1994–95. Given the continual calls for more resources across the different components of the health system, it is essential to understand what is currently spent if there is to be rational discussion about resource allocation.

Regular reporting of national health expenditure statistics is vital to understanding Australia’s health system. These statistics show the volume and proportion of economic resources allocated to the production and consumption of health goods and services, which in turn contribute to the health and wellbeing of the nation. Reporting of health expenditure involves estimates of expenditure on the different components of the health care system as well as identification of the sources of funding for that expenditure.

Health expenditure Australia 2004–05 continues the Australian Institute of Health and Welfare’s series of reports on national health expenditures, which have been produced annually since 1986. This publication presents health expenditure data for the period 1994–95 to 2004–05, with detailed matrices at the national level and for each of the states and territories for the years 2002–03 to 2004–05. All previously published and revised matrices are available on the Institute’s website (<http://www.aihw.gov.au/expenditure/health>).

There have been some revisions to previously published estimates of health expenditure, due to receipt of additional or revised data. Comparisons over time should, therefore, be based on information provided in this publication and on-line data, rather than by reference to earlier editions.

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Director
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The collection and analysis of the data and the writing of this publication was done by Rebecca Bennetts, Gail Weaving, Richard Webb, Tony Hynes and John Goss with assistance from Eric Puno, John Shelton-Agar, Daniel Aherne and Maneerat Pinyopusarerk.

Abbreviations and symbols

ABS	Australian Bureau of Statistics
AHCA	Australian Health Care Agreements
AIHW	Australian Institute of Health and Welfare
CPI	Consumer price index
DoHA	Australian Government Department of Health and Ageing
DVA	Australian Government Department of Veterans' Affairs
FCE	Final consumption expenditure
GDP	Gross domestic product
GFCE	Government final consumption expenditure
GFS	Government finance statistics
GPC	Government Purpose Classification
HEAC	Health Expenditure Advisory Committee
HFCE	Household final consumption expenditure
ICHA	International Classification for Health Accounts
IPD	Implicit price deflator
NHA	National Health Accounts
OECD	Organisation for Economic Co-operation and Development
PBS	Pharmaceutical Benefits Scheme
PHIAC	Private Health Insurance Advisory Council
PHIIS	Private Health Insurance Incentives Scheme
PPP	Purchasing power parity
RPBS	Repatriation Pharmaceutical Benefits Scheme
SHA	System of Health Accounts
SPPs	Specific purpose payments for health under Section 96 of the Australian Constitution
WHO	World Health Organization
n.a.	not available
..	not applicable
n.e.c.	not elsewhere classified
—	nil or rounded down to zero

1 Background and executive summary

1.1 Background

This publication reports on health expenditure in Australia, by area of expenditure and source of funds for the period 1994–95 to 2004–05. Expenditure is analysed in terms of who provides the funding for health care and what types of services attract that funding.

Box 1: Defining health expenditure and health funding

Health expenditure

Health expenditure is reported in terms of who incurs the expenditure, rather than who ultimately provides the funding for that expenditure. In the case of public hospital care, for example, all expenditures (that is, expenditure on accommodation, medical and surgical supplies, drugs, salaries of doctors and nurses, etc.) are incurred by the states and territories, but a considerable proportion of those expenditures is funded by transfers from the Australian Government.

Health funding

Health funding is reported in terms of who provides the funds that are used to pay for health expenditure. In the case of public hospital care, for example, the Australian Government and the states and territories together provide over 90% of the funding; these funds are derived ultimately from taxation and other sources of government revenue. Some other funding comes from private health insurers and from individuals who choose to be treated as private patients and pay hospital fees out-of-pocket.

The bulk of funding for health expenditure is provided by the Australian Government and the state and territory governments. Therefore, as well as consideration of the whole period from 1994–95 to 2004–05, analyses of trends in expenditure have been linked to the periods covered by the major health care funding agreements between these two levels of government. These are:

- from 1 July 1993 to 30 June 1998
- from 1 July 1998 to 30 June 2003
- from 1 July 2003 to 30 June 2008.

Australia is compared with other member countries of the Organisation for Economic Co-operation and Development (OECD) as well as other countries in the Asia-Pacific region.

The tables and figures in this publication detail expenditure in terms of current and constant prices. Constant price expenditure adjusts for the effects of inflation using, wherever possible, chain price indexes provided by the Australian Bureau of Statistics (ABS). Where such chain price indexes are not available, implicit price deflators are used. Because the reference year for both the chain price indexes and the implicit price deflators is 2003–04, the constant price estimates indicate what expenditure would have been had 2003–04 prices applied in all years.

Box 2: Constant price and current price expenditures

Wherever expenditures in 'constant prices' are shown, they have been adjusted to reflect the prices of the reference year, 2003–04. The aim is to remove the effects of inflation. Hence expenditures in different years can be compared on an equal dollar-for-dollar basis, using this measure of changes in the volume of health goods and services. The constant price method is used because it is not possible to derive estimates of volume by directly adding, say, the number of surgical operations to the number of pharmaceutical prescriptions.

Constant price estimates for most expenditure aggregates have been derived using the annually re-weighted chain price indexes produced by the ABS. In some cases, however, these indexes are not available, and ABS implicit price deflators have been used instead.

The term 'current prices' refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and volume.

Throughout this publication there are references to the general rate of inflation. These refer to changes in economy-wide prices, not just consumer prices. The general rate of inflation is calculated using the implicit price deflator for gross domestic product (GDP).

Some expenditure estimates for 1998–99 to 2002–03 have been revised since the publication of *Health expenditure Australia 2003–04* (AIHW 2005a): these are detailed in Section 6.5.

1.2 The structure of the health sector and its flow of funds

The flow of money around the Australian health care system is complex and is determined by the institutional frameworks in place, both government and non-government. Australia is a federation, governed by a national government (the Australian or Commonwealth Government) and eight state and territory governments. Both these levels of government play important roles in the provision and funding of health care. In some jurisdictions, local governments also play a role. All of these levels of government collectively are called the government sector. What remains is the non-government sector, which in the case of funding for health care comprises individuals, private health insurers and other non-government funding sources (principally workers' compensation and compulsory motor vehicle third-party insurers, but also includes funding for research from non-government sources and miscellaneous non-patient revenue received by hospitals). Figure 1 shows the major flows of funding between the government and non-government sectors and the providers of health goods and services.

Most non-hospital health care in Australia is delivered by non-government providers, among them private medical and dental practitioners, other health practitioners (such as physiotherapists, acupuncturists and podiatrists) and pharmaceutical retailers. Delivery of health care can occur in a diverse range of settings – hospitals, residential care facilities, rehabilitation centres, community health centres, health clinics, ambulatory care services, the private consulting rooms of health practitioners, patients' homes or workplaces, and so on.

In summary, the following are the main features of Australia's health system (see Figure 1):

- Universal access to benefits for privately provided medical services under Medicare, which are funded by the Australian Government, with co-payments by users where the services are patient-billed.
- Eligibility for public hospital services, free at the point of service, funded jointly by the states and territories and the Australian Government.
- Growing private hospital activity, largely funded by private health insurance, which in turn is subsidised by the Australian Government through its rebates on members' contributions to private health insurance.
- The Australian Government, through its Pharmaceutical Benefits Scheme (PBS) and Repatriation Pharmaceutical Benefits Scheme (RPBS), subsidises a wide range of pharmaceuticals outside public hospitals.
- The Australian Government provides most of the funding for high-level residential care, medical services and for health research. It also funds a wide range of services for eligible veterans.
- State and territory health authorities are primarily responsible for the operations of the public hospital networks, mental health programs, the transport of patients, community health services, and public health services such as health promotion and illness prevention.
- Individuals primarily spend money on medications, private hospitals, medical, dental and other health practitioner services and aids and appliances.

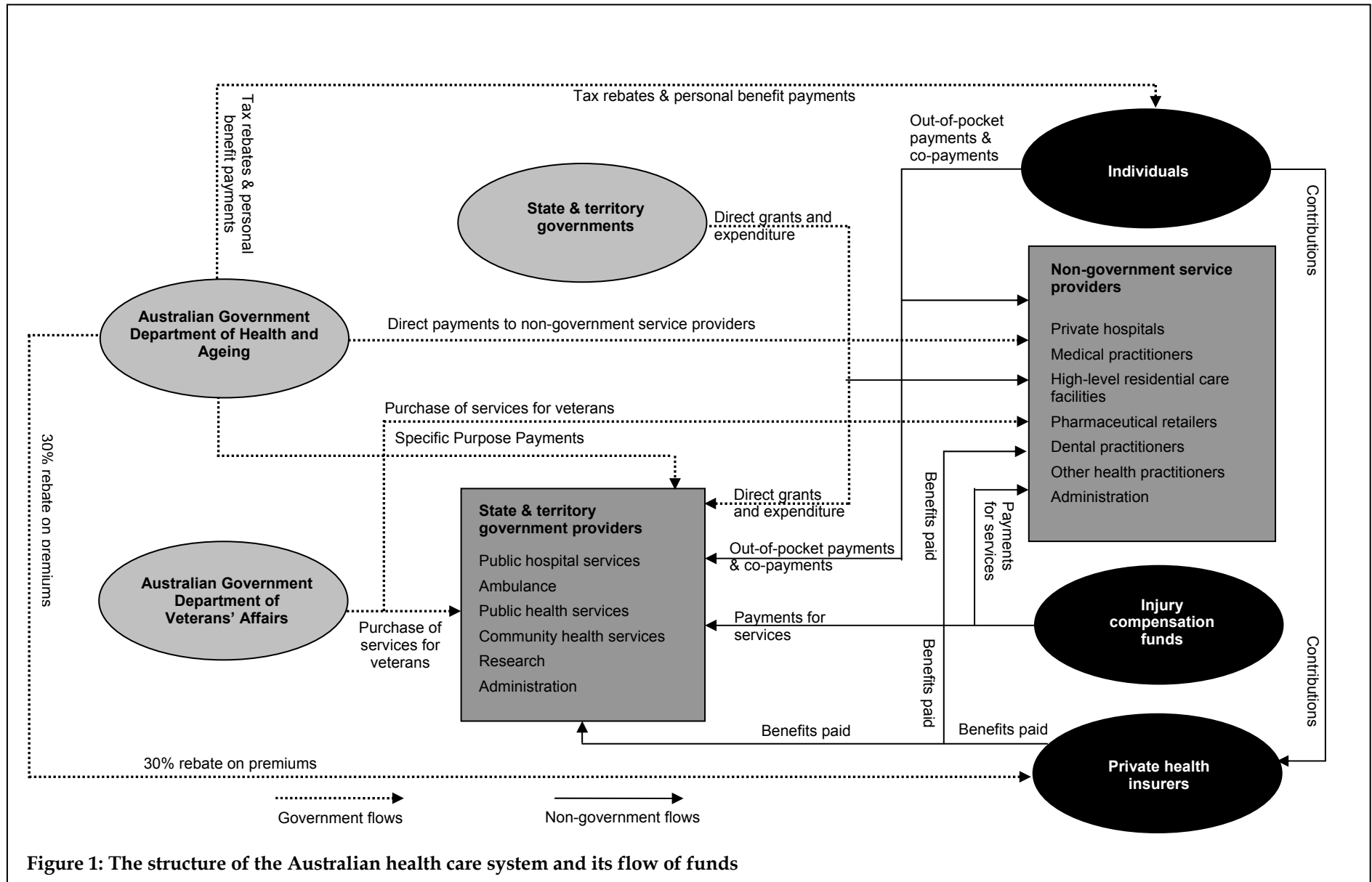


Figure 1: The structure of the Australian health care system and its flow of funds

1.3 Executive summary

- Total health expenditure in Australia grew by 10.3% between 2003-04 and 2004-05 to \$87.3 billion or \$4,319 per person. This represents an \$8.2 billion increase from 2003-04, or \$361 more per person than the previous year (Tables 1 and 6).
- This increased health expenditure as a proportion of gross domestic product (GDP) to 9.8%, up from 9.4% in 2003-04 and 8.1% in 1994-95 (Table 2).
- Our health to GDP ratio is comparable to Canada, Austria and Norway, is more than the UK and New Zealand and is considerably lower than the USA which in 2004 was 15.3% of GDP (Table 43).
- Real growth in expenditure on health averaged 5.3% between 1994-95 and 2004-05, with real growth in 2004-05 being 5.9% (Table 1).
- Health prices increased, on average, 0.4% per year more rapidly than the general inflation rate between 1994-95 and 2004-05 (Table 5).
- Total health expenditure increased 10.3% between 2003-04 and 2004-05. The areas showing the highest increases were aids and appliances (27%), public health (14%), medical services (13%), ambulance services (12%), community health (11%), research (10%) and high-level residential care (10%). These seven areas accounted for one-half of the health spending increase between 2003-04 and 2004-05 (Tables A2, A3 and A7).
- Hospital expenditure grew at 8.7% in 2004-05 and expenditure on medications increased 5.8% (Table A7).

Funding

- In 2004-05, the majority of spending in health was funded by governments (68.2%), with the Australian Government contributing \$39.8 billion (45.6%) and state, territory and local governments contributing \$19.8 billion (22.6%). The non-government sector funded the remaining \$27.7 billion (31.8%) (Tables 12 and 13).
- In real terms, recurrent funding of health grew by an average of 5.1% a year from 1994-95 to 2004-05 (Table 17). The government sector's recurrent funding grew by 5.6% per year – while non-government recurrent funding grew by 4.1% (Tables 15 and 16). The Australian Government's recurrent funding of health increased by an average of 5.5% a year, compared to 6.3% for state, territory and local government funding (Table 18).

Hospital funding

- Over the decade to 2004-05, governments increased their share of public and private hospital funding by 6.2 percentage points. The Australian Government share increased by 2.5 percentage points from 39.4% to 41.9%. The state and territory government share increased by 3.7 percentage points from 34.3% to 38.0%. The non-government funding of public and private hospitals decreased from 26.3% in 1994-95 to 20.1% in 2004-05 (Table 31).
- Most funding for public hospitals comes from governments – 44.2% from the Australian Government and 48.0% from the states and territories in 2004-05 (Table 32).

- Between 1994–95 and 2004–05, the Australian Government share of public hospital funding decreased by 3.4 percentage points from 47.6% to 44.2%. State and territory government funding during this period increased by 4.7 percentage points from 43.3% to 48.0% (Table 32).
- Between 2002–03 and 2004–05, in the first two years of the second Australian Health Care Agreements, the Australian Government share of public hospital funding declined 1.8 percentage points from 46.0% to 44.2%. State and territory government funding during this period increased 1.2 percentage points from 46.8% to 48.0% (Table 32).

Private health insurance and other non-government funding

- Of the \$27.7 billion non-government sector funding in 2004–05, private health insurance funds provided 20.5% (\$5.7 billion); individual out-of-pocket payments accounted for 59.7% (\$16.5 billion); and other non-government sources (mainly compulsory motor vehicle third-party and workers' compensation insurers) accounted for the remaining 19.8% (\$5.5 billion) (Table 21).
- Over the decade to 2004–05, non-government sector funding provided by private health insurance funds decreased 11.3 percentage points from 31.8% to 20.5%, funding by individuals increased by 8.9 percentage points and funding by other non-government sources increased by 2.4 percentage points (Table 21).
- The decrease in funding by private health insurance was due to the 30% rebate for private health insurance from the Australian Government. Private health insurance benefits that were previously funded entirely by private health insurance premiums are now funded 30% by the Australian Government.
- Private health insurance funds (including premium rebates) were the source of funding of almost two-thirds (60.7%) of private hospital expenditure in 2004–05 (Figure 20).

Private health insurance and other non-government expenditure

- Private health insurance funding of \$5.7 billion in 2004–05 was mainly spent on private hospitals (48%), dental services (12%), administration (10%) and medical services (10%) (Figure 14).
- In 2004–05, out-of-pocket recurrent expenditure by individuals on health goods and services was an estimated \$16.9 billion: \$4.7 billion (28%) was spent on medications; \$3.4 billion (20%) on dental services and \$3.0 billion (18%) on aids and appliances (Figure 12).
- Real growth in expenditure by individuals between 1994–95 and 2004–05 was 5.9% per year, 0.7 percentage points above the real growth in health expenditure (5.2%) (Tables 1 and 22).
- In 2004–05, injury compensation insurers spent (in 2003–04 prices) \$1,766 million on health goods and services – \$1,113 million by workers' compensation insurers and \$653 million by motor vehicle third-party insurers (Table 29).
- Bulk-billing rates for medical services were 70.2% in 2004–05, an increase of 0.6 percentage points since 1994–95. The peak was 72.3% in 1999–00 (Table 35).

Hospital expenditure

- In 2004–05, hospitals accounted for over one third (35.3% or \$29.0 billion) of recurrent health expenditure. Expenditure on public hospitals was \$22.1 billion and expenditure on private hospitals was \$6.9 billion (Table A3).
- Over the decade to 2004–05, expenditure on hospitals accounted for the largest proportion of real growth in recurrent health expenditure (34.0%) – public hospitals (24.1%) and private hospitals (9.8%) (Figure 4).
- The private hospital share of hospital expenditure increased in the last decade from 20.8% of hospital expenditure in 1994–95 to 23.8% in 2004–05 (calculated from Table 30).

Pharmaceuticals and other medications expenditure

- In real terms, recurrent expenditure on pharmaceuticals for which benefits were paid grew at an average of 10.5% per year from 1994–95 to 2004–05 (Table 36).
- In 2004–05, the total amount spent on pharmaceuticals for which benefits were paid was \$7.1 billion – 82% of this was benefits paid by the Australian Government for PBS and RPBS items; 15% was patient contributions and 3% was other pharmaceuticals (Section 100 drugs) (Figure 22).
- Expenditure on all other medications in 2004–05 was \$3.8 billion – 77% of which was for over-the-counter medications (Figure 23).
- Expenditure on all medications grew in real terms at an average of 8.9% per year from 1994–95 to 2004–05 (Table A8), but in 2003–04 growth was only 1.3% and in 2004–05 only 4.5%.

1.4 Revisions to ABS estimates

Revisions to ABS estimates of GDP, household final consumption expenditure (HFCE) and Government finance statistics (GFS) have affected the estimates in this publication, as in previous issues.

GDP estimates for this publication are sourced from the ABS (ABS 2006a). The current price GDP estimates in that ABS publication are 3% higher for all years compared to those published in *Health expenditure Australia 2003–04* (AIHW 2005a). For instance, the 2003–04 current price estimate of GDP was revised up in the March quarter 2006 ABS publication by \$27 billion, compared with the published number used in *Health expenditure Australia 2003–04* (AIHW 2005a). This resulted in a decrease in the proportion of GDP spent on health goods and services (the health to GDP ratio) for that year from 9.7% to 9.4%.

Estimated total HFCE has been revised down since the publication of *Health expenditure Australia 2003–04* (AIHW 2005a). The major revision related to HFCE for doctors and other health practitioners; it was revised downwards by \$470 million in 2000–01, \$929 million in 2001–02, \$1,307 million in 2002–03 and \$1,910 million in 2003–04.

ABS estimates of capital formation have been revised upwards for most years, since *Health expenditure Australia 2003–04* (AIHW 2005a). This is the result of an ongoing review of all accrual time series by the ABS, in consultation with the state Treasuries. Accrual reporting is now established in all jurisdictions and improvements in the quality of the time series data have resulted in some changes to these series. Further revisions are expected progressively over the next year.

2 Total health expenditure

Total expenditure on health goods and services in Australia in 2004–05 was estimated at \$87.3 billion (Table 1). Of this, 94.1% was for recurrent expenditure and (5.9%) was for capital formation and capital consumption. Total health expenditure increased by \$8.2 billion over the previous year. Most of the increase in recurrent expenditure was in the following six areas (Tables A2 and A3):

- hospitals – up \$2.3 billion (31.0% of the overall increase in recurrent expenditure)
- medical services – up \$1.7 billion (22.8%)
- aids and appliances – up \$0.8 billion (10.3%)
- medications – up \$0.6 billion (8.0%)
- high-level residential care – up \$0.5 billion (6.9%)
- dental services – up \$0.5 billion (6.1%).

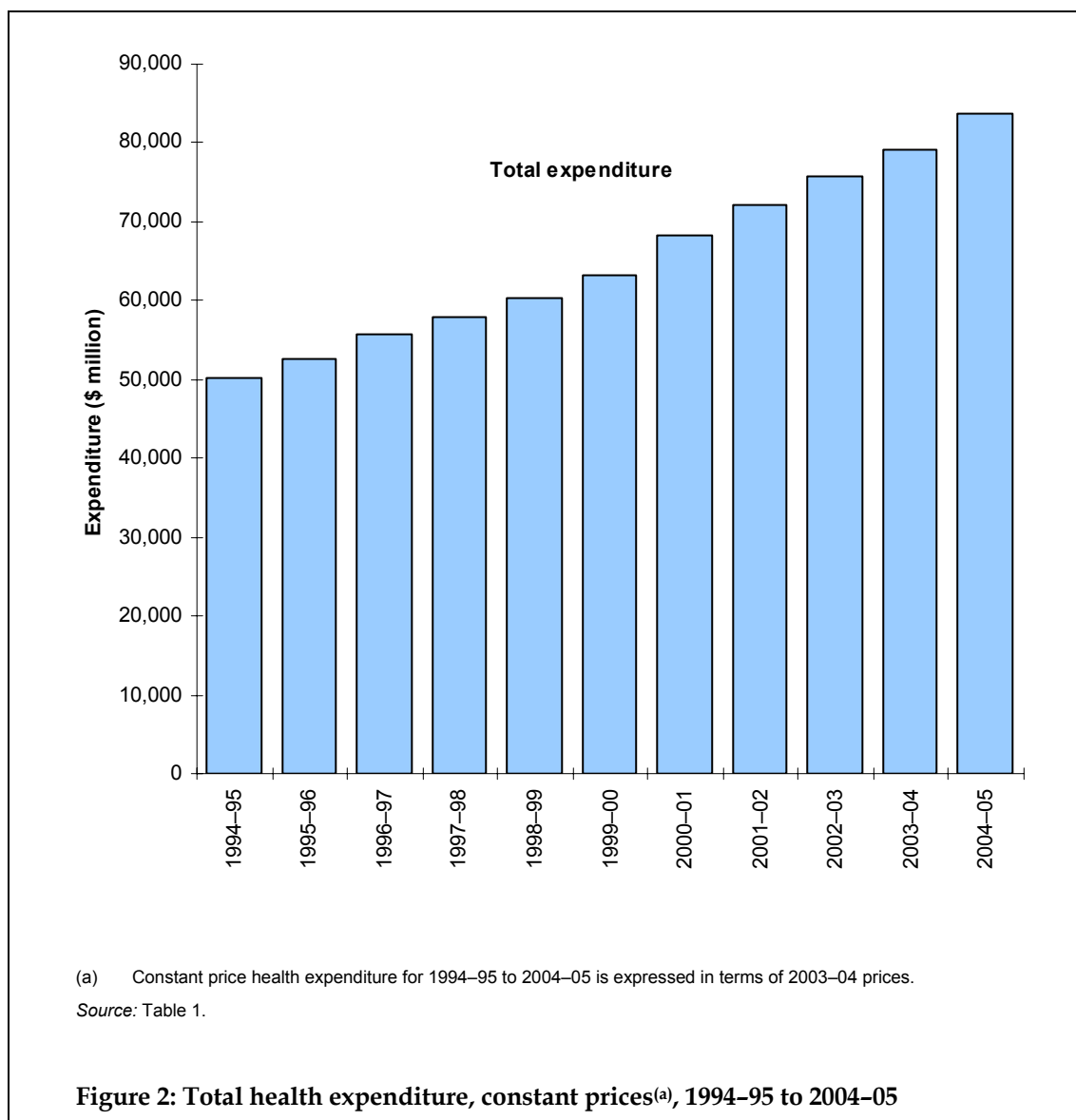
After allowing for inflation, real growth between 2003–04 and 2004–05 was estimated at 5.9%. This was 0.6 percentage points above the average since 1994–95 (5.3%) (Table 1).

Table 1: Total health expenditure, current and constant prices^(a), and annual growth rates, 1994–95 to 2004–05

Year	Amount (\$ million)		Growth rate over previous year (%)	
	Current	Constant	Current	Constant
1994–95	39,216	50,234	..	..
1995–96	42,082	52,662	7.3	4.8
1996–97	45,296	55,793	7.6	5.9
1997–98	48,288	58,005	6.6	4.0
1998–99	51,419	60,317	6.5	4.0
1999–00	54,916	63,156	6.8	4.7
2000–01	61,618	68,361	12.2	8.2
2001–02	67,132	72,069	8.9	5.4
2002–03	73,108	75,720	8.9	5.1
2003–04	79,114	79,114	8.2	4.5
2004–05	87,296	83,804	10.3	5.9
Average annual growth rate				
1994–95 to 1997–98			7.2	4.9
1997–98 to 2002–03			8.6	5.5
1994–95 to 2004–05			8.3	5.3

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

Source: AIHW health expenditure database.



2.1 Health expenditure and the general level of economic activity

The ratio of Australia's health expenditure to GDP (health to GDP ratio) indicates the proportion of overall economic activity contributed by the health sector. It is estimated that spending on health accounted for 9.8% of GDP in 2004-05 – up from 9.4% in the previous year and from 8.1% in 1994-95 (Table 2). This is a significant increase in the health to GDP ratio over the decade. The largest increases occurred in 2000-01 and 2004-05 when the ratio grew by 0.4 percentage points. Over the decade as a whole, GDP grew at 6.3% per year but the higher health expenditure growth of 8.3% per year pushed up the health to GDP ratio by 1.7 percentage points (Table 2).

Table 2: Total health expenditure and GDP, current prices, and annual growth rates, 1994–95 to 2004–05

Year	Total health expenditure		GDP		Ratio of health expenditure to GDP (%)
	Amount (\$ million)	Nominal growth rate (%)	Amount (\$ million)	Nominal growth rate (%)	
1994–95	39,216	..	486,578	..	8.1
1995–96	42,082	7.3	518,158	6.5	8.1
1996–97	45,296	7.6	545,736	5.3	8.3
1997–98	48,288	6.6	577,422	5.8	8.4
1998–99	51,419	6.5	607,863	5.3	8.5
1999–00	54,916	6.8	645,153	6.1	8.5
2000–01	61,618	12.2	689,340	6.8	8.9
2001–02	67,132	8.9	735,783	6.7	9.1
2002–03	73,108	8.9	782,798	6.4	9.3
2003–04	79,114	8.2	838,251	7.1	9.4
2004–05	87,296	10.3	893,704	6.6	9.8
Average annual growth rate					
		1994–95 to 1997–98		5.9	
		1997–98 to 2002–03		6.3	
		1994–95 to 2004–05		6.3	

Sources: AIHW health expenditure database and ABS 2006a.

Table 3: Total health expenditure and GDP, constant prices^(a), and annual growth rates, 1994–95 to 2004–05

Year	Total health expenditure		GDP	
	Amount (\$m)	Growth rate (%)	Amount (\$m)	Growth rate (%)
1994–95	50,234	..	596,953	..
1995–96	52,662	4.8	621,543	4.1
1996–97	55,793	5.9	645,999	3.9
1997–98	58,005	4.0	674,932	4.5
1998–99	60,317	4.0	709,866	5.2
1999–00	63,156	4.7	738,123	4.0
2000–01	68,361	8.2	752,434	1.9
2001–02	72,069	5.4	780,817	3.8
2002–03	75,720	5.1	806,161	3.2
2003–04	79,114	4.5	838,251	4.0
2004–05	83,804	5.9	859,192	2.5
Average annual growth rate				
1994–95 to 1997–98		4.9		4.2
1997–98 to 2002–03		5.5		3.6
1994–95 to 2004–05		5.3		3.7

(a) Constant price expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

Sources: AIHW health expenditure database and ABS 2006a.

The health to GDP ratio can increase during a period for one or both of the following reasons:

- the level of use of health goods and services can grow at a higher rate than the growth in the use of all goods and services in the economy (a volume effect)
- price changes in the health sector can be higher than the economy-wide price changes. This is a price effect and is called ‘excess health inflation’.

These two components are shown in the last two columns of Table 4. The second last column is the differential real volume growth and shows the increase or decrease in the volume of health goods and services relative to the increase or decrease in the GDP volume. The last column is excess health inflation and shows the increase or decrease in the price of health goods and services compared to price changes in the economy as a whole.

In 2004–05, the health to GDP ratio moved to 9.8% from 9.4% in the previous year. The change in the health to GDP ratio was therefore 3.5% $((9.77/9.44)-1)$ (Table 4).

This comprised a 3.3% faster increase in the volume of health goods and services relative to the increase in GDP volume and a 0.1% increase in the price of health goods and services above price increases in the general economy. The bulk of the change in the health to GDP ratio was therefore due to an increase in the volume of health goods and services over and above the increase in the volume of goods and services in the general economy between 2003–04 and 2004–05, not an increase in the relative cost of these goods and services.

In contrast, in 1998–99 the change in the health to GDP ratio was 1.2% (Table 4); comprising a 1.1% reduction in the volume of health goods and services relative to the increase in GDP volume and a 2.3% increase in the price of health goods and services above price increases in the general economy.

Table 4: Components of growth in the health expenditure to GDP ratio, 1994–95 to 2004–05 (per cent)

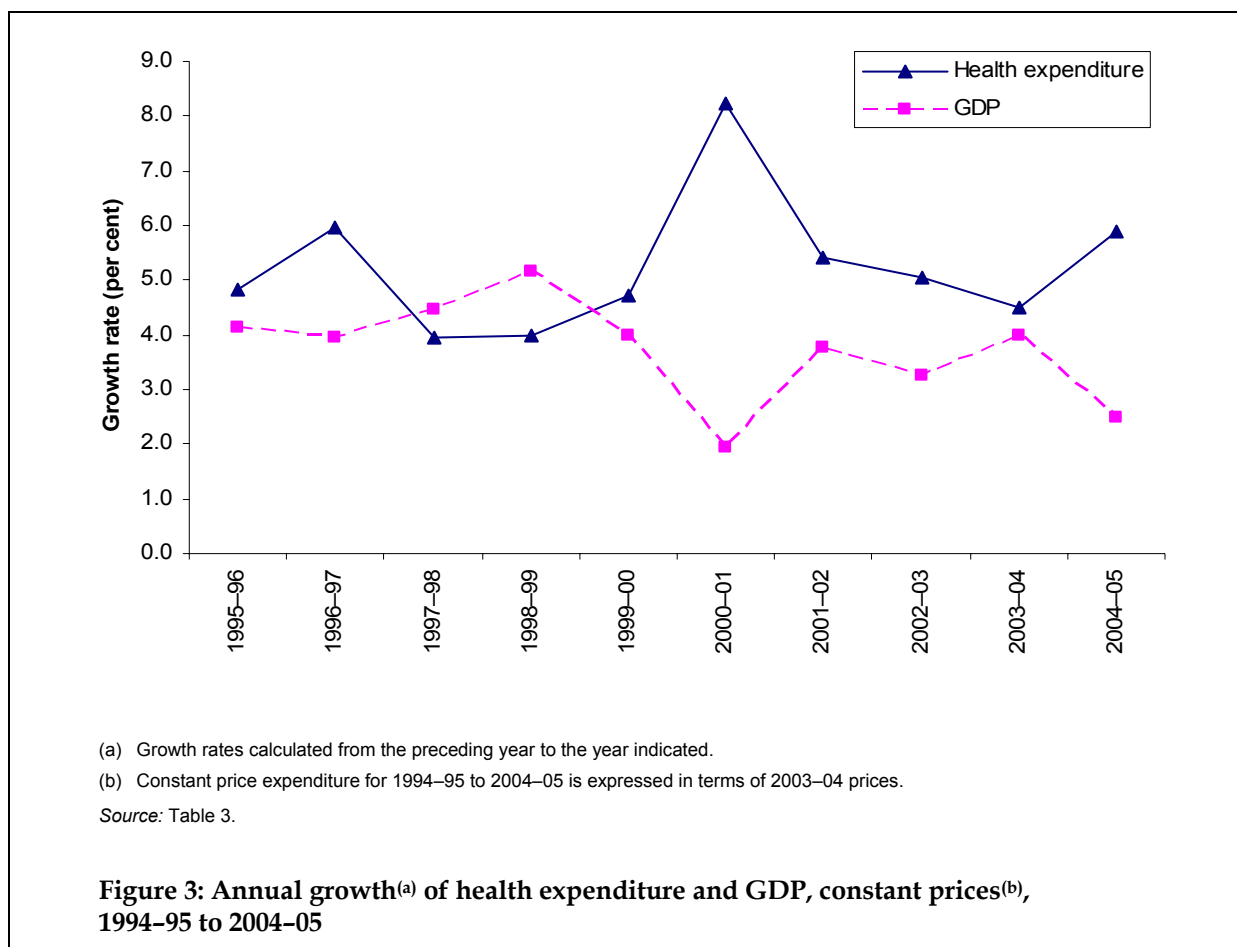
Year	Ratio of health expenditure to GDP	Change in ratio of health expenditure to GDP	Differential real volume growth ^(a)	Excess health inflation
1994–95	8.1	..	..	..
1995–96	8.1	0.8	0.7	0.1
1996–97	8.3	2.2	1.9	0.3
1997–98	8.4	0.8	–0.5	1.3
1998–99	8.5	1.2	–1.1	2.3
1999–00	8.5	0.6	0.7	–0.1
2000–01	8.9	5.0	6.2	–1.1
2001–02	9.1	2.1	1.6	0.5
2002–03	9.3	2.4	1.8	0.6
2003–04	9.4	1.1	0.5	0.6
2004–05	9.8	3.5	3.3	0.1

(a) The ratio of the relative change of total health expenditure in constant prices to the relative change of GDP in constant prices, expressed in percentage terms.

Sources: AIHW health expenditure database and ABS 2006a.

From 1997–98 to 2002–03, real health expenditure growth averaged 5.5% per year, compared with a real GDP growth rate of 3.6% (Table 3), while average excess health inflation was 0.4% (Table 5). 2004–05 estimates indicate that real health and real GDP expenditure increased respectively by 5.9% and 2.5% (Table 3); a positive (0.1%) excess health inflation figure contributed to nominal growth (Table 5).

Both GDP and health expenditure grew in every year from 1994–95 to 2004–05 (Table 3 and Figure 3). Real health expenditure has grown more strongly than real GDP in every year since 1999–00. The greatest difference in the annual rate of growth of real health expenditure and real GDP, 6.3%, was in 2000–01 (Table 3).



Health inflation

The differences in the rate at which health prices move and the general level of inflation in the economy as a whole can have a strong influence on the health to GDP ratio. The general level of inflation is measured using the implicit price deflator for GDP, and health inflation is indicated using the total health price index (Table 5). Australia's health inflation has tended to move ahead of the general level of inflation in most years.

Between 1994-95 and 2004-05, the average rate of general inflation was 2.5% per year (Table 5). Health inflation during that period averaged 2.9% per year, giving an excess health inflation rate of 0.4% per year. From 2003-04 to 2004-05, health inflation was 4.2% – the highest it has been over the decade.

Table 5: Annual rates of health inflation, 1994–95 to 2004–05 (per cent)

Period	Health inflation ^(a)	General inflation ^(b)	Excess health inflation
1994–95 to 1995–96	2.4	2.3	0.1
1995–96 to 1996–97	1.6	1.3	0.3
1996–97 to 1997–98	2.5	1.3	1.3
1997–98 to 1998–99	2.4	0.1	2.3
1998–99 to 1999–00	2.0	2.1	–0.1
1999–00 to 2000–01	3.7	4.8	–1.1
2000–01 to 2001–02	3.3	2.9	0.5
2001–02 to 2002–03	3.7	3.0	0.6
2002–03 to 2003–04	3.6	3.0	0.6
2003–04 to 2004–05	4.2	4.0	0.1
Average annual rates of inflation			
1994–95 to 1997–98	2.2	1.6	0.5
1997–98 to 2002–03	3.0	2.6	0.4
1994–95 to 2004–05	2.9	2.5	0.4

(a) Based on the total health price index (see Glossary).

(b) Based on the implicit price deflator for GDP (see Appendix C).

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

Sources: AIHW health expenditure database and ABS 2006a.

2.2 Health expenditure per person

As the population grows, it could be anticipated that health expenditure must also increase, to maintain the average level of goods and services available to each person in the community. By examining health expenditure on a per person basis, the influence of changes in the overall size of the population is removed from the analysis.

During 2004–05, estimated per person health expenditure averaged \$4,319 (Table 6).

Real growth in per person health expenditure between 1994–95 and 2004–05 averaged 4.0% per year, compared with 5.3% for aggregate national health expenditure (Tables 1 and 6). The difference between these two growth rates is the result of growth in the overall size of the Australian population.

Table 6: Average health expenditure per person^(a), current and constant prices^(b), and annual growth rates, 1994–95 to 2004–05

Year	Amount (\$)		Growth rate over previous year (%)	
	Current	Constant	Current	Constant
1994–95	2,183	2,797	..	..
1995–96	2,313	2,894	5.9	3.5
1996–97	2,459	3,029	6.3	4.6
1997–98	2,594	3,116	5.5	2.9
1998–99	2,732	3,205	5.3	2.9
1999–00	2,884	3,316	5.6	3.5
2000–01	3,195	3,545	10.8	6.9
2001–02	3,437	3,690	7.6	4.1
2002–03	3,700	3,832	7.6	3.9
2003–04	3,958	3,958	7.0	3.3
2004–05	4,319	4,146	9.1	4.7
Average annual growth rate				
1994–95 to 1997–98			5.9	3.7
1997–98 to 2002–03			7.4	4.2
1994–95 to 2004–05			7.1	4.0

(a) Based on annual mean resident population (see Appendix F).

(b) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

Source: AIHW health expenditure database.

2.3 Total health expenditure by states and territories

As well as being affected by national priorities, health expenditure in Australia is influenced by the different health policy initiatives pursued by the state and territory governments. Consequently, while expenditure broadly aligns with the spread of the population, there are differences between the states and territories in the way health expenditure is distributed. Further, there are changes in average expenditures because of different socioeconomic and demographic profiles, and the mix of public and private providers in the states and territories.

Disaggregation of total health expenditure on a state and territory basis has been undertaken since 1996–97. This has enabled some limited comparison of expenditure patterns over time for each of the states and territories. It is estimated that, during 2004–05, 58.5% (\$51.0 billion) of total national health expenditure was incurred in the two most populous states, New South Wales (\$29.2 billion) and Victoria (\$21.9 billion) (Table 7). These two states account for 58.1% of the total Australian population (Appendix F).

Table 7: Total health expenditure, current prices, by state and territory, 1996–97 to 2004–05 (\$ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	15,679	11,310	8,242	3,963	3,550	1,308	764	480	45,296
1997–98	16,551	11,979	8,822	4,561	3,753	1,264	828	530	48,288
1998–99	17,741	12,762	9,368	4,829	3,958	1,310	894	557	51,419
1999–00	18,630	13,586	10,229	5,106	4,429	1,361	951	625	54,916
2000–01	20,830	15,342	11,716	5,674	4,841	1,480	1,043	691	61,618
2001–02	22,447	17,229	12,363	6,218	5,274	1,717	1,151	732	67,132
2002–03	24,490	18,945	13,145	6,861	5,852	1,688	1,272	855	73,108
2003–04	26,733	19,863	14,638	7,561	6,332	1,769	1,415	804	79,114
2004–05	29,155	21,889	16,035	8,602	7,098	1,958	1,586	972	87,296

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

Source: AIHW health expenditure database.

Table 8: Total health expenditure, constant prices^(a), by state and territory, 1996–97 to 2004–05 (\$ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	19,514	14,002	10,072	4,807	4,297	1,566	954	580	55,793
1997–98	19,976	14,528	10,537	5,398	4,447	1,494	994	631	58,005
1998–99	20,848	15,085	10,963	5,594	4,595	1,513	1,066	653	60,317
1999–00	21,408	15,739	11,766	5,842	5,038	1,548	1,108	707	63,156
2000–01	23,089	17,089	13,035	6,266	5,335	1,625	1,165	757	68,361
2001–02	24,101	18,499	13,331	6,668	5,617	1,828	1,243	781	72,069
2002–03	25,378	19,591	13,661	7,099	6,045	1,742	1,323	880	75,720
2003–04	26,733	19,863	14,638	7,561	6,332	1,769	1,415	804	79,114
2004–05	27,968	21,042	15,370	8,251	6,837	1,879	1,523	934	83,804

(a) Constant price health expenditure for 1996–97 to 2004–05 is expressed in terms of 2003–04 prices.

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

Source: AIHW health expenditure database.

Table 9: Average health expenditure per person^(a), current prices, by state and territory, 1996–97 to 2004–05 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT ^(b)	NT	Australia
1996–97	2,511	2,469	2,447	2,225	2,402	2,758	..	2,603	2,459
1997–98	2,623	2,594	2,578	2,522	2,526	2,672	..	2,811	2,594
1998–99	2,782	2,737	2,696	2,629	2,650	2,777	..	2,911	2,732
1999–00	2,888	2,881	2,896	2,741	2,949	2,885	..	3,221	2,884
2000–01	3,189	3,214	3,260	3,004	3,210	3,139	..	3,519	3,195
2001–02	3,397	3,566	3,369	3,249	3,481	3,636	..	3,693	3,437
2002–03	3,677	3,878	3,498	3,543	3,844	3,555	..	4,314	3,700
2003–04	3,988	4,022	3,806	3,849	4,139	3,684	..	4,043	3,958
2004–05	4,320	4,382	4,084	4,313	4,617	4,047	..	4,834	4,319

(a) Based on annual mean resident population (see Appendix F).

(b) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

Source: AIHW health expenditure database.

On a per person basis, in 2004–05 the estimated national average level of expenditure on health was \$4,319. The per person expenditure estimates must be treated with caution as the expenditure often includes costs of interstate patients whereas the population is the resident population of the state. Tasmania (\$4,047) had the lowest average level of expenditure which was \$272 below the national average (Table 9).

Table 10: Annual growth in health expenditure per person^(a), constant prices^(b), all sources of funding, by state and territory, 1996–97 to 2004–05 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	ACT ^(c)	NT	Australia
1996–97 to 1997–98	1.3	2.9	3.0	10.6	3.0	-4.3	..	6.4	2.9
1997–98 to 1998–99	3.3	2.8	2.5	2.0	2.8	1.5	..	1.9	2.9
1998–99 to 1999–00	1.5	3.2	5.6	3.0	9.0	2.3	..	6.7	3.5
1999–00 to 2000–01	6.5	7.2	8.8	5.8	5.5	5.0	..	5.8	6.9
2000–01 to 2001–02	3.2	6.9	0.2	5.0	4.8	12.4	..	2.3	4.1
2001–02 to 2002–03	4.5	4.8	0.1	5.2	7.1	-5.2	..	12.6	3.9
2002–03 to 2003–04	4.7	0.3	4.7	5.0	4.2	0.4	..	-8.9	3.3
2003–04 to 2004–05	3.9	4.8	2.9	7.5	7.5	5.4	..	14.9	4.7
Average annual growth rate									
1996–97 to 2004–05	3.6	4.1	3.4	5.5	5.5	2.0	..	5.0	4.0
1997–98 to 2002–03 ^(d)	3.8	5.0	3.4	4.2	5.8	3.0	..	5.8	4.2

(a) Based on annual mean resident population.

(b) Constant price health expenditure for 1996–97 to 2004–05 is expressed in terms of 2003–04 prices.

(c) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(d) AHCA period.

Source: AIHW health expenditure database.

The state-based health expenditure data include estimates of expenditure that have been funded by sources other than the state and territory governments. These include funding by the Australian Government, private health insurance funds, individuals (through out-of-pocket payments) and providers of injury compensation cover. This means that estimates of expenditure within a state are not limited to those areas of responsibility of state and territory governments.

Average annual real growth in total health expenditure over the period 1996–97 to 2004–05 was highest in Western Australia (7.0%) and lowest in Tasmania (2.3%). The national average for that period was 5.2% (Table 11).

To the greatest extent possible, the AIHW has applied consistent methods to derive estimates for the different states and territories. But there will be differences from one jurisdiction to another in the quality of the data on which these estimates are based. This means that, while some broad comparisons can be made, caution should be exercised when comparing the results for jurisdictions.

The work of the Health Expenditure Advisory Committee (HEAC) (see Chapter 6) will, over time, further enhance the quality and comparability of health expenditure data reported in the *Health expenditure Australia* publications.

Table 11: Average annual growth in health expenditure, constant prices^(a), by state and territory, by area of expenditure, 1996–97 to 2004–05 (per cent)

Area of expenditure	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
Hospitals	3.9	5.1	4.3	6.5	4.7	1.7	4.5	6.2	4.6
Public (non-psychiatric)	3.7	5.6	2.9	5.3	4.8	2.1	4.1	5.6	4.3
Public psychiatric	-0.2	11.3	2.3	-0.2	4.2	-8.4	..	94.5	1.5
Private	5.5	3.4	7.6	10.3	4.1	1.3	6.6	6.0	5.7
High-level residential care	1.8	5.0	6.5	5.8	5.4	2.5	9.8	5.2	4.1
Ambulance and other institutional	10.5	10.2	9.5	7.3	16.9	5.1	7.6	28.2	10.5
<i>Total institutional</i>	3.7	5.3	4.8	6.4	5.2	2.0	5.1	7.0	4.7
Medical services	2.9	2.5	3.7	3.3	2.5	1.5	2.2	3.8	2.9
Other health practitioners	-1.0	-1.4	-1.6	-2.9	1.3	2.5	-6.2	3.7	-1.2
Medications	9.0	8.6	9.4	8.5	9.4	7.7	9.5	13.1	8.9
Benefit-paid pharmaceuticals	8.9	10.2	11.2	10.8	9.7	9.1	10.8	16.3	9.9
All other medications	9.3	6.1	6.7	5.1	8.7	5.2	6.8	9.5	7.2
Aids and appliances	14.9	12.9	13.5	10.5	12.5	9.0	12.1	9.8	13.2
Dental services	3.0	3.6	2.5	9.1	2.9	3.8	4.8	11.7	3.7
Community health, public health, administration, research and other non-institutional	7.4	5.2	6.7	9.5	12.3	-3.2	10.3	2.8	7.1
<i>Total non-institutional</i>	5.2	4.7	5.8	6.7	6.7	2.1	6.2	4.9	5.4
Total recurrent	4.5	5.0	5.4	6.6	6.0	2.1	5.8	5.8	5.1
Capital expenditure	5.4	8.8	3.6	16.9	4.4	6.3	16.5	11.6	6.7
Capital consumption	7.7	17.1	13.5	14.1	10.9	8.7	1.7	17.3	11.5
Direct health expenditure^(b)	4.6	5.2	5.4	7.0	6.0	2.3	6.0	6.1	5.2

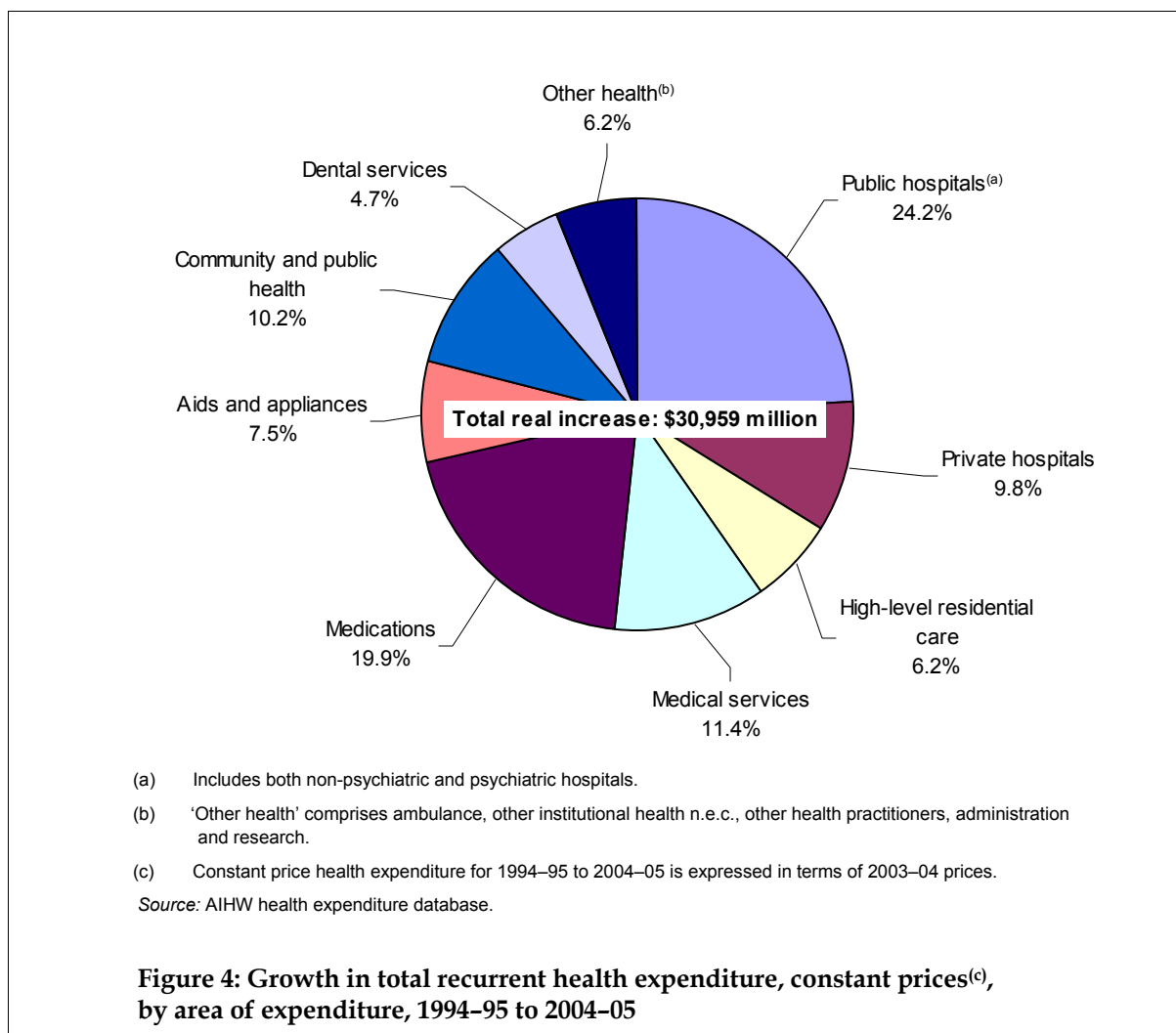
(a) Constant price health expenditure for 1996–97 to 2004–05 is expressed in terms of 2003–04 prices.

(b) Expenditure has not adjusted for non-specific tax expenditures.

Source: AIHW health expenditure database.

2.4 Sources of growth in real health expenditure

Expenditure on hospitals accounted for the largest proportion of real growth in recurrent health expenditure between 1994–95 and 2004–05 (34.0%) (Figure 4) – public hospitals (24.2%) and private hospitals (9.8%). One-fifth (19.9%) of the growth over this period came from medications, and expenditure on medical services contributed a further 11.4% of growth. Together, these three areas of expenditure accounted for 65.3% of the growth in expenditure during the decade. As the health to GDP ratio rose, the combined expenditure of these three areas as a percentage of GDP rose in real terms from 5.4% in 1994–95 to 6.1% in 2004–05.



2.5 Sources of nominal growth in health expenditure

The nominal growth in health expenditure can be analysed in terms of population growth, inflation and the real increase in expenditure per person. Real increase in expenditure per person is indicative of increases in service use per person. Two factors contribute to nominal growth in health expenditure:

- the combined effects of general inflation and excess health inflation
- changes in the quantities of services used, reflecting either population growth (less significant in Australia's case) or more intensive per capita use of services.

Underlying these two factors are the effects of changes in the population's age structure, changes in the composition and relative prices of health goods and services, changes in technology and medical practice and general economic and social conditions.

Nominal health expenditure grew from \$39.2 billion in 1994-95 to \$87.3 billion in 2004-05 (Table 1). Of the \$48.1 billion increase, 37.1% (\$17.8 billion) was due to inflation, 14.2% (\$6.8 billion) was from population growth and 48.7% (\$23.4 billion) was due to an increase in real expenditure per person (the interactions between the three growth elements have been allocated in proportion to the size of each growth element).

3 Funding of health expenditure in Australia

3.1 Broad trends

This section makes broad comparisons between government and non-government funding (as described in Section 1.2). Sections 3.2 and 3.3 will discuss in more detail the funding arrangements within the government and non-government sectors. Chapter 4 provides an analysis of funding of specific classes of health goods and services (including capital).

In 2004–05, government funding of health expenditure was \$59.6 billion, compared with \$27.7 billion from non-government sources (Table 12).

In the decade to 2004–05, funding of health expenditure by governments grew at an average annual real rate of 5.7%. This was higher than total expenditure on health funded from all sources which averaged 5.3% per year (Table 18). As a consequence, the contribution of governments to the funding of total health expenditure increased from 66.3% in 1994–95 to 68.2% in 2004–05 and the non-government contribution declined from 33.7% to 31.8% over the same period (Table 13).

The relative shares of health expenditure funding by the different levels of government varied over the decade. The Australian Government contribution increased from 44.8% to 45.6% – an increase of 0.8 percentage points (Table 13). Over the same period, the contribution from state, territory and local governments increased from 21.6% to 22.6% – an increase of 1.0 percentage points. The Australian Government contribution peaked in 1999–00 at 47.5% and then declined by 1.9 percentage points to 2004–05, whereas the contribution from state, territory and local governments during this time declined by 0.5 percentage points (23.1% to 22.6%).

Table 12: Total health expenditure, current prices, by broad source of funds, 1994–95 to 2004–05 (\$ million)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1994–95	17,551	8,460	26,010	13,205	39,216
1995–96	19,005	9,260	28,265	13,817	42,082
1996–97	19,809	10,391	30,200	15,096	45,296
1997–98	21,450	11,502	32,952	15,336	48,288
1998–99	23,672	11,291	34,963	16,456	51,419
1999–00	26,064	12,675	38,740	16,177	54,916
2000–01	28,855	13,972	42,827	18,791	61,618
2001–02	30,891	14,828	45,719	21,413	67,132
2002–03	33,488	16,471	49,960	23,149	73,108
2003–04	35,960	18,044	54,004	25,110	79,114
2004–05	39,800	19,762	59,562	27,733	87,296

(a) Expenditure has been adjusted for non-specific tax expenditures.

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

Source: AIHW health expenditure database.

Table 13: Total health expenditure, current prices, by broad source of funds as a proportion of total health expenditure, 1994–95 to 2004–05 (per cent)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1994–95	44.8	21.6	66.3	33.7	100.0
1995–96	45.2	22.0	67.2	32.8	100.0
1996–97	43.7	22.9	66.7	33.3	100.0
1997–98	44.4	23.8	68.2	31.8	100.0
1998–99	46.0	22.0	68.0	32.0	100.0
1999–00	47.5	23.1	70.5	29.5	100.0
2000–01	46.8	22.7	69.5	30.5	100.0
2001–02	46.0	22.1	68.1	31.9	100.0
2002–03	45.8	22.5	68.3	31.7	100.0
2003–04	45.5	22.8	68.3	31.7	100.0
2004–05	45.6	22.6	68.2	31.8	100.0

(a) Expenditure has been adjusted for non-specific tax expenditures.

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

Source: AIHW health expenditure database.

Health funding can also be expressed as a proportion of GDP. Over the decade from 1994–95 to 2004–05, the Australian Government increased its share from 3.6% to 4.5% of GDP.

For state, territory and local governments, the proportion increased from 1.7% to 2.2%.

Non-government sources increased their share of GDP at a slower pace, from 2.7% to 3.1% (Table 14).

Table 14: Total health expenditure, current prices, by broad source of funds, as a proportion of GDP, 1994–95 to 2004–05 (per cent)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1994–95	3.6	1.7	5.3	2.7	8.1
1995–96	3.7	1.8	5.5	2.7	8.1
1996–97	3.6	1.9	5.5	2.8	8.3
1997–98	3.7	2.0	5.7	2.7	8.4
1998–99	3.9	1.9	5.8	2.7	8.5
1999–00	4.0	2.0	6.0	2.5	8.5
2000–01	4.2	2.0	6.2	2.7	8.9
2001–02	4.2	2.0	6.2	2.9	9.1
2002–03	4.3	2.1	6.4	3.0	9.3
2003–04	4.3	2.2	6.4	3.0	9.4
2004–05	4.5	2.2	6.7	3.1	9.8

(a) Expenditure has been adjusted for non-specific tax expenditures.

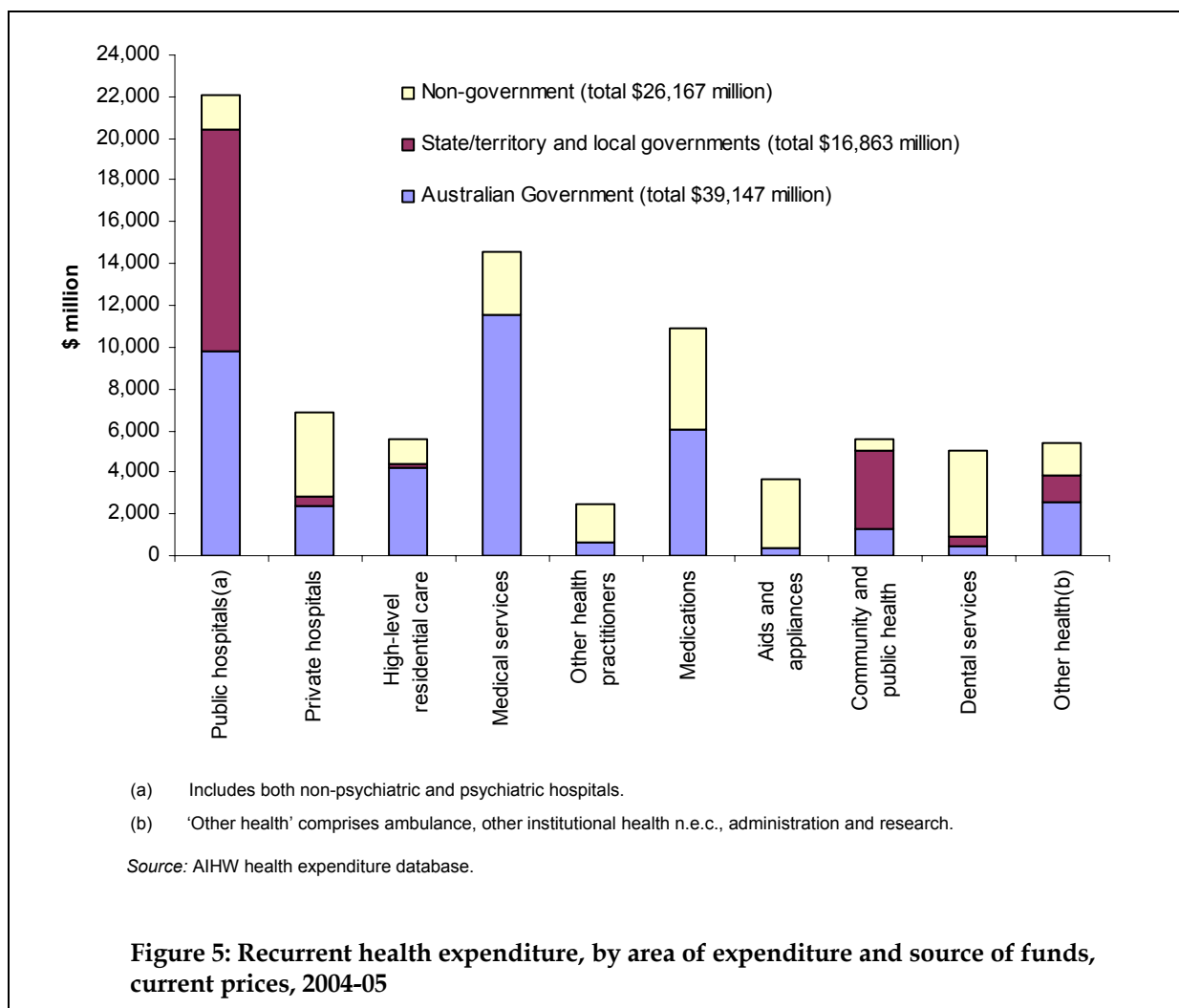
Note: Components may not add to totals due to rounding.

Sources: AIHW health expenditure database and ABS 2006a.

Total recurrent funding

In real terms, recurrent funding of health grew by an average of 5.1% a year from 1994–95 to 2004–05 (Table 17). The government sector's recurrent funding grew by 5.6% per year, while non-government recurrent funding grew by 4.1% (Tables 15 and 16). These growth rates are similar to those for government (5.7%) and non-government funding (4.3%) of total health expenditure (Table 18).

Medications consistently experienced the highest growth in total funding. Real growth of funding for medications averaged 8.9% between 1994–95 and 2004–05. Private hospitals (6.3%), high-level residential care (4.5%) and public hospitals (4.4%) were the next highest in terms of real growth in funding (Table 17).



Government sector funding

Between 1994-95 and 2004-05, the area that attracted the most rapid real growth in government funding was private hospitals – 24.4% per year (Table 15). This was mostly due to the Government introducing subsidies for private health insurance, which is the main source of funding for private hospitals. The increased use of private hospital services by veterans funded by the Department of Veterans' Affairs (DVA) also contributed. There was some small discontinuity because of the inclusion of state government funding of private hospital services starting from 2002-03. This funding was \$404 million in real terms in 2004-05 (Table A6). Removing this expenditure would reduce the growth rate from 24.4% to 22.4% per year.

The period from 1997-98 to 2002-03, during which the Australian Government's private health insurance incentives were being introduced and revised, saw growth in government recurrent funding of 5.8% on average each year. Growth during that period was largely in two areas – private hospitals (25.0% per year) and other health practitioners (14.8%), both of which were strongly influenced by changes to private health insurance arrangements. For the period 1994-95 to 2004-05, growth in government recurrent funding was 5.6% on average each year, with the highest growth again in private hospitals (24.4% per year) and the next highest growth in medications (11.0%) (Table 15).

Non-government funding

The area that attracted the fastest real growth in funding by non-government sources between 1994-95 and 2004-05 was medications – 6.7% per year (Table 16). An area of non-government funding that declined over that period was funding for other health practitioners – down 1.9% per year.

Of the two broad periods looked at – 1994-95 to 1997-98 and 1997-98 to 2002-03 – growth in non-government funding was most rapid in the second, that is, between 1997-98 and 2002-03. It averaged 4.8% over this period, with much of the growth being driven by medications (10.2%).

Between 2003-04 and 2004-05, total non-government funding of recurrent health expenditure grew, in real terms, by 5.7% compared with 5.5% growth for total funding of recurrent health expenditure (Tables 16 and 17).

Table 15: Government funding of recurrent health expenditure^(a), constant prices^(b), by area of expenditure, and annual growth rates, 1994–95 to 2004–05

Year	Public hospitals		Private hospitals		High-level residential care		Medical services		Other health practitioners ^(c)		Medications		Other health ^(d)		Total government recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1994–95	12,550	..	304	..	2,664	..	8,268	..	316	..	2,130	..	4,881	..	31,113	..
1995–96	13,116	4.5	367	20.6	2,829	6.2	8,674	4.9	337	6.6	2,557	20.1	5,375	10.1	33,253	6.9
1996–97	13,982	6.6	432	17.8	3,036	7.3	8,821	1.7	332	-1.5	2,767	8.2	5,526	2.8	34,895	4.9
1997–98	14,948	6.9	756	75.2	3,304	8.8	8,888	0.8	346	4.3	2,836	2.5	5,956	7.8	37,033	6.1
1998–99	15,484	3.6	1,172	55.0	3,384	2.4	9,194	3.4	295	-14.5	3,113	9.8	5,753	-3.4	38,395	3.7
1999–00	15,797	2.0	1,603	36.8	3,500	3.4	9,772	6.3	338	14.5	3,552	14.1	7,113	23.6	41,676	8.5
2000–01	16,141	2.2	1,839	14.7	3,504	0.1	9,766	-0.1	712	110.4	4,410	24.2	8,007	12.6	44,378	6.5
2001–02	16,891	4.6	1,892	2.9	3,596	2.6	9,945	1.8	699	-1.8	4,740	7.5	8,263	3.2	46,026	3.7
2002–03	18,182	7.6	2,311	22.1	3,773	4.9	9,889	-0.6	690	-1.3	5,232	10.4	8,952	8.3	49,030	6.5
2003–04	18,761	3.2	2,533	9.6	4,026	6.7	9,972	0.8	679	-1.7	5,735	9.6	9,254	3.4	50,960	3.9
2004–05	19,654	4.8	2,698	6.5	4,240	5.3	10,671	7.0	635	-6.4	6,036	5.2	9,754	5.4	53,687	5.4
Average annual growth rate																
1994–95 to 1997–98	6.0		35.5		7.4		2.4		3.1		10.0		6.9		6.0	
1997–98 to 2002–03	4.0		25.0		2.7		2.2		14.8		13.0		8.5		5.8	
1994–95 to 2004–05	4.6		24.4		4.8		2.6		7.2		11.0		7.2		5.6	

(a) Not adjusted for non-specific tax expenditures.

(b) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

(c) From 2000–01, it includes DVA funding and DoHA hearing services (audiology component) which was previously included in 'other health'.

(d) 'Other health' comprises ambulance, other institutional health n.e.c., dental services, community health, aids and appliances, public health, other non-institutional health n.e.c., administration and research.

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

Source: AIHW health expenditure database.

Table 16: Non-government funding of recurrent health expenditure^(a), constant prices^(b), by area of expenditure, and annual growth rates, 1994–95 to 2004–05

Year	Public hospitals		Private hospitals		High-level residential care		Medical services		Other health practitioners		Medications		Other health ^(c)		Total non-government recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1994–95	1,266	..	3,327	..	811	..	1,763	..	2,107	..	2,449	..	5,004	..	16,728	..
1995–96	1,293	2.1	3,588	7.8	841	3.6	1,836	4.2	1,991	-5.5	2,379	-2.9	5,081	1.5	17,008	1.7
1996–97	1,314	1.6	3,836	6.9	866	3.0	1,951	6.3	2,287	14.9	2,640	11.0	5,249	3.3	18,143	6.7
1997–98	1,206	-8.2	3,633	-5.3	898	3.7	1,988	1.9	1,969	-13.9	3,013	14.1	5,133	-2.2	17,840	-1.7
1998–99	1,280	6.1	3,452	-5.0	948	5.6	2,056	3.5	1,951	-0.9	3,255	8.0	5,820	13.4	18,762	5.2
1999–00	1,257	-1.8	3,197	-7.4	769	-18.9	2,125	3.4	1,844	-5.4	3,572	9.7	5,533	-4.9	18,298	-2.5
2000–01	1,382	9.9	3,277	2.5	798	3.8	2,211	4.0	1,883	2.1	3,910	9.5	6,839	23.6	20,300	10.9
2001–02	1,516	9.7	3,592	9.6	843	5.7	2,487	12.5	1,699	-9.8	4,591	17.4	7,146	4.5	21,874	7.8
2002–03	1,421	-6.3	3,593	—	939	11.3	2,713	9.1	1,509	-11.2	4,898	6.7	7,533	5.4	22,605	3.3
2003–04	1,467	3.3	3,949	9.9	1,045	11.4	2,938	8.3	1,626	7.8	4,528	-7.6	8,204	8.9	23,758	5.1
2004–05	1,653	12.7	3,967	0.5	1,144	9.5	2,881	-2.0	1,738	6.9	4,691	3.6	9,040	10.2	25,114	5.7
Average annual growth rate																
1994–95 to 1997–98	-1.6		3.0		3.4		4.1		-2.2		7.1		0.9		2.2	
1997–98 to 2002–03	3.3		-0.2		0.9		6.4		-5.2		10.2		8.0		4.8	
1994–95 to 2004–05	2.7		1.8		3.5		5.0		-1.9		6.7		6.1		4.1	

(a) Not adjusted for non-specific tax expenditures.

(b) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

(c) 'Other health' comprises ambulance, other institutional health n.e.c., dental services, community health, aids and appliances, public health, other non-institutional health n.e.c., administration and research.

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

Source: AIHW health expenditure database.

Table 17: Total funding of recurrent health expenditure^(a), constant prices^(b), by area of expenditure, and annual growth rates, 1994–95 to 2004–05

Year	Public hospitals		Private hospitals		High-level residential care		Medical services		Other health practitioners ^(c)		Medications		Other health ^(d)		Total recurrent funding		
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	
1994–95	13,816	..	3,631	..	3,476	..	10,031	..	2,423	..	4,579	..	9,885	..	47,842	..	
1995–96	14,409	4.3	3,954	8.9	3,670	5.6	10,509	4.8	2,328	-3.9	4,936	7.8	10,455	5.8	50,261	5.1	
1996–97	15,296	6.2	4,268	7.9	3,902	6.3	10,772	2.5	2,618	12.5	5,406	9.5	10,775	3.1	53,038	5.5	
1997–98	16,155	5.6	4,389	2.8	4,201	7.7	10,875	1.0	2,315	-11.6	5,849	8.2	11,089	2.9	54,873	3.5	
1998–99	16,765	3.8	4,624	5.3	4,332	3.1	11,250	3.4	2,246	-3.0	6,368	8.9	11,573	4.4	57,157	4.2	
1999–00	17,055	1.7	4,800	3.8	4,269	-1.5	11,897	5.8	2,183	-2.8	7,124	11.9	12,646	9.3	59,975	4.9	
2000–01	17,523	2.7	5,116	6.6	4,301	0.8	11,977	0.7	2,595	18.9	8,320	16.8	14,846	17.4	64,678	7.8	
2001–02	18,406	5.0	5,484	7.2	4,439	3.2	12,432	3.8	2,398	-7.6	9,332	12.2	15,409	3.8	67,900	5.0	
2002–03	19,603	6.5	5,903	7.6	4,712	6.1	12,602	1.4	2,199	-8.3	10,130	8.6	16,485	7.0	71,634	5.5	
2003–04	20,228	3.2	6,482	9.8	5,072	7.6	12,910	2.4	2,305	4.8	10,263	1.3	17,459	5.9	74,718	4.3	
2004–05	21,307	5.3	6,665	2.8	5,384	6.2	13,551	5.0	2,373	3.0	10,727	4.5	18,794	7.6	78,801	5.5	
Average annual growth rate																	
1994–95 to 1997–98		5.4		6.5		6.5		2.7		-1.5		8.5		3.9		4.7	
1997–98 to 2002–03		3.9		6.1		2.3		3.0		-1.0		11.6		8.3		5.5	
1994–95 to 2004–05		4.4		6.3		4.5		3.1		-0.2		8.9		6.6		5.1	

(a) Not adjusted for non-specific tax expenditures.

(b) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

(c) From 2000–01, it includes DVA funding and DoHA hearing services (audiology component) which was previously included in 'other health'.

(d) 'Other health' comprises ambulance, other institutional health n.e.c., dental services, community health, aids and appliances, public health, other non-institutional health n.e.c., administration and research.

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

Source: AIHW health expenditure database.

3.2 Government sources of funds

In 2004–05, the Australian Government funded health expenditure worth \$39.8 billion (Table 12). This was 45.6% of total funding for health by all sources of funds (Table 13 and Figure 6). State, territory and local government sources provided 22.6%.

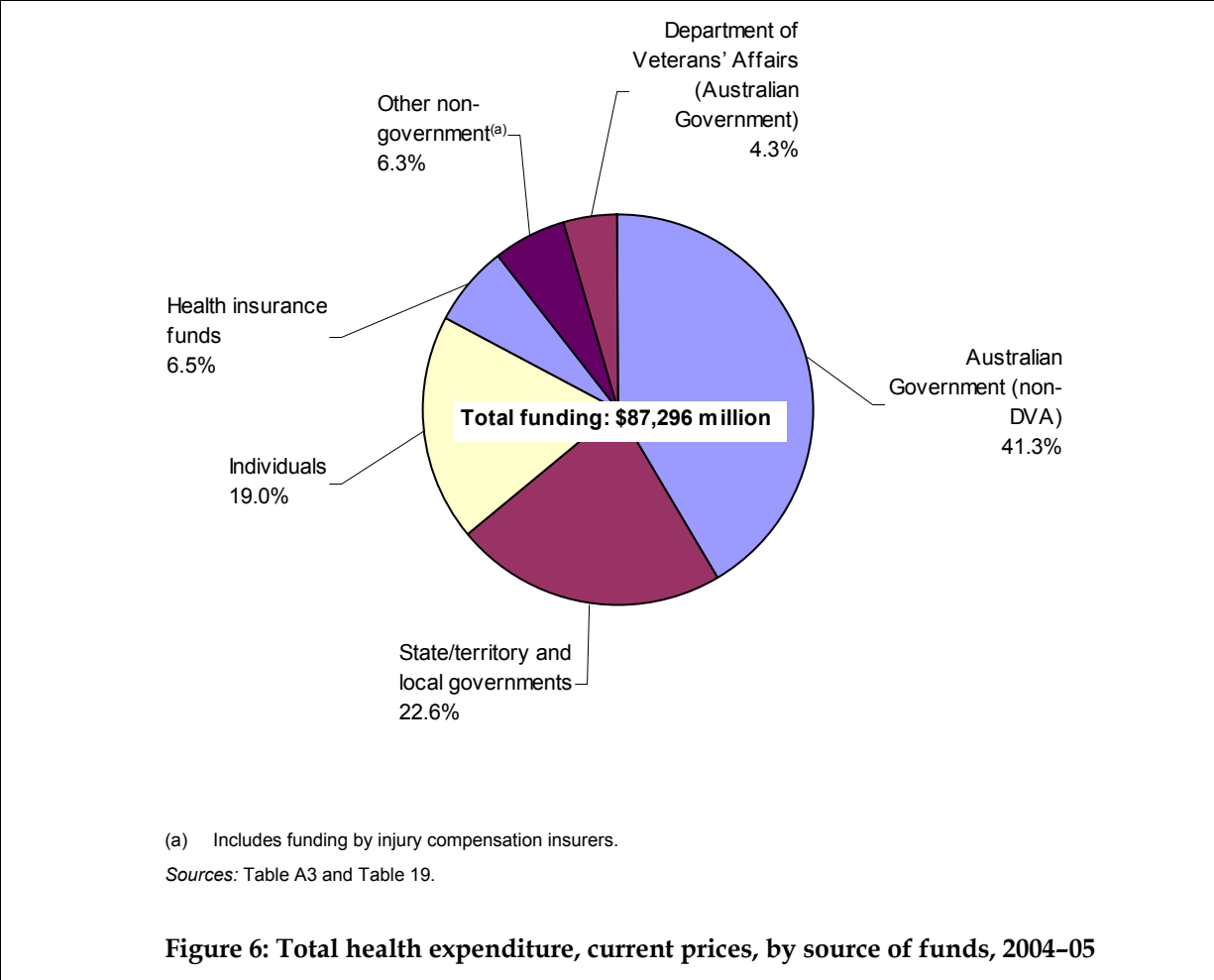


Table 18: Total health expenditure, constant prices^(a), and annual growth rates, by broad source of funds, 1994–95 to 2004–05

Year	Government						Non-government ^(b)		Total	
	Australian Government ^(b)		State/territory and local		Total		Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)				
1994–95	22,382	..	10,374	..	32,756	..	17,478	..	50,234	..
1995–96	23,708	5.9	11,195	7.9	34,903	6.6	17,758	1.6	52,662	4.8
1996–97	24,320	2.6	12,436	11.1	36,757	5.3	19,036	7.2	55,793	5.9
1997–98	25,763	5.9	13,494	8.5	39,256	6.8	18,748	–1.5	58,005	4.0
1998–99	27,715	7.6	12,937	–4.1	40,652	3.6	19,665	4.9	60,317	4.0
1999–00	30,001	8.2	14,243	10.1	44,243	8.8	18,913	–3.8	63,156	4.7
2000–01	32,099	7.0	15,208	6.8	47,307	6.9	21,053	11.3	68,361	8.2
2001–02	33,162	3.3	15,733	3.4	48,895	3.4	23,174	10.1	72,069	5.4
2002–03	34,673	4.6	16,959	7.8	51,631	5.6	24,089	3.9	75,720	5.1
2003–04	35,960	3.7	18,044	6.4	54,004	4.6	25,110	4.2	79,114	4.5
2004–05	38,128	6.0	19,029	5.5	57,157	5.8	26,647	6.1	83,804	5.9
Average annual growth rate										
1994–95 to 1997–98		4.8		9.2		6.2		2.4		4.9
1997–98 to 2002–03		6.1		4.7		5.6		5.1		5.5
1994–95 to 2004–05		5.5		6.3		5.7		4.3		5.3

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

(b) Expenditure has been adjusted for non-specific tax expenditures.

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

Source: AIHW health expenditure database.

Australian Government

In 2004–05, the Australian Government provided \$39.8 billion for health (Table 12), which was 66.8% of total government health funding (Figure 7). This subsection provides more detail on the Australian Government’s funding of recurrent expenditure. Funding for capital formation is discussed in Section 4.2.

The Australian Government’s contribution to funding for health includes:

- payments through DVA in respect of eligible veterans and their dependants
- specific purpose payments (SPPs) to the states and territories for health purposes
- direct expenditure by the Australian Government on health programs (such as Medicare, PBS, high-level residential care subsidies)
- rebates and subsidies under the *Private Health Insurance Incentives Act 1997*
- taxation expenditures.

Australian Government funding of private health insurance rose from zero in 1996–97 to \$3.0 billion in 2004–05 (Table 19 and Figure 15).

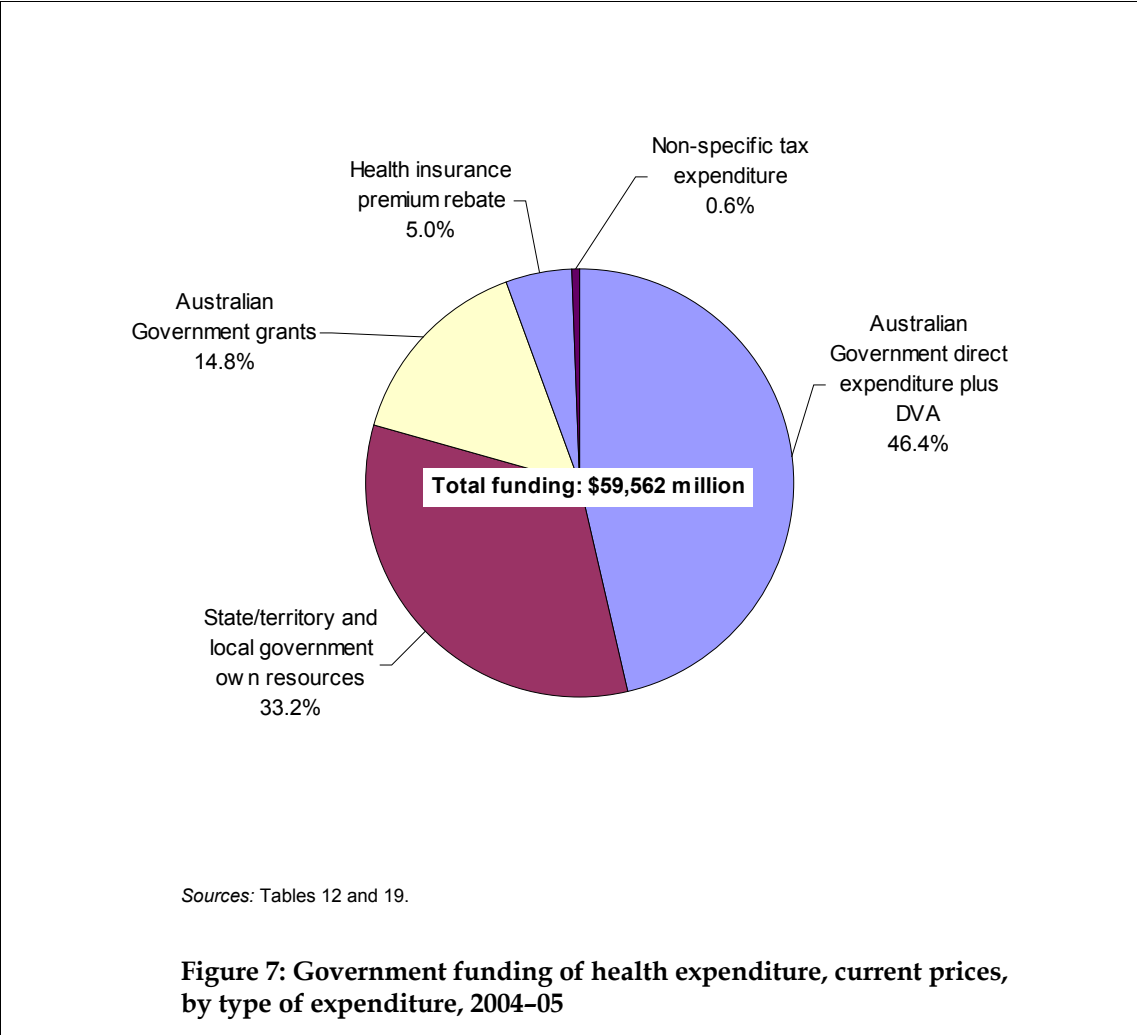


Table 19: Funding of total health expenditure by the Australian Government, current prices, by type of expenditure, 1994–95 to 2004–05 (\$ million)

Year	General expenditure					Non-specific tax expenditure	Total
	DVA	Grants to states	Rebates of health insurance premiums ^(a)	Direct expenditure	Total		
1994–95	1,488	4,729	..	11,242	17,459	91	17,551
1995–96	1,540	5,012	..	12,340	18,892	113	19,005
1996–97	1,658	5,202	..	12,822	19,681	128	19,809
1997–98	1,802	5,656	407	13,439	21,305	145	21,450
1998–99	2,144	6,328	963	14,074	23,509	162	23,672
1999–00	2,399	6,556	1,576	15,361	25,891	173	26,064
2000–01	2,698	6,996	2,031	16,927	28,651	203	28,855
2001–02	2,962	7,391	2,105	18,209	30,666	225	30,891
2002–03	3,340	8,095	2,312	19,485	33,232	256	33,488
2003–04	3,560	8,222	2,539	21,325	35,645	315	35,960
2004–05	3,763	8,843	2,985	23,845	39,436	364	39,800

(a) Includes rebates of health insurance premiums claimed through the taxation system.

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

Source: AIHW health expenditure database.

The Department of Veterans' Affairs

DVA funding of health is through its purchase of health goods and services on behalf of eligible veterans and their dependants. In 2004–05, its funding totalled \$3,763 million (Table 20). Nearly two-thirds of this (62.6%) was for institutional services (mainly hospitals and high-level residential care services).

Table 20: Department of Veterans' Affairs health expenditure, current prices, by area of expenditure, 2004–05

Area of expenditure	Amount (\$m)	Proportion (%)
Public hospitals	812	21.6
Private hospitals	828	22.0
High-level residential care	620	16.5
Ambulance	94	2.5
Medical services	685	18.2
Other health practitioners	118	3.1
Medications	474	12.6
Community health	1	—
Dental services	72	1.9
Administration	55	1.5
Research	2	0.1
Total	3,763	100.0

Source: AIHW health expenditure database.

Other Australian Government sources of funding

General expenditure

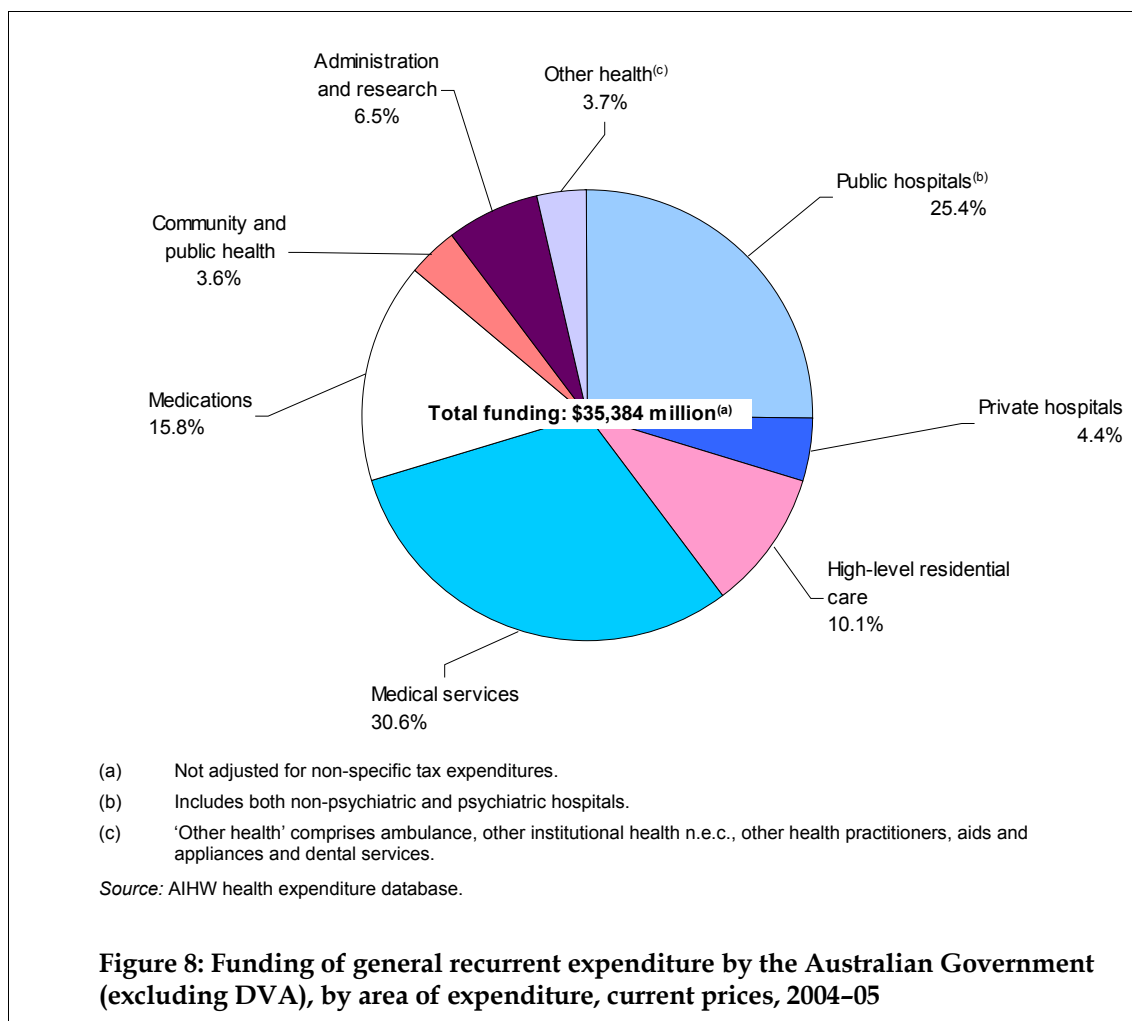
Expenditures recorded as 'general expenditure' are recurrent expenditures paid out of appropriations by the Australian Government. Most of those expenditures are administered by the Department of Health and Ageing (DoHA). They include:

- SPPs to the states and territories for health purposes
- payments of personal health benefits to individuals – for example, Medicare and pharmaceutical benefits
- subsidies and rebates under the *Private Health Insurance Incentives Act 1997* (including amounts claimed through the taxation system)
- subsidies paid to providers of health services – for example, high-level residential care subsidies.

Nearly one-third of all funding by the Australian Government was for medical services – \$10.8 billion – which, in 2004–05, accounted for 30.6% of its general recurrent outlays on health of \$35.4 billion (Figure 8).

Most of the SPPs by the Australian Government to state and territory governments recorded in the general recurrent outlays on health were provided under the AHCAs between these two levels of government. The payments were primarily directed to expenditure in the public hospital systems of the states and territories. Other SPPs that were regarded as expenditure on public hospitals included payments for high-cost drugs and blood transfusion services. A proportion of the 30% rebate on private health insurance was also included as funding by the Australian Government for public hospitals. In 2004–05, payments relating to public hospitals accounted for \$9.0 billion, which was one-quarter (25.4%) of total general recurrent outlays by the Australian Government for health (Figure 8).

The other two main areas where the Australian Government provided funding were medications, which in 2004–05 accounted for 15.8% (\$5.6 billion) of general recurrent expenditures, and high-level residential care subsidies, which accounted for 10.1% (\$3.6 billion).



Rebates of health insurance contributions (30% rebate)

There are two methods for claiming the 30% rebate on private health insurance premiums (Table 19). The first involves a reduced premium being charged by the private health insurance fund (with a subsequent reimbursement to the fund by the Australian Government). The second is where the private health insurance fund charges the full (non-rebated) premium and the person paying the full premium claims the 30% rebate directly from the Australian Government through the taxation system.

During 2004-05, the total value of the 30% rebate was \$3.0 billion. The majority was in the form of subsidies to private health insurance funds with the balance provided in the form of rebates to individuals through the taxation system (Table 19).

Tax expenditures

The 30% rebate for private health insurance premiums claimed through taxation was regarded as part of Australian Government tax expenditures from 1997-98 to 1999-00.

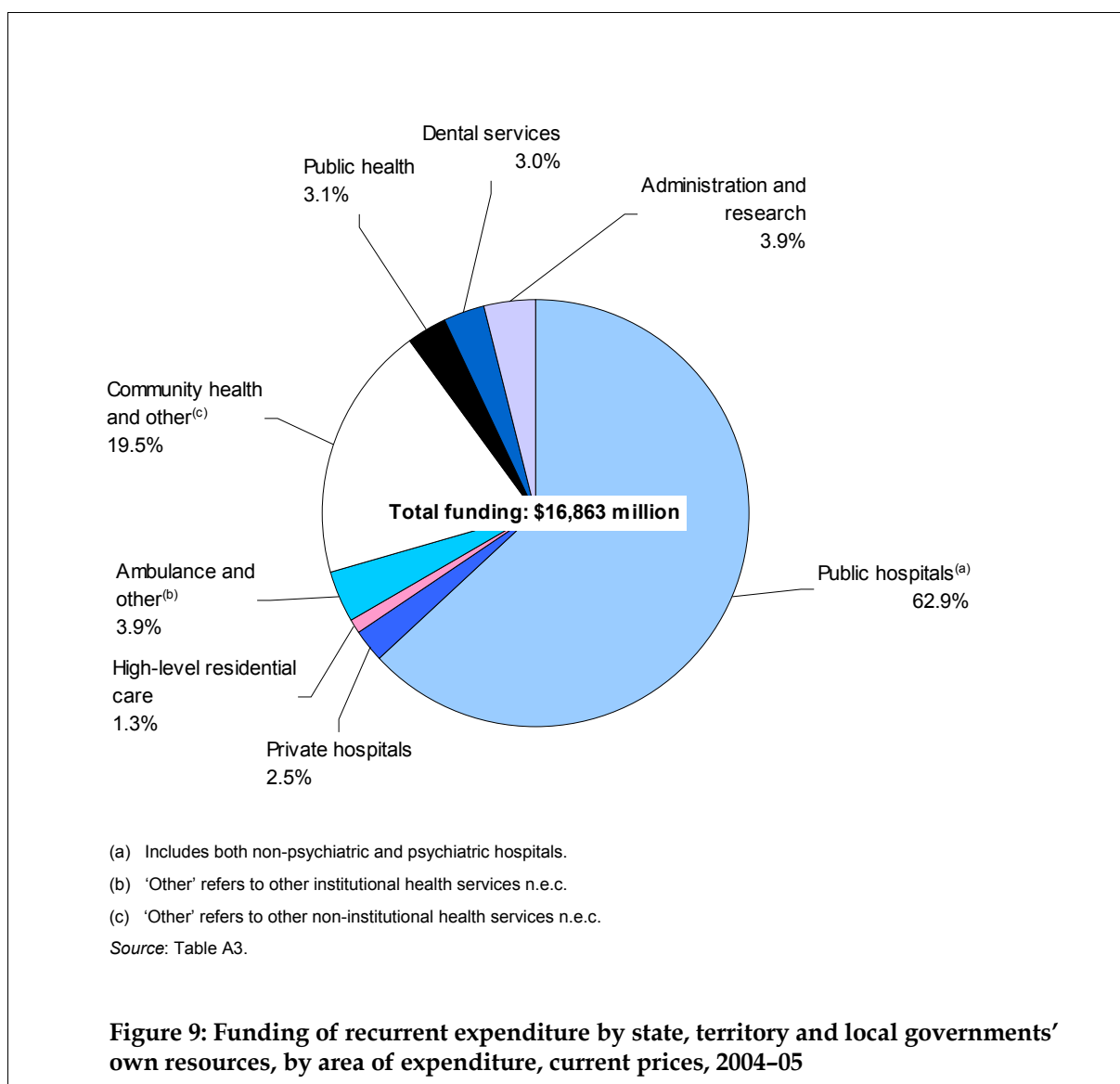
A second form of tax expenditure on health relates to the tax rebate of 20 cents in the dollar that can be claimed in respect of direct health expenditures that exceed a prescribed threshold. In 2004-05 that threshold was \$1,500 per taxpayer. This second form of tax expenditure is referred to in this publication as 'non-specific tax expenditures'. This is because they cannot be allocated to any particular area(s) of health expenditure (see Chapter 6). In 2004-05, the total value of such tax expenditures was \$364 million (Table 19).

State and territory governments and local government authorities

State and territory governments are the main providers of publicly provided health goods and services in Australia. Those goods and services are financed by a combination of SPPs from the Australian Government, funding by the states and territories out of their own fiscal resources, and funding from non-government sources (usually in the form of user fees).

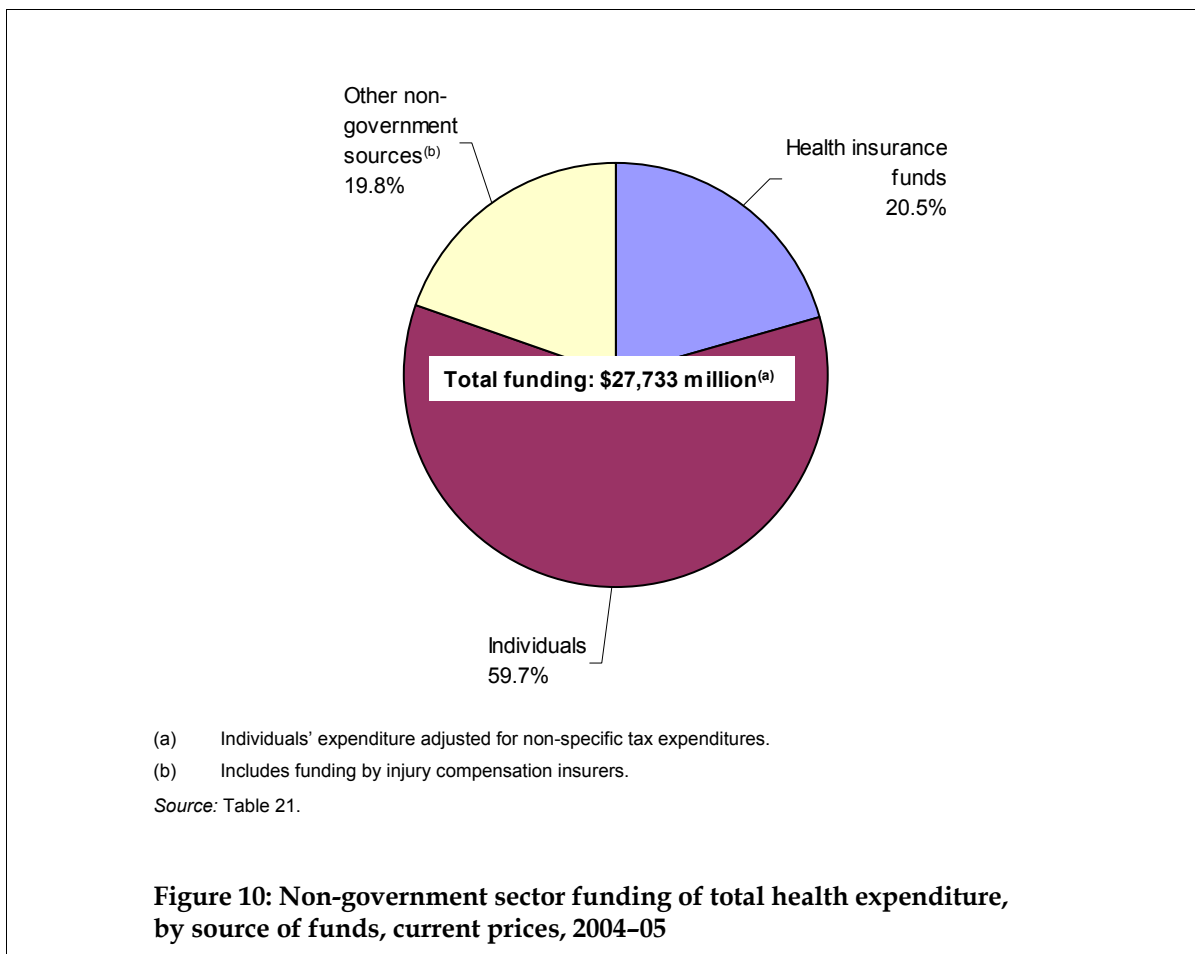
In terms of the types of health goods and services funded by the states and territories and by local government authorities, spending on public hospitals dominates, accounting for 62.9% of recurrent funding provided by these government sources in 2004–05 (Figure 9).

In real terms, funding for health by state, territory and local governments increased, by an average of 6.3% per year between 1994–95 and 2004–05. In comparison, Australian Government funding increased by 5.5% per year in this period (Table 18).



3.3 Non-government funding

Most non-government funding for health goods and services in Australia comes from out-of-pocket payments by individuals. This includes situations where individuals meet the full cost of a service or good as well as where they share the funding of goods and services with third-party payers – for example, private health insurance funds or the Australian Government. Funding by individuals accounted for 59.7% (\$16.5 billion) of estimated non-government funding of health goods and services during 2004–05 (Table 21 and Figure 10). That proportion rose by 8.9 percentage points in the decade to 2004–05. Private health insurance funds provided 20.5% (\$5.7 billion) in 2004–05, down from 31.8% in 1994–95. The remaining 19.8% (\$5.5 billion) came from other non-government sources (mainly compulsory motor vehicle third-party and workers' compensation insurers), whose share of health funding fluctuated in the decade to 2004–05.



Non-government funding was 31.8% of total funding in 2004–05 (Table 13). In 1997–98, non-government funding was 31.8%, a decrease of 1.5 percentage points from 1996–97. The fall after 1996–97 was largely due to the Australian Government's subsidy for private health insurance. The effect of that subsidy is that benefits paid for private health goods and services used by insured people became jointly funded by the Australian Government (through the contribution rebates) and the fund members. Since 2001–02, the non-government share has remained around 31.8%.

Table 21: Non-government sector funding of total health expenditure, by source of funds, current prices, 1994–95 to 2004–05

Year	Health insurance funds ^(a)		Individuals ^(b)		Other non-government ^(c)		All non-government sources ^{(a)(b)(c)}	
	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
1994–95	4,201	31.8	6,702	50.8	2,303	17.4	13,205	100.0
1995–96	4,426	32.0	6,743	48.8	2,649	19.2	13,817	100.0
1996–97	4,700	31.1	7,541	50.0	2,856	18.9	15,096	100.0
1997–98	4,271	27.8	8,037	52.4	3,029	19.7	15,336	100.0
1998–99	3,855	23.4	9,312	56.6	3,290	20.0	16,456	100.0
1999–00	3,601	22.3	9,503	58.7	3,072	19.0	16,177	100.0
2000–01	4,123	21.9	11,348	60.4	3,320	17.7	18,791	100.0
2001–02	4,975	23.2	12,193	56.9	4,245	19.8	21,413	100.0
2002–03	5,268	22.8	13,329	57.6	4,552	19.7	23,149	100.0
2003–04	5,594	22.3	14,724	58.6	4,791	19.1	25,110	100.0
2004–05	5,685	20.5	16,548	59.7	5,499	19.8	27,733	100.0

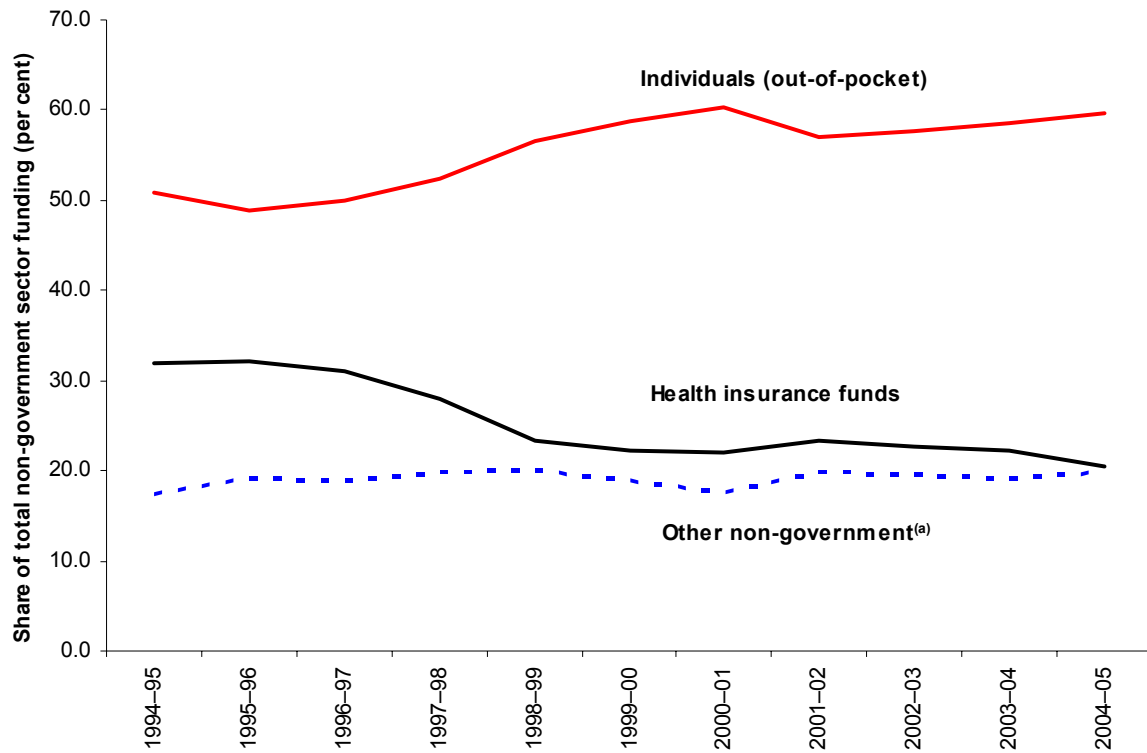
(a) Adjusted for private health insurance incentives subsidy and 30% premium rebates claimed through the tax system for the years from 1997–98.

(b) Adjusted for non-specific tax expenditures.

(c) Includes expenditure on capital formation.

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

Source: AIHW health expenditure database.



(a) Includes funding by injury compensation insurers.

Source: Table 21.

Figure 11: Non-government sector funding of total health expenditure, by source of funds, current prices, 1994-95 to 2004-05

Table 22: Non-government sector funding of total health expenditure, by source of funds, constant prices^(a), and annual growth rates, 1994–95 to 2004–05

Year	Private health insurance funds ^(b)		Individuals ^(c)		Other non-government ^(d)		All non-government sources ^{(b)(c)(d)}	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1994–95	5,585	..	9,001	..	2,892	..	17,478	..
1995–96	5,725	2.5	8,772	-2.5	3,261	12.7	17,758	1.6
1996–97	5,938	3.7	9,628	9.8	3,470	6.4	19,036	7.2
1997–98	5,265	-11.3	9,874	2.6	3,609	4.0	18,748	-1.5
1998–99	4,626	-12.1	11,175	13.2	3,864	7.1	19,665	4.9
1999–00	4,212	-9.0	11,130	-0.4	3,570	-7.6	18,913	-3.8
2000–01	4,652	10.4	12,705	14.2	3,696	3.5	21,053	11.3
2001–02	5,414	16.4	13,228	4.1	4,531	22.6	23,174	10.1
2002–03	5,497	1.5	13,893	5.0	4,699	3.7	24,089	3.9
2003–04	5,594	1.8	14,724	6.0	4,791	2.0	25,110	4.2
2004–05	5,443	-2.7	15,918	8.1	5,285	10.3	26,647	6.1
Average annual growth rate								
1994–95 to 1997–98		-1.9		3.1		7.7		2.4
1997–98 to 2002–03		0.9		7.1		5.4		5.1
1994–95 to 2004–05		-0.3		5.9		6.2		4.3

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

(b) Adjusted for private health insurance incentives subsidy and 30% premium rebates claimed through the tax system for years from 1997–98.

(c) Adjusted for non-specific tax expenditures.

(d) Includes expenditure on capital formation.

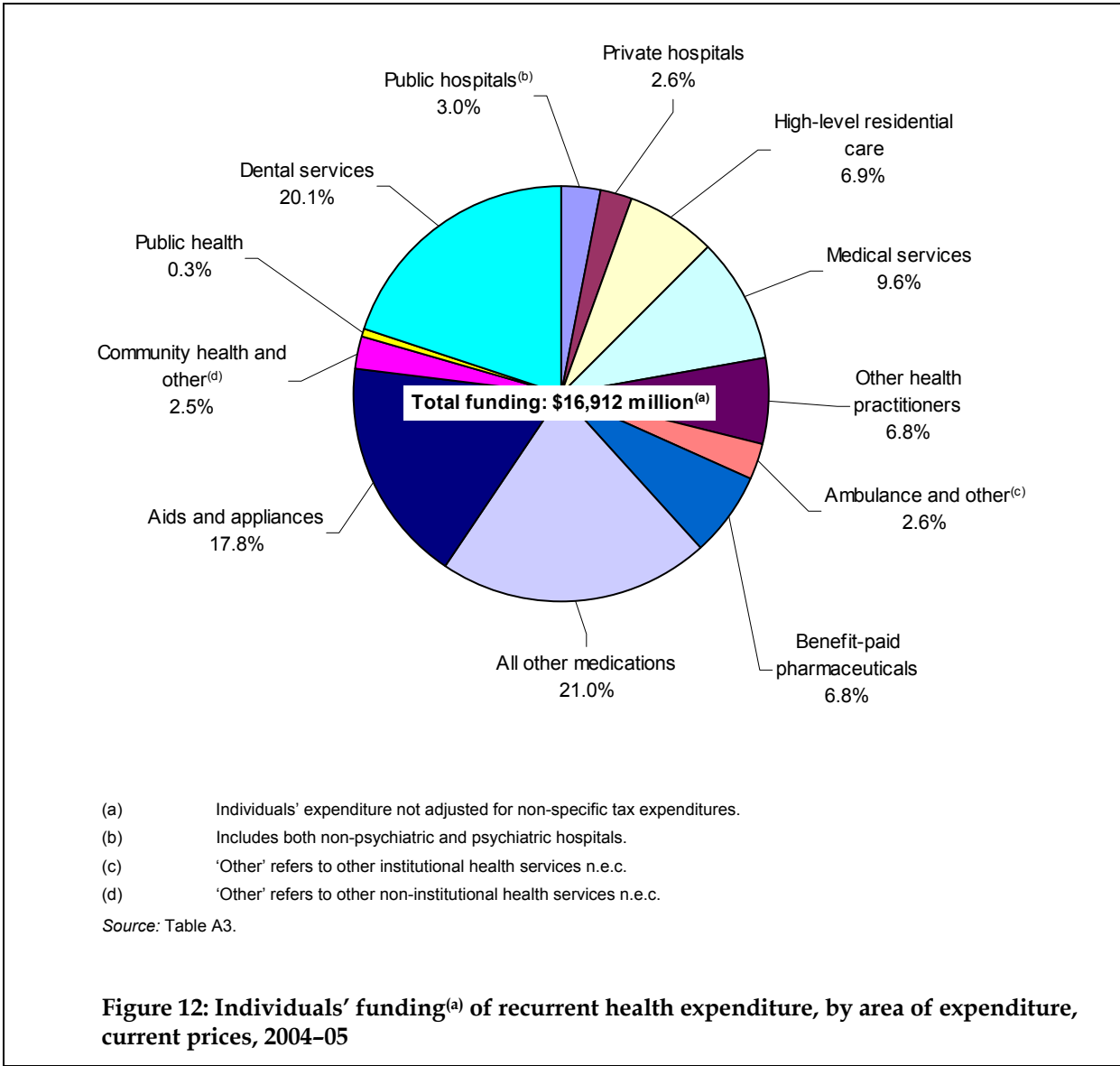
Note: Components may not add to totals due to rounding.

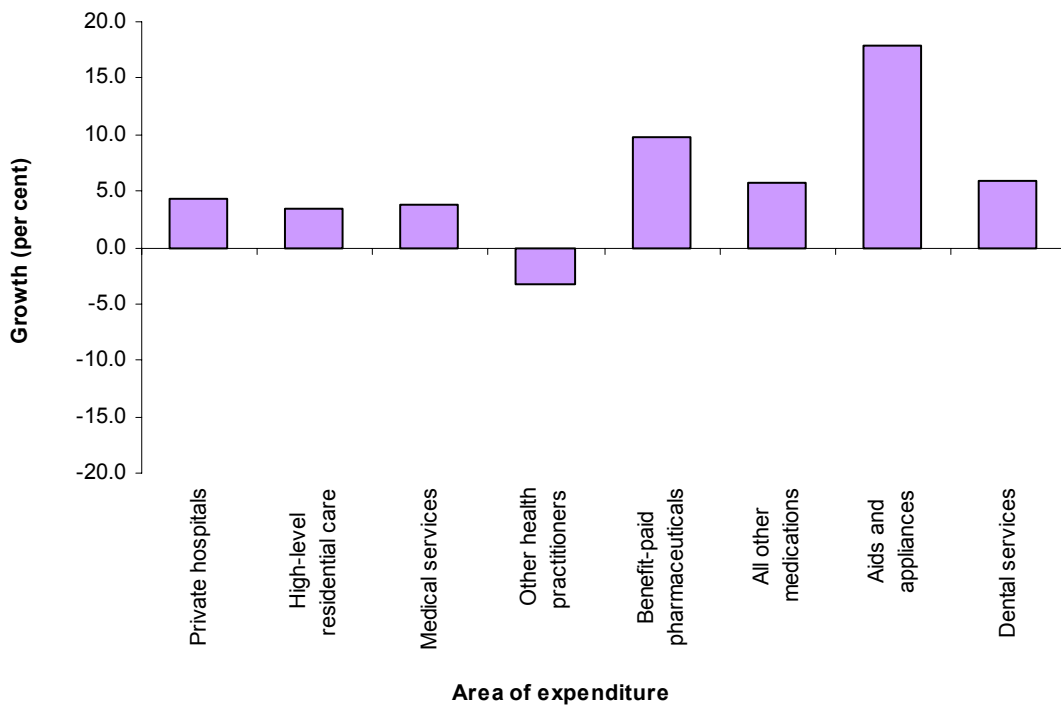
Source: AIHW health expenditure database.

Individuals

In 2004-05, of the estimated \$16.9 billion out-of-pocket recurrent expenditure by individuals on health goods and services (Figure 12):

- 27.8% was spent on medications
 - 6.8% on PBS and RPBS patient contributions
 - 21.0% on other medications (see Glossary for a detailed definition)
- 20.1% on dental services
- 17.8% on aids and appliances
- 9.6% on medical services.





(a) Individuals' expenditure not adjusted for non-specific tax expenditures.
 (b) Constant price health expenditure for 1997-98 to 2004-05 is expressed in terms of 2003-04 prices.
 Source: AIHW health expenditure database.

Figure 13: Average annual growth in individuals' funding^(a) of recurrent health expenditure, by area of expenditure, constant prices^(b), 1997-98 to 2004-05

From 1997-98 to 2004-05, the main areas of real growth in individuals' out-of-pocket funding were for aids and appliances, medications, and dental services (Figure 13).

In real terms, average out-of-pocket health expenditure per person grew by 4.7% a year in the decade from 1994-95 to 2004-05 (Table 23). Over this period, the two areas of out-of-pocket expenditure that had the most rapid real growth were ambulance services, at 15.1%, and aids and appliances at 12.5% per year. In contrast, average per person out-of-pocket expenditure on other health practitioners declined over this decade by 3.4% per annum. This was due to the downward revision of the ABS HFCE estimates for other health practitioners.

Table 23: Average out-of-pocket recurrent health expenditure per person, constant prices^(a), and annual growth rates, by area of expenditure, 1994–95 to 2004–05

Year	Hospitals		High-level residential care		Ambulance and other		Medical services		Dental services		Other health practitioners		Medications		Aids and appliances		Community and public health ^(b)		Total recurrent expenditure	
	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)
1994–95	31	..	45	..	5	..	54	..	118	..	77	..	132	..	45	..	—	..	508	..
1995–96	21	-33.4	46	2.3	8	51.9	56	3.1	116	-2.2	72	-7.0	126	-4.7	46	3.6	—	..	490	-3.5
1996–97	27	27.0	47	0.7	8	5.6	58	5.0	118	1.9	88	22.1	138	9.9	48	3.3	—	..	531	8.4
1997–98	23	-12.2	48	3.1	8	-0.3	62	6.2	116	-1.3	75	-14.4	158	14.1	49	3.3	—	..	540	1.6
1998–99	42	80.6	49	2.1	22	159.1	64	3.5	117	0.7	70	-6.4	168	6.6	67	35.8	5	..	604	11.9
1999–00	40	-5.3	40	-17.7	13	-38.2	64	0.3	116	-0.8	66	-5.4	182	8.3	70	4.8	2	-54.0	595	-1.5
2000–01	46	15.7	41	2.5	16	18.9	66	2.0	136	17.5	65	-1.9	197	8.0	103	47.4	—	..	670	12.7
2001–02	41	-10.9	43	4.2	19	18.3	68	3.5	155	13.8	52	-19.8	228	15.9	83	-19.5	—	..	689	2.8
2002–03	37	-9.6	47	10.1	21	9.9	76	11.7	159	2.4	42	-19.5	240	5.3	94	13.5	—	..	716	3.9
2003–04	43	15.5	52	9.9	20	-5.1	80	5.5	153	-3.9	50	20.1	221	-7.9	116	23.3	17	..	752	5.0
2004–05	45	5.5	56	7.4	21	9.0	74	-7.0	159	4.3	55	8.9	227	2.6	144	23.9	23	30.6	805	6.9
Average annual growth rate																				
1994–95 to 1997–98	-9.5		2.0		16.9		4.8		-0.6		-1.0		6.1		3.4		..		2.1	
1997–98 to 2002–03	9.8		-0.2		19.9		4.1		6.5		-11.0		8.8		13.9		..		5.8	
1994–95 to 2004–05	3.7		2.2		15.1		3.3		3.0		-3.4		5.6		12.5		..		4.7	

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices. Not adjusted for non-specific tax expenditures.

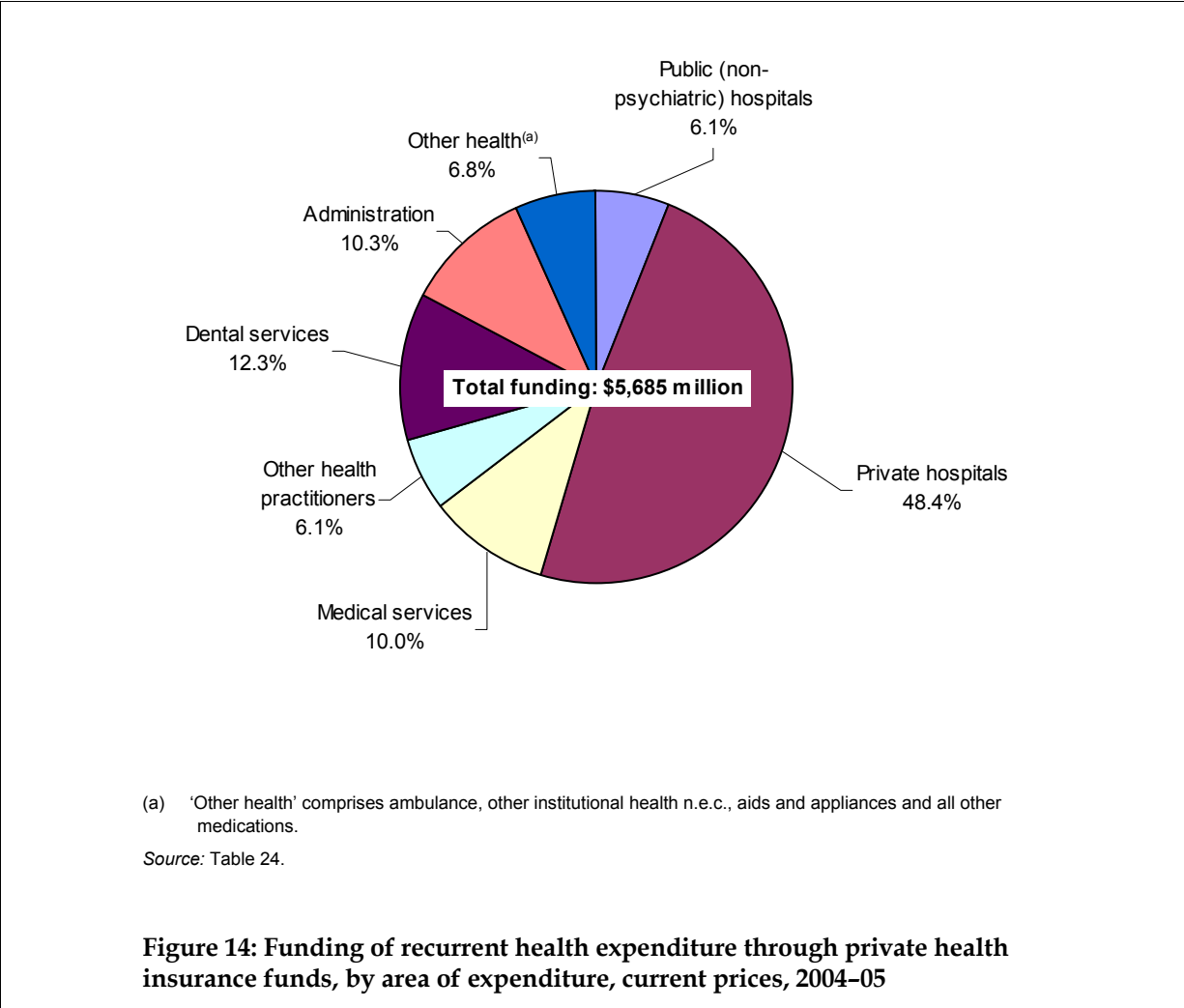
(b) For 1999–00 this also includes administration expenditure.

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

Source: AIHW health expenditure database.

Private health insurance

Funding by private health insurance funds is chiefly directed at private hospital services. During 2004–05, private hospitals accounted for 48.4% of the \$5.7 billion in funding provided by health insurance funds (Figure 14). Other major areas of expenditure that received funding were dental services (12.3%), administration (10.3%) and medical services (10.0%).



General benefits and administration

Gross health benefits paid through the health insurance funds in 2004–05 amounted to \$7,779 million – up \$489 million from \$7,290 million in 2003–04 and up \$1,024 million since 2002–03 (Table 24). A further \$892 million was used to fund administration during 2004–05; this showed a steady increase from \$825 million in 2002–03 and \$843 million in 2003–04.

The position of the health insurance funds overall continued to improve in 2004–05, with the operating profit before abnormal and extraordinary items rising from \$196 million in 2002–03 to \$626 million in 2004–05 (Table 25).

Table 24: Expenditure on health goods and services funded through health insurance funds, current prices, 2002–03 to 2004–05 (\$ million)

Area of expenditure	2002–03			2003–04			2004–05		
	Gross benefits paid	Premium rebates ^(a)	Net benefits paid	Gross benefits paid	Premium rebates ^(a)	Net benefits paid	Gross benefits paid	Premium rebates ^(a)	Net benefits paid
Expenditure									
Hospitals	4,058	1,238	2,820	4,407	1,376	3,031	4,725	1,627	3,098
Public (non-psychiatric)	411	125	285	458	143	315	527	182	346
Private	3,648	1,113	2,535	3,949	1,233	2,716	4,197	1,445	2,752
Ambulance	133	40	92	130	41	89	138	48	91
Medical services	700	213	486	789	246	542	868	299	569
Other health practitioners	470	143	327	499	156	343	527	181	345
Medications	75	23	52	71	22	49	75	26	49
Aids and appliances	341	104	237	367	115	253	376	130	247
Community and public health	1	—	—	1	—	1	1	—	—
Dental services	977	298	679	1,027	321	706	1,070	368	701
Total health benefits and levies	6,755	2,061	4,694	7,290	2,276	5,015	7,779	2,678	5,101
Health administration	825	252	573	843	263	580	892	307	585
Direct expenditure on health goods and services	7,580	2,312	5,268	8,133	2,539	5,594	8,670	2,985	5,685
Items not included in estimates on health goods and services									
Non-health ancillaries	73	22	51	46	14	31	16	6	11
Outstanding claims adjustment	–1	—	–1	62	19	43	88	30	58

(a) Premium rebate is pro-rated across all categories (including change in provisions for outstanding claims).

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

Sources: PHIAC A quarterly reports; Department of the Treasury Tax Expenditures Statement, 2003 to 2006.

Table 25: Health insurance funds reported expenses and revenues, current prices, 2002–03 to 2004–05 (\$ million)

Operating expenses and revenue of funds	2002–03	2003–04	2004–05
Expenses			
Total cost of benefits ^(a)	6,953	7,525	8,238
State levies (ambulance)	102	105	110
Management expenses	826	852	892
Total expenses (not including provision adjustments)	7,881	8,482	9,240
Revenue			
Contributions income	7,885	8,637	9,384
Other revenue	194	296	373
Total revenue	8,079	8,932	9,757
Operating profit (loss) before abnormals and extraordinary items	196	447	626

(a) Includes adjustment to provisions for outstanding claims.

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

Sources: PHIAC Annual reports, 2003 to 2005.

Table 26: Expenditure on health goods and services and administration through private health insurance funds, constant prices^(a), and annual growth rates, 1994–95 to 2004–05

Year	Gross payments through health insurance funds		Reimbursement for rebates allowed by funds		Rebates through taxation system		Net payments from health insurance funds resources	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1994–95	5,585	..	..	..	..	..	5,585	..
1995–96	5,725	2.5	..	..	..	..	5,725	2.5
1996–97	5,938	3.7	..	..	..	..	5,938	3.7
1997–98	5,767	-2.9	307	..	195	..	5,265	-11.3
1998–99	5,785	0.3	943	207.4	215	10.1	4,626	-12.1
1999–00	6,055	4.7	1,619	71.6	223	3.9	4,212	-9.0
2000–01	6,943	14.7	2,094	29.3	197	-11.6	4,652	10.4
2001–02	7,706	11.0	2,118	1.2	174	-12.1	5,414	16.4
2002–03	7,910	2.7	2,239	5.7	174	0.1	5,497	1.5
2003–04	8,133	2.8	2,359	5.3	180	3.7	5,594	1.8
2004–05	8,300	2.1	2,557	8.4	301	67.0	5,443	-2.7
Average annual growth rate								
1994–95 to 1997–98		1.1		..		..		-1.9
1997–98 to 2002–03		6.5		48.8		-2.3		0.9
1994–95 to 2004–05		4.0		..		..		-0.3

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

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

Source: AIHW health expenditure database.

The initial effect of the introduction of the Australian Government PHIIS subsidy in 1997 was a sharp drop in net funding by health insurance funds in each year up to 1999–00, followed by a recovery after the introduction of the lifetime health cover arrangements in the September quarter of 2000. Net expenditure in real terms was almost constant in 2001–02 and 2002–03, at \$5,414 million and \$5,497 million respectively. Net expenditure in real terms rose in 2003–04 to \$5,594 million but declined again in 2004–05 to \$5,443 as the private health insurance rebates climbed to a high of \$2,557 million (Table 26 and Figure 15).

In 2004–05, it was estimated that health insurance funds spent on average \$626 per person covered on health (in 2003–04 prices). Fund members in South Australia on average attracted the highest amount per person covered (\$727) while people in the Northern Territory attracted the least per person covered (\$375). When comparing average annual growth rates in constant prices over the period 1996–97 to 2004–05, all states and territories recorded reductions in the amount spent through health insurance. Fund members in Victoria had the greatest decline in their per person expenditure of 6.7% per annum (Table 27).

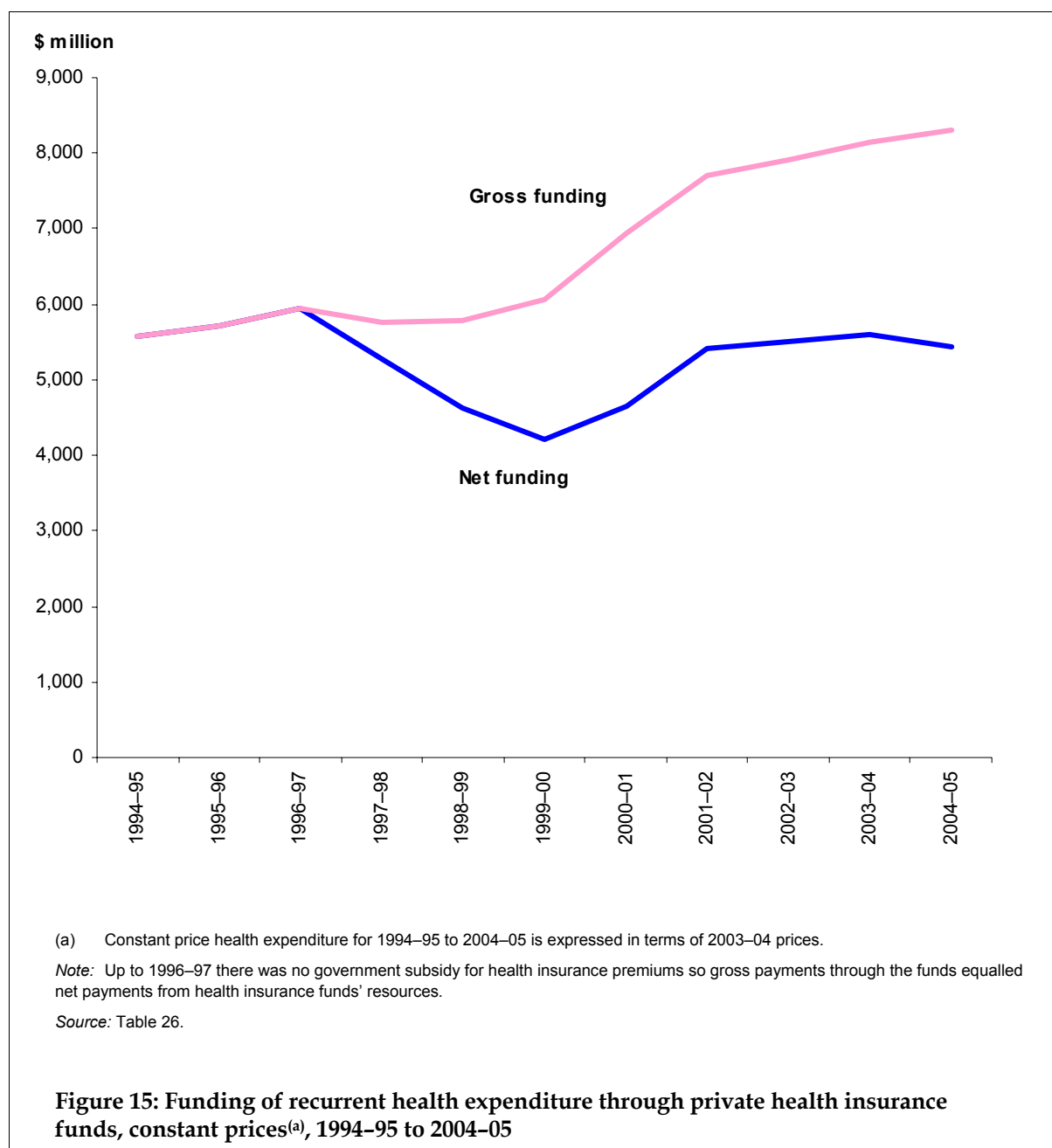
Table 27: Average expenditure on health insurance funds per person^(a) covered, constant prices^(b), by state and territory, 1996–97 to 2004–05 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	1,003	977	983	916	1,149	971	446	564	982
1997–98	907	911	910	853	1,031	868	451	512	901
1998–99	807	812	822	781	930	770	441	486	808
1999–00	620	652	654	661	745	619	371	385	642
2000–01	526	507	554	551	615	576	325	328	532
2001–02	616	561	667	652	731	675	366	404	620
2002–03	626	574	682	661	754	682	375	394	633
2003–04	646	583	699	666	752	706	404	409	646
2004–05	631	560	676	643	727	664	421	375	626
Average annual growth rate									
1996–97 to 1997–98	-9.5	-6.8	-7.4	-7.0	-10.2	-10.6	1.0	-9.3	-8.3
1997–98 to 2002–03	-7.1	-8.8	-5.6	-5.0	-6.1	-4.7	-3.6	-5.1	-6.8
1996–97 to 2004–05	-5.6	-6.7	-4.6	-4.3	-5.6	-4.6	-0.7	-5.0	-5.5

(a) Based on annual mean resident population.

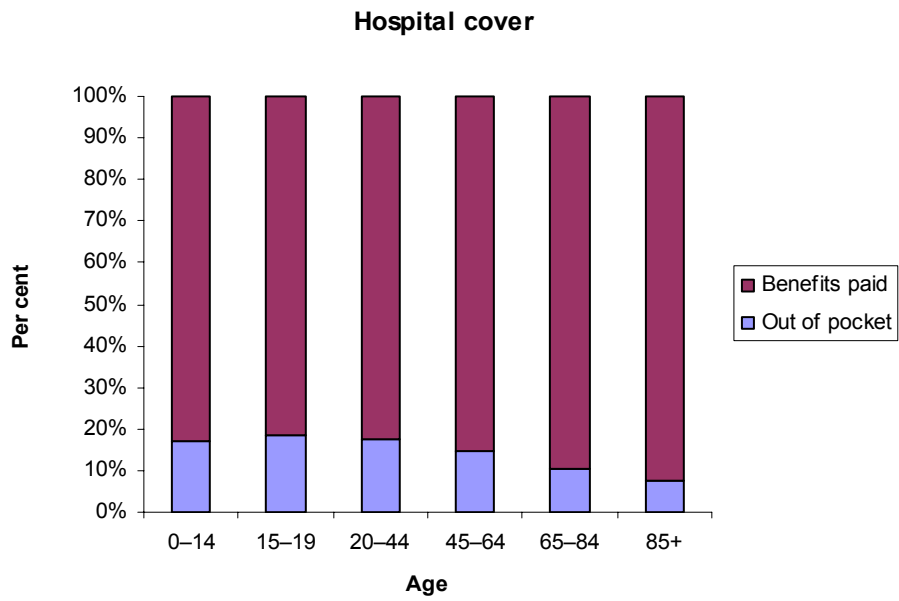
(b) Constant price health expenditure for 1996–97 to 2004–05 is expressed in terms of 2003–04 prices.

Source: AIHW health expenditure database.



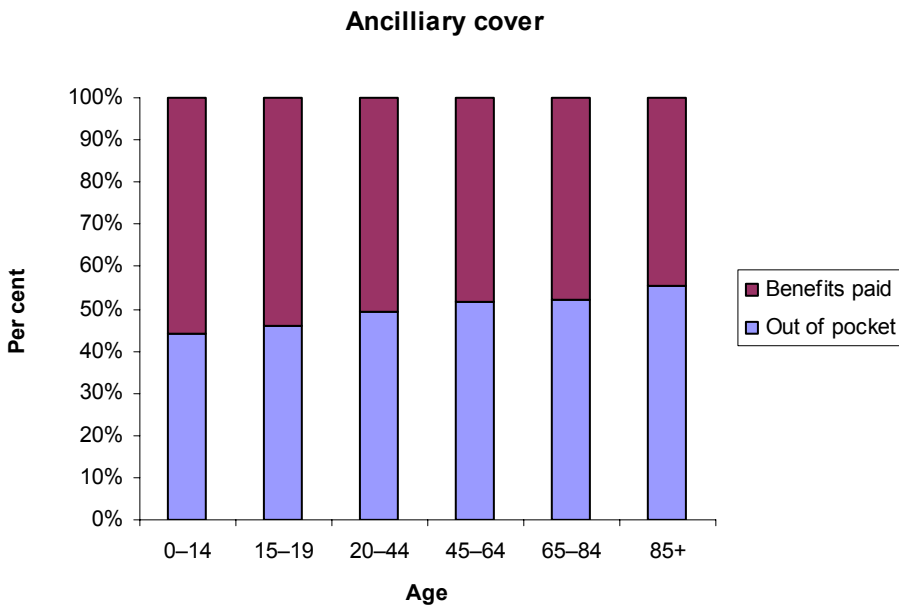
People with private health insurance cover typically incur some level of out-of-pocket expenditure. In 2004-05, the proportion of the total cost of a service that was paid by patients with hospital cover was highest for those in the younger age groups and lowest for those in the older age groups (Figure 16). For patients aged 0-14 years the average proportion paid per person was 16.9% and this dropped to 7.4% for those aged 85 years or more.

The proportion of the total cost of a service that was paid by patients with ancillary cover was higher than for people with hospital cover – around half the total cost depending on the age of the patient (Figure 17). In contrast to the proportion paid for services by people with hospital cover, services by people with ancillary cover increased with the age of the patient. For patients aged 0-14 years the average proportion paid per person was 44.1% and this increased to 55.7% for patients aged 85 years or more.



Source: PHIAC A quarterly reports.

Figure 16: Benefits paid and out-of-pocket expenditure, per person with private health insurance hospital cover, by age group, current prices, 2004-05



Source: PHIAC A quarterly reports.

Figure 17: Benefits paid and out-of-pocket expenditure, per person with private health insurance ancillary cover, by age group, current prices, 2004-05

In 2004–05 the total cost of a service increased as the age of the patient increased. For example, the average fee charged for a service to patients with hospital cover was \$141 for a patient aged 0–14 years and \$3,646 for a patient aged 85 years or more (Table 28). At the same time, for patients with hospital cover, the proportion contributed by patients decreased as their age increased (Figures 16 and 17). Because of the increase in costs for older patients, the out-of-pocket costs for persons aged 45 years or more were higher than for those aged less than 45 years. For example, average out-of-pocket costs for services for patients with hospital cover were \$35 per person for those aged 15–19 years and \$264 for persons aged 65–84 years (Table 28).

Females aged between 15 and 64 years with private health insurance cover for hospital care attracted average out-of-pocket expenditures that were higher than those for males in the same age groups with similar types of insurance cover. For the older age groups (65 years or more) out-of-pocket expenditures by males were higher than for females. Out-of-pocket costs by females ranged from \$20 per person in the 0–14 years age group to \$245 for those aged 85 years or more (\$27 and \$332 per person respectively for males).

The greatest difference between the sexes in out-of-pocket expenditure on services for patients with hospital cover was in the age category 20–44 years. Females in this category spent, on average, more than twice the rate of males. This reflects the additional out-of-pocket outlays on hospital services faced by women in their child-bearing years.

There was less disparity between the sexes for out-of-pocket expenditure for patients with ancillary cover although the cost was higher than for those with hospital cover. Females had greater out-of-pocket expenditures than males at all ages except the 85 years and over age group. Again, the difference was greatest in the age category 20–44 years with males spending, on average, less than three-quarters the rate of females. Out-of-pocket expenditures by females ranged from \$112 per person in the 0–14 years age group to \$318 for those aged 85 years or more (\$99 and \$354 per person respectively for males).

Table 28: Fees charged, benefits paid and out-of-pocket expenditure, per person with private health insurance hospital cover and ancillary cover, by age group and sex, current prices, 2004–05 (\$)

	Age group					
	0–14	15–19	20–44	45–64	65–84	85+
Hospital cover						
Males						
Out of pocket	27	34	52	117	305	332
Benefits paid	127	139	213	668	2,391	3,647
<i>Fees charged</i>	<i>154</i>	<i>173</i>	<i>265</i>	<i>786</i>	<i>2,696</i>	<i>3,978</i>
Females						
Out of pocket	20	36	119	120	229	245
Benefits paid	107	166	595	684	2,077	3,281
<i>Fees charged</i>	<i>127</i>	<i>202</i>	<i>714</i>	<i>805</i>	<i>2,306</i>	<i>3,526</i>
All persons						
Out of pocket	24	35	88	119	264	268
Benefits paid	117	152	417	677	2,221	3,378
<i>Fees charged</i>	<i>141</i>	<i>187</i>	<i>504</i>	<i>795</i>	<i>2,485</i>	<i>3,646</i>
Ancillary cover						
Males						
Out of pocket	99	144	178	313	359	354
Benefits paid	130	174	185	296	326	275
<i>Fees charged</i>	<i>229</i>	<i>318</i>	<i>363</i>	<i>609</i>	<i>685</i>	<i>628</i>
Females						
Out of pocket	112	178	249	412	376	318
Benefits paid	139	207	255	382	348	255
<i>Fees charged</i>	<i>251</i>	<i>386</i>	<i>504</i>	<i>794</i>	<i>724</i>	<i>573</i>
All persons						
Out of pocket	106	161	216	363	368	327
Benefits paid	134	190	222	340	338	261
<i>Fees charged</i>	<i>240</i>	<i>351</i>	<i>439</i>	<i>703</i>	<i>706</i>	<i>588</i>

Source: PHIA C A quarterly reports.

Injury compensation insurers

Worker's compensation insurers and motor vehicle third-party insurers comprise the funding for injury compensation insurers. In 2004–05 injury compensation insurers spent (in 2003–04 prices), \$1,766 million on health goods and services. Workers' compensation insurers and motor vehicle third-party insurers accounted for \$1,113 million and \$653 million respectively of this expenditure. Over the period 1994–95 to 2004–05, expenditure by workers' compensation insurers rose on average by 2.7% per year while the annual increase over this decade was 3.1% for motor vehicle third-party insurers (Table 29).

Expenditure in health funded by worker's compensation and motor vehicle third-party insurers is included in the 'other non-government' source of funds category in the main health expenditure tables.

Table 29: Expenditure by injury compensation insurers, constant prices^(a), and annual growth rates, 1994–95 to 2004–05

Year	Workers' compensation insurers		Motor vehicle accident third-party insurers		Total injury compensation insurers	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1994–95	849	..	480	..	1,329	..
1995–96	888	4.6	451	-5.9	1,340	0.8
1996–97	891	0.3	505	11.8	1,396	4.2
1997–98	873	-2.1	479	-5.2	1,351	-3.2
1998–99	953	9.2	556	16.1	1,509	11.6
1999–00	971	1.9	563	1.4	1,534	1.7
2000–01	967	-0.4	513	-8.9	1,480	-3.5
2001–02	980	1.4	660	28.7	1,641	10.9
2002–03	1,015	3.5	662	0.2	1,677	2.2
2003–04	1,073	5.7	600	-9.3	1,673	-0.2
2004–05	1,113	3.7	653	8.7	1,766	5.5
Average annual growth rate						
1994–95 to 1997–98		0.9		-0.1		0.6
1997–98 to 2002–03		3.1		6.7		4.4
1994–95 to 2004–05		2.7		3.1		2.9

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

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

Source: AIHW health expenditure database.

4 Health expenditure and funding, by area of health expenditure

4.1 Recurrent expenditure on health goods and services

Recurrent health expenditure in Australia is considered under two broad categories of health goods and services – institutional services and non-institutional goods and services.

Institutional health expenditure includes:

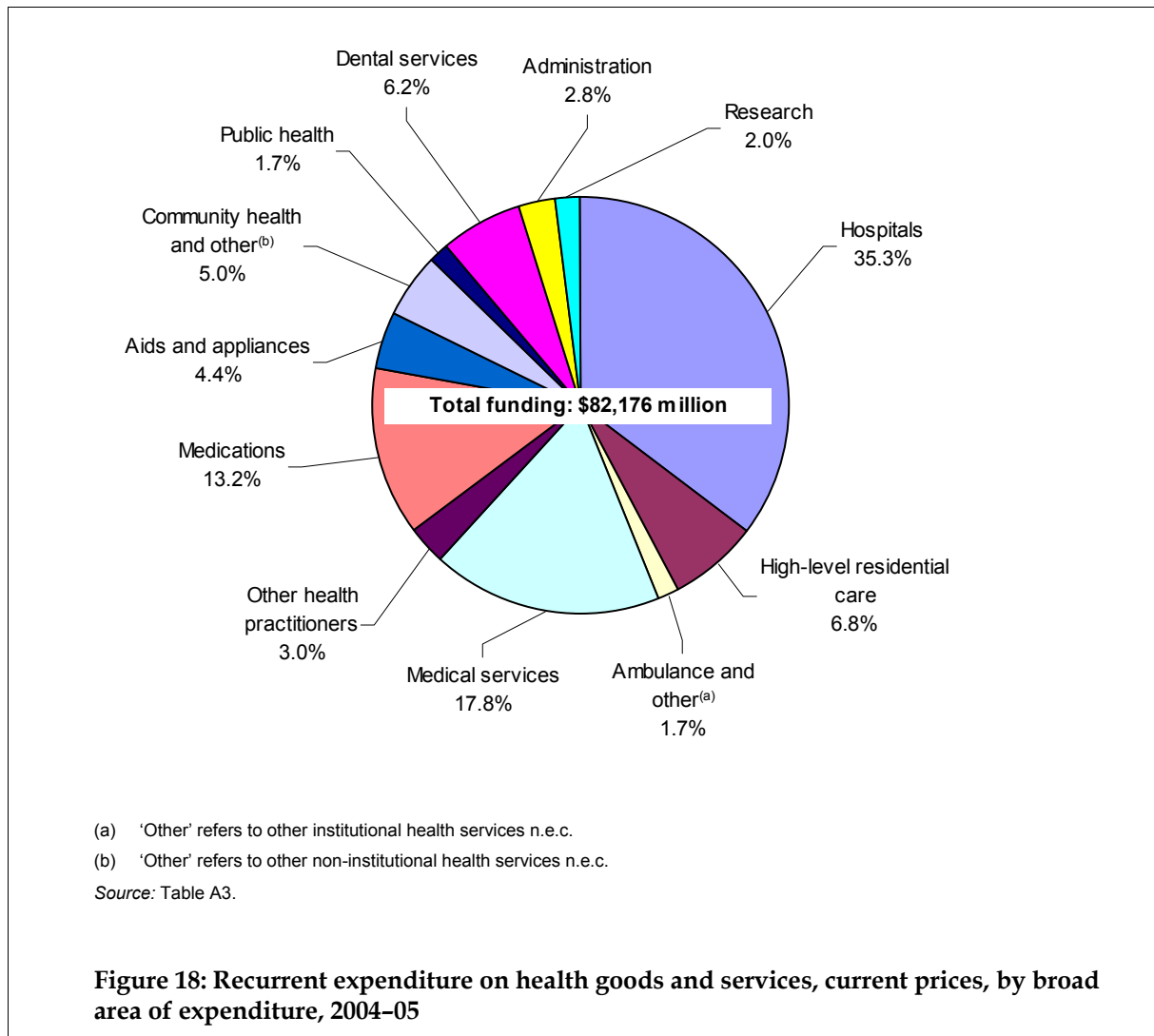
- hospitals
- high-level residential care (formerly nursing homes)
- ambulance (patient transport) services; and
- other institutional health services n.e.c.

Non-institutional health expenditure includes:

- ambulatory health services, such as those provided by doctors, dentists and other health practitioners
- community health services and public health services
- health goods (medications and aids and appliances) provided to patients in the community
- health-related expenditures, such as expenditure on health administration and research.

Over the period 1994–95 to 2004–05, total institutional services decreased its share of total health expenditure from 46.3% to 43.9% (Table A9) while total non-institutional goods and services increased its share from 53.7% to 56.1%. However, within these two categories of health goods and services there is substantial overlap.

For example, in 2004–05 hospitals (as part of institutional health services) accounted for an estimated 35.3% of total recurrent expenditure on health services, and medical services (a part of ambulatory health services under non-institutional health goods and services) accounted for a further 17.8% (Figure 18). Public hospitals, however, spent \$3,416 million on salaried medical staff and visiting medical officers during 2004–05 (AIHW 2006a). While these are payments in respect of staff that provide ‘medical’ services, they are included in the gross operating costs of the public hospitals and are counted as expenditure on public hospitals. Likewise, expenditures classified as medical services include medical services provided to private patients in public and private hospitals.



Institutional health services

Hospitals

More money is spent by hospitals, as the largest providers of health services, than other health providers. In this report hospital expenditure is analysed by three categories:

- public (non-psychiatric) hospitals
- private hospitals
- public psychiatric hospitals.

The first two of these fall within the description of 'general hospitals' under the OECD's international classification of health care providers. The third category, public psychiatric hospitals, refers to 'stand-alone' public hospitals that cater almost exclusively for the needs of people with mental illness.

Table 30: Recurrent expenditure by hospitals, constant prices^(a), by broad type of hospital, and annual growth rates, 1994–95 to 2004–05

Year	Public hospitals					Private hospitals		All hospitals recurrent expenditure	
	Public (non-psychiatric)	Public psychiatric	Total public hospitals		Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	
	Amount (\$m)	Amount (\$m)	Amount (\$m)	Growth (%)					
1994–95	13,210	606	13,816	..	3,631	..	17,447	..	
1995–96	13,847	562	14,409	4.3	3,954	8.9	18,363	5.3	
1996–97	14,795	501	15,296	6.2	4,268	7.9	19,564	6.5	
1997–98	15,700	454	16,155	5.6	4,389	2.8	20,543	5.0	
1998–99	16,301	464	16,765	3.8	4,624	5.3	21,388	4.1	
1999–00	16,573	481	17,055	1.7	4,800	3.8	21,855	2.2	
2000–01	17,092	431	17,523	2.7	5,116	6.6	22,639	3.6	
2001–02	17,900	506	18,406	5.0	5,484	7.2	23,890	5.5	
2002–03	19,100	503	19,603	6.5	5,903	7.6	25,506	6.8	
2003–04	19,671	557	20,228	3.2	6,482	9.8	26,710	4.7	
2004–05	20,741	566	21,307	5.3	6,665	2.8	27,972	4.7	
Average annual growth rate									
1994–95 to 1997–98				5.4	6.5		5.6		
1997–98 to 2002–03				3.9	6.1		4.4		
1994–95 to 2004–05				4.4	6.3		4.8		

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

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

Source: AIHW health expenditure database.

In real terms hospital expenditure – public (psychiatric and non-psychiatric) and private hospitals – grew by 4.4% and 6.3% per year, respectively, between 1994–95 and 2004–05 (Table 30).

One important influence on growth in expenditure on hospitals is the Australian Government’s policy for funding hospital services. In the case of public hospitals, funding is governed by bilateral agreements between the Australian Government and the various state and territory governments (the Australian Health Care Agreements or AHCA). Funding for hospitals is also influenced by the Australian Government’s private health insurance initiatives, as private health insurance provides the bulk of funding for private hospitals and for private patients in public hospitals. Data from the first AHCA period and the first two years of the second AHCA period are included in this publication. See Box 3 for the periods of all health service funding agreements between the Australian Government and the state and territory governments.

Between 1997 and 2000 three major incentives relating to private health insurance were introduced:

- in July 1997, the means-tested Private Health Insurance Incentives Scheme (PHIIS) subsidy.
- in January 1999, an open-ended 30% rebate on private health insurance premiums, which replaced the PHIIS subsidy.
- in July 2000, the ‘Lifetime Health Cover’ initiatives to encourage more people to take out and maintain private hospital insurance cover.

Box 3: Australian Government and state and territory governments health funding agreement periods

First Medicare (Compensation) Agreement: 1984 to 30 June 1988

Second Medicare Agreement: 1 July 1988 to 30 June 1993

Third Medicare Agreement: 1 July 1993 to 30 June 1998

First Australian Health Care Agreement: 1 July 1998 to 30 June 2003

Second Australian Health Care Agreement: 1 July 2003 to 30 June 2008

Changes to 'Lifetime Health Cover' cover initiatives were announced in 2006 with the aim of improving take-up of private hospital insurance cover. These changes will be implemented progressively from 2007. The Australian Government also announced its intention to allow insurers to add value to private health insurance products by offering broader health cover products which would expand hospital cover to out-patient and out-of-hospital services. The details of this initiative are still under discussion.

From 1997–98 to 2002–03, public hospital expenditure grew at 3.9% per year. Private hospital expenditure grew at 6.1% per year during the same period (Table 30).

The private hospital share of hospital expenditure increased in the last decade from 20.8% of hospital expenditure in 1994–95 to 23.8% in 2004–05 (calculated from Table 30).

Table 31: Funding of hospitals^(a), current prices, by broad source of funds, 1994–95 to 2004–05 (per cent)

Year	Government			Non-government			Total
	Australian Government ^(b)	State/territory and local	Total	Private health insurance funds ^(b)	Other non-government	Total	
1994–95	39.4	34.3	73.7	17.7	8.6	26.3	100.0
1995–96	37.7	35.7	73.4	17.7	8.9	26.6	100.0
1996–97	36.5	37.2	73.7	17.5	8.8	26.3	100.0
1997–98	38.2	38.2	76.4	14.7	8.9	23.6	100.0
1998–99	41.9	36.0	77.9	12.3	9.8	22.1	100.0
1999–00	43.8	35.8	79.6	10.5	9.9	20.4	100.0
2000–01	44.7	34.7	79.4	10.8	9.7	20.6	100.0
2001–02	43.7	34.9	78.6	11.9	9.4	21.4	100.0
2002–03	43.2	37.1	80.3	11.5	8.2	19.7	100.0
2003–04	41.9	37.8	79.7	11.3	8.9	20.3	100.0
2004–05	41.9	38.0	79.9	10.7	9.4	20.1	100.0

(a) Public (non-psychiatric), public psychiatric and private hospitals.

(b) Funding by the Australian Government and private health insurance funds has been adjusted for tax expenditures in respect of private health insurance incentives claimed through the taxation system.

Source: AIHW health expenditure database.

In 2004–05, government accounted for the majority of funding for hospitals (79.9%). Non-government sources contributed the remainder of the funding (20.1%). Over the decade to 2004–05, governments increased their share of funding of hospitals by 6.2 percentage points (Table 31). The Australian Government increased its share by 2.5 percentage points and the state/territory governments increased their share by 3.7 percentage points.

Public hospitals

More than 90% of funding for public hospitals comes from governments. The Australian Government's contribution – estimated at 44.2% in 2004–05 (Table 32) – was largely in the form of SPPs under the AHCAs. The states and territories, which have the major responsibility for operating and regulating public hospitals that operate within their jurisdictions, provided 48.0% of the funding for public hospitals in 2004–05.

The non-government contribution declined over the decade from 9.2% in 1994–95 to 7.8% in 2004–05 (Table 32). The non-government funding consists of funding from private health insurance (1.6%), individual out-of-pocket payments (2.3%), workers compensation insurers and motor vehicle third-party insurers (0.7%) and other revenue (3.1%).

Table 32: Funding of public hospitals^(a), current prices, by broad source of funds, 1994–95 to 2004–05

Year	Government				Non-government	
	Australian Government		State/territory		Amount (\$m)	Share (%)
	Amount (\$m)	Share (%)	Amount (\$m)	Share (%)		
1994–95	5,186	47.6	4,716	43.3	999	9.2
1995–96	5,285	45.6	5,274	45.5	1,041	9.0
1996–97	5,475	43.9	5,937	47.6	1,068	8.6
1997–98	5,905	43.9	6,543	48.6	1,004	7.5
1998–99	6,657	46.4	6,589	45.9	1,093	7.6
1999–00	6,979	46.8	6,847	45.9	1,099	7.4
2000–01	7,497	47.3	7,100	44.8	1,249	7.9
2001–02	7,982	46.5	7,769	45.3	1,413	8.2
2002–03	8,696	46.0	8,854	46.8	1,371	7.2
2003–04	9,059	44.8	9,702	48.0	1,467	7.3
2004–05	9,782	44.2	10,614	48.0	1,716	7.8

(a) Includes public (non-psychiatric) and public psychiatric hospitals.

Source: AIHW health expenditure database.

The share of funding for public (psychiatric and non-psychiatric) hospitals met by the two major levels of government – Australian, and state and territory – fluctuates from year to year. The usual pattern observed over time has seen the Australian Government share of funding higher in the earlier years of the five-year health agreements (see Box 3) and lower towards the end of the period – with state and territory governments share of funding the reverse. The non-government share declined somewhat over the decade to 2004–05 (Table 32). For the first two years of the current AHCAs however, the Australian Government share fell – by 1.2 percentage points in the first year and 0.5 percentage points in the second year. There was an increase in the share provided by the state and territory governments (1.2 percentage points and 0.1 percentage points respectively).

Table 33: Recurrent funding of public hospitals^(a), constant prices^(b), by source of funds, and annual growth rates, 1994–95 to 2004–05

Year	Government						Non-government ^(c)		Total recurrent funding	
	Australian Government ^(b)		State/territory		Total		Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)				
1994–95	6,573	..	5,977	..	12,550	..	1,266	..	13,816	..
1995–96	6,565	-0.1	6,551	9.6	13,116	4.5	1,293	2.1	14,409	4.3
1996–97	6,699	2.0	7,283	11.2	13,982	6.6	1,314	1.6	15,296	6.2
1997–98	7,087	5.8	7,861	7.9	14,948	6.9	1,206	-8.2	16,155	5.6
1998–99	7,781	9.8	7,703	-2.0	15,484	3.6	1,280	6.1	16,765	3.8
1999–00	7,974	2.5	7,824	1.6	15,797	2.0	1,257	-1.8	17,055	1.7
2000–01	8,290	4.0	7,851	0.3	16,141	2.2	1,382	9.9	17,523	2.7
2001–02	8,559	3.3	8,331	6.1	16,891	4.6	1,516	9.7	18,406	5.0
2002–03	9,009	5.3	9,173	10.1	18,182	7.6	1,421	-6.3	19,603	6.5
2003–04	9,059	0.6	9,702	5.8	18,761	3.2	1,467	3.3	20,228	3.2
2004–05	9,429	4.1	10,225	5.4	19,654	4.8	1,653	12.7	21,307	5.3
Average annual growth rate										
1994–95 to 1997–98		2.5		9.6		6.0		-1.6		5.4
1997–98 to 2002–03		4.9		3.1		4.0		3.3		3.9
1994–95 to 2004–05		3.7		5.5		4.6		2.7		4.4

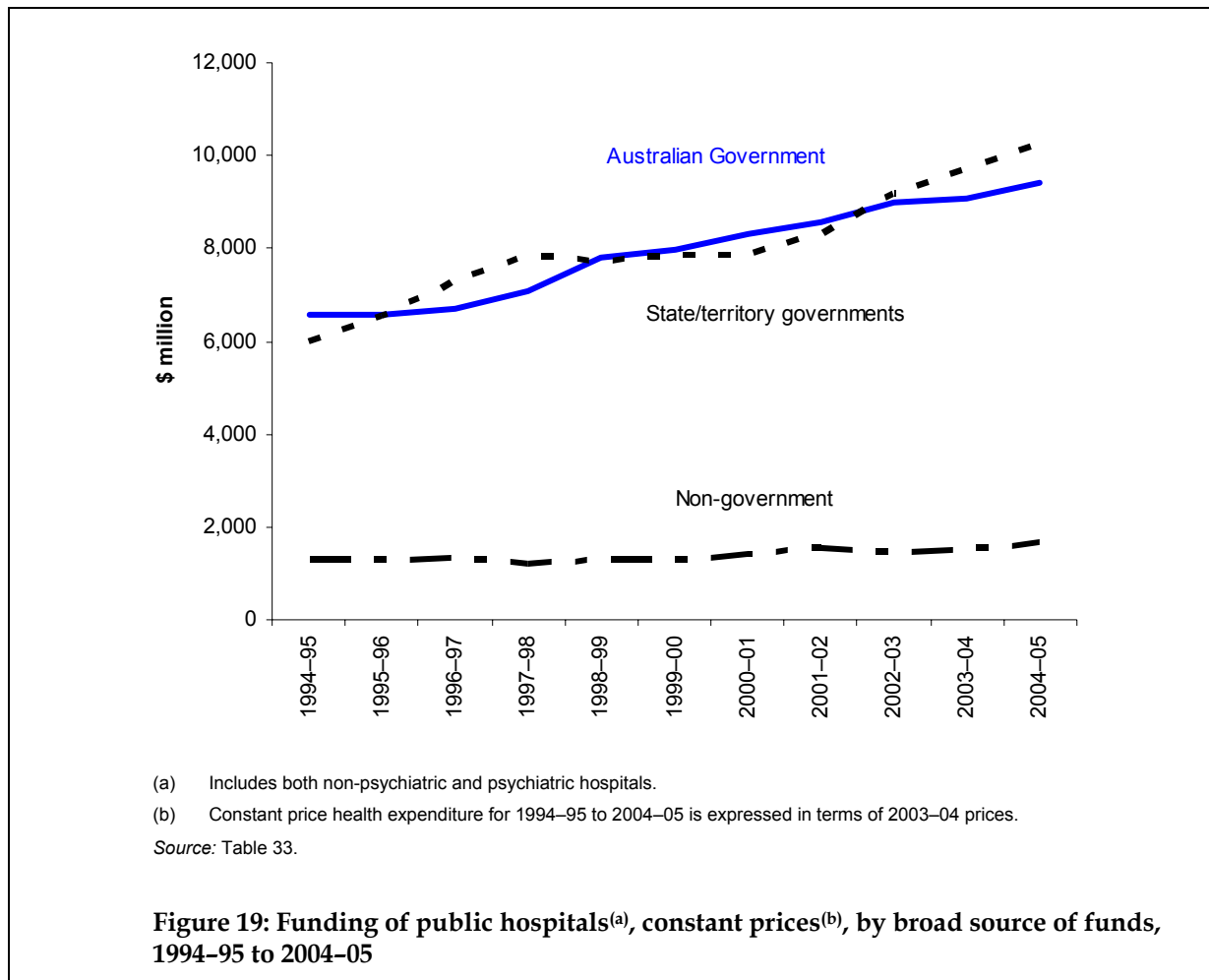
(a) Includes public (non-psychiatric) and public psychiatric hospitals.

(b) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

(c) Funding by the Australian Government and non-government sources has been adjusted for tax expenditures in respect of private health insurance incentives claimed through the taxation system.

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

Source: AIHW health expenditure database.



Public psychiatric hospitals

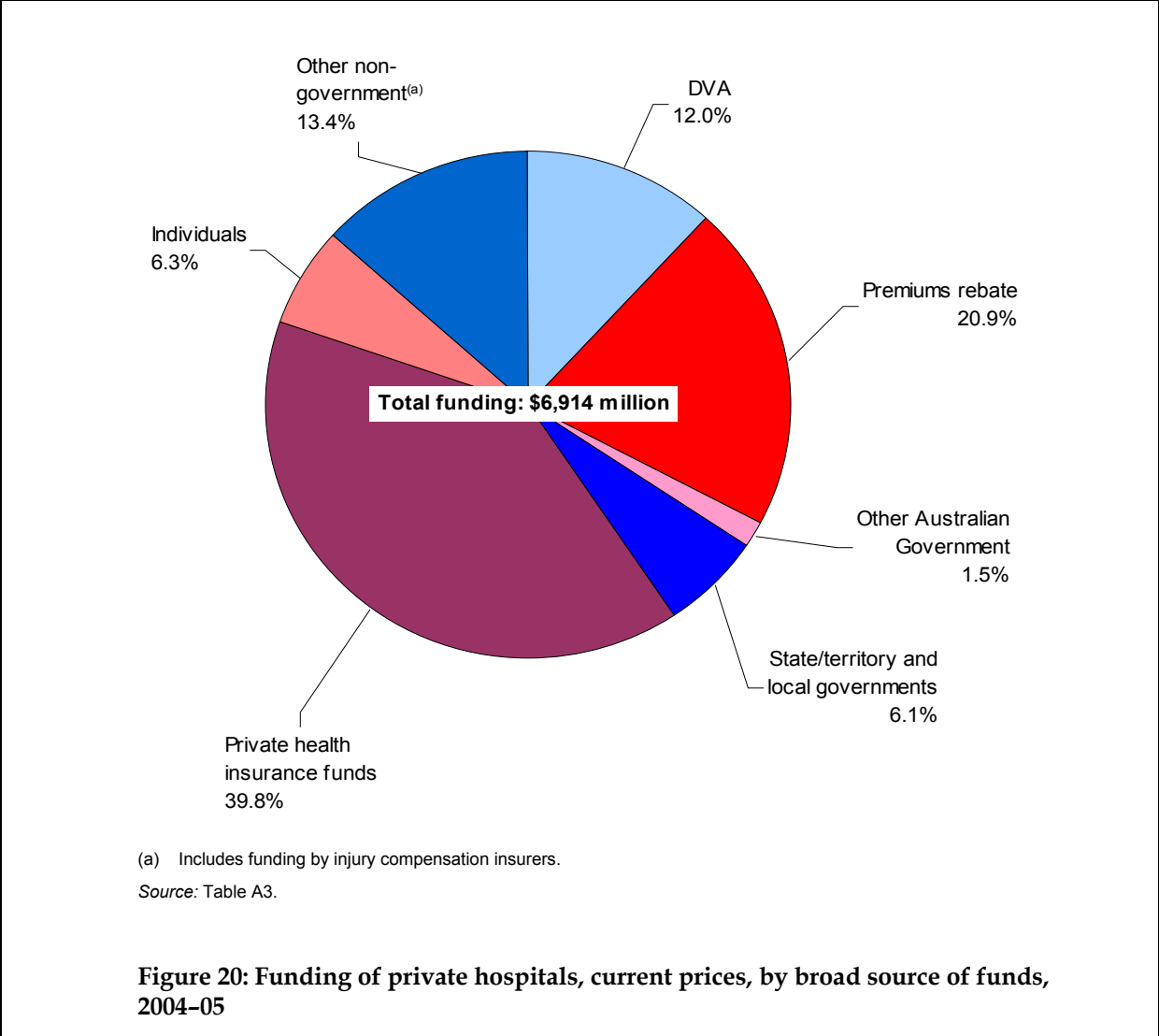
Public psychiatric hospitals are stand-alone institutions operated by, or on behalf of, state and territory governments whose main function is to provide psychiatric care. These days most psychiatric care is provided by public (non-psychiatric) hospitals sometimes in general wards, sometimes in dedicated psychiatric wards and sometimes in out-patient clinics. The admitted patient expenditure for mental health services in these hospitals is approximately \$700 million in 2004-05.

Total expenditure on public psychiatric hospitals in 2004-05 is estimated at \$588 million (Table A3). Of this, \$324 million was funded by state and territory governments and \$234 million was funded by the Australian Government.

Private hospitals

Total expenditure on private hospitals in 2004-05 was estimated at \$6,914 million (Figure 20). Almost two-thirds (60.7%) of this was sourced through private health insurance funds. This comprised 39.8% out of the premiums paid by members and other revenues flowing to the funds, and the remaining 20.9% being indirectly funded out of the rebates paid by the Australian Government in respect of contributors' premiums. In 2004-05 those rebates, in

total, amounted to \$3.0 billion, and \$1.4 billion of that is estimated to have been directed to the funding of private hospitals (Table 24).



High-level residential care services

The technical notes (Chapter 6) explain the concepts behind the definition of high-level residential care.

Total recurrent expenditure on high-level residential care in 2004-05 was estimated at \$5,586 million. Of this, the Australian Government funded \$4,183 million, state and territory and local governments funded \$215 million and the non-government sector \$1,187 million (Table A3).

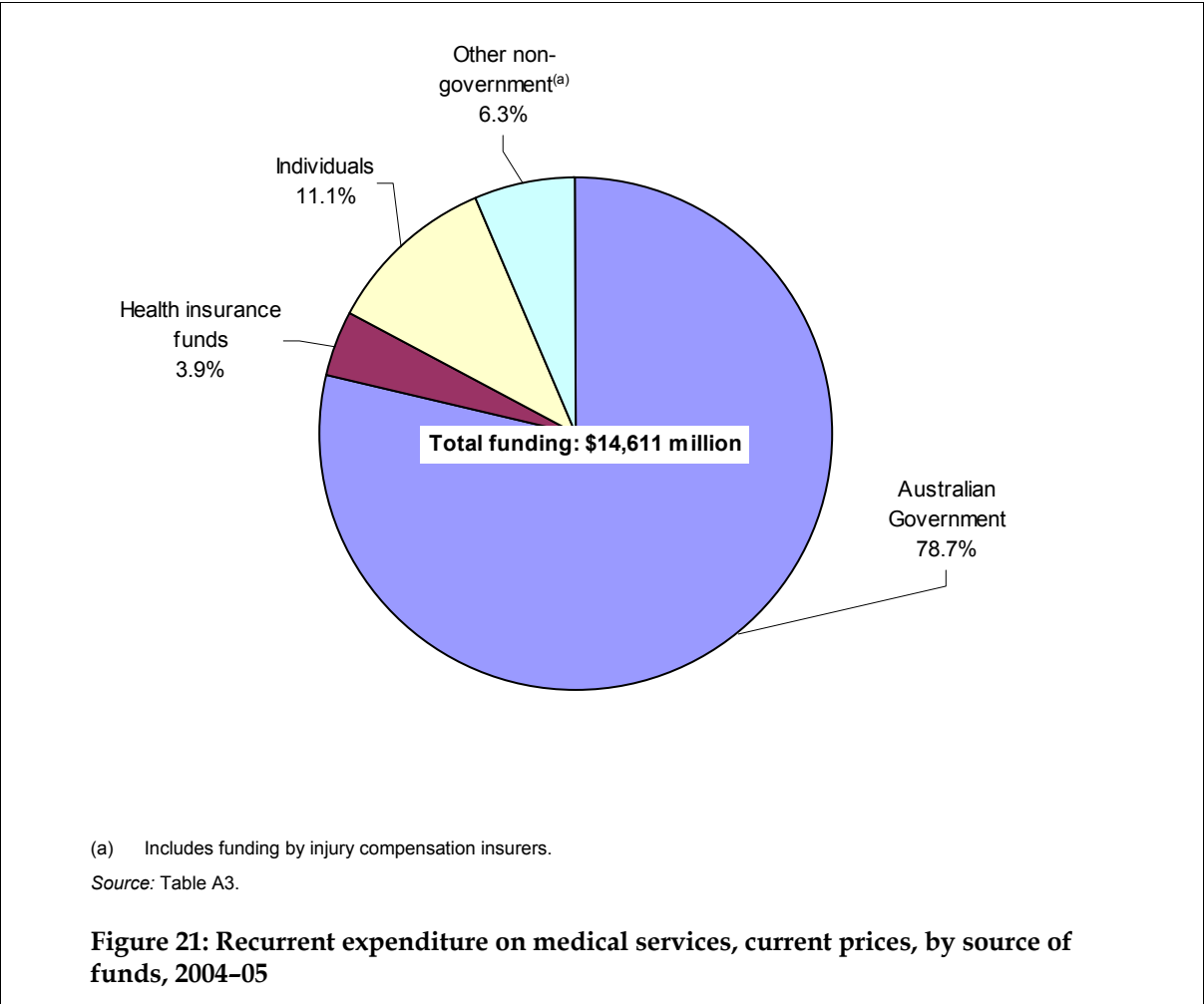
From 1994-95 to 2004-05, real growth in expenditure on high-level residential care was 4.5% per year compared with 5.2% per year for total health expenditure (Table A8). For the period 1997-98 to 2002-03, the differential between the two growth rates widened to 3.2 percentage points – for high-level residential care the growth rate was 2.3% per year, while for total health expenditure it was 5.5% per year.

Non-institutional health goods and services

Medical services

Between 1994–95 and 2004–05, expenditure on medical services increased, in real terms, at an average of 3.1% per year. The real growth rates were similar during the Third Medicare Agreement and the First Australian Health Care Agreement (2.7% and 3.0% respectively) (Table 34 and Box 3).

Almost all expenditure on medical services in Australia relates to services that are provided by practitioners on a ‘fee-for-service’ basis. This is reflected in the distribution of funding for medical services. Of the \$14.6 billion spent on medical services in 2004–05, 78.7% was funded by the Australian Government (Figure 21). This was made up almost exclusively of medical benefits paid under Medicare, with some funding from the DVA for medical services to eligible veterans and their dependants, as well as payments to general practitioners under alternative funding arrangements.



While the Australian Government's expenditure provides the bulk of the funding for medical services, the implementation of government policies to encourage the take-up of private health insurance led to a real growth in funding of medical services by the non-government sector. For example, between 1994–95 and 2004–05, the Australian Government's real expenditure grew by 2.6%, while expenditure by individuals rose by 4.5% and that of health insurance funds rose by 6.0% (Table 34).

From 1999–00, with the introduction of the 30% rebate and the subsequent 'Lifetime Health Cover' incentives, real growth in funding by the health insurance funds accelerated sharply until 2002–03 when the growth rate decreased to 11.0% from 37.4% in the previous year. Growth declined further in 2003–04 to 6.0% and became negative in 2004–05 (–2.7%). As health insurance coverage began to flatten off, and even fall, for people aged 64 and below, the increases in funding by individuals that had occurred since 1999–00 and peaked in 2002–03 (13.0%), also started to slow and by 2004–05 were also showing negative growth (–5.9%) (Table 34).

Table 34: Recurrent funding of medical services, constant prices^(a), by source of funds, and annual growth rates, 1994–95 to 2004–05

Year	Australian Government ^(b)		Health insurance funds		Individuals		Other non-government		Total recurrent funding		
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	
1994–95	8,268	..	293	..	968	..	501	..	10,031	..	
1995–96	8,674	4.9	298	1.6	1,011	4.4	527	5.1	10,509	4.8	
1996–97	8,821	1.7	301	1.0	1,075	6.3	576	9.2	10,772	2.5	
1997–98	8,888	0.8	268	–11.1	1,153	7.3	567	–1.6	10,875	1.0	
1998–99	9,194	3.4	252	–5.7	1,207	4.6	597	5.4	11,250	3.4	
1999–00	9,772	6.3	266	5.4	1,225	1.5	634	6.3	11,897	5.8	
2000–01	9,766	–0.1	336	26.3	1,265	3.3	610	–3.9	11,977	0.7	
2001–02	9,945	1.8	461	37.4	1,326	4.8	700	14.7	12,432	3.8	
2002–03	9,889	–0.6	512	11.0	1,498	13.0	702	0.4	12,602	1.4	
2003–04	9,972	0.8	542	6.0	1,600	6.8	796	13.3	12,910	2.4	
2004–05	10,671	7.0	528	–2.7	1,505	–5.9	848	6.5	13,551	5.0	
Average annual growth rate											
1994–95 to 1997–98		2.4			–3.0		6.0		4.2		2.7
1997–98 to 2002–03		2.2			13.8		5.4		4.4		3.0
1994–95 to 2004–05		2.6			6.0		4.5		5.4		3.1

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

(b) Australian Government and health insurance funds expenditures have not been adjusted for rebates claimed as tax expenditures.

Note: Components may not add due to rounding.

Source: AIHW health expenditure database.

Bulk-billing influences the relative shares of funding by the Australian Government and individuals, because services that are bulk-billed do not attract any co-payment. For example, if the quantity, prices and mix of services remained constant, while the proportion of services that were bulk-billed rose, the average co-payment across all medical services would fall, while the average payment by the Australian Government would remain constant. This, in turn, would bring about a fall in the share of the overall expenditure being funded by individuals and a corresponding rise in the Australian Government's share.

In 1994–95, 69.6% of all medical services were bulk-billed. Bulk-billing rates continued to increase up to 1999–00 when rates peaked at 72.3% (Table 35). After this date, the overall bulk-billing rate declined each year to 2003–04, when 67.5% of all medical services were bulk-billed. In 2004–05 the rate increased again to 70.2% – a similar proportion to the levels of services that were bulk-billed in 2001–02.

Table 35: Shares of recurrent funding for medical services, current prices, and proportion of medical services bulk-billed, 1994–95 to 2004–05 (per cent)

Year	Australian Government	Non-government				Total	Total	Bulk-billing rate
		Health insurance funds	Individuals	Other	Total			
1994–95	82.4	2.9	9.6	5.0	17.6	100.0	69.6	
1995–96	82.5	2.8	9.6	5.0	17.5	100.0	71.1	
1996–97	81.9	2.8	10.0	5.3	18.1	100.0	71.8	
1997–98	81.7	2.5	10.6	5.2	18.3	100.0	71.8	
1998–99	81.7	2.2	10.7	5.3	18.3	100.0	72.0	
1999–00	82.1	2.2	10.3	5.3	17.9	100.0	72.3	
2000–01	81.5	2.8	10.6	5.1	18.5	100.0	71.4	
2001–02	80.0	3.7	10.7	5.6	20.0	100.0	70.4	
2002–03	78.5	4.1	11.9	5.6	21.5	100.0	67.8	
2003–04	77.2	4.2	12.4	6.2	22.8	100.0	67.5	
2004–05	78.7	3.9	11.1	6.3	21.3	100.0	70.2	

Source: AIHW health expenditure database.

Other health practitioners

Almost half the expenditure on other health practitioners was funded by individual users of services (46.8% in 2004–05) and totalled \$2.4 billion in that year (Table A3).

In real terms, expenditure on other health practitioners fell at an average of 0.2% per year between 1994–95 and 2004–05 (Table A8). In the years 1997–98 to 2002–03 average growth was –1.0% per year, 6.5 percentage points lower than the growth in total health expenditure (5.5%) over that period.

Medications

Medications comprise benefit-paid pharmaceuticals and other medications (pharmaceuticals and other medicines) for which no PBS or RPBS benefit was paid. Other medications include private and under co-payment prescriptions, and over-the-counter medicines such as pharmacy-only medicines, aspirin, cough and cold medicines, vitamins and minerals, and a range of medical non-durables, such as bandages, band aids and condoms. For more information see Table 51 and Glossary.

In real terms, total expenditure on medications increased by 8.9% per year from 1994–95 to 2004–05, to reach \$10.7 billion in 2004–05 (Tables A6 and A8). While total expenditure experienced relatively consistent growth between 1994–95 and 2004–05, expenditure on benefit-paid pharmaceuticals and other medications fluctuated greatly from year to year. This is due to the effects of the co-payment in determining what items attract benefits. The benefit-paid pharmaceuticals category includes only those items listed under the Schedule of Pharmaceutical Benefits for which benefits were actually paid. Items that are listed on the

PBS but have a price below the statutory patient co-payment are recorded in the 'other medications' category.

Benefit-paid pharmaceuticals

In real terms, recurrent expenditure on benefit-paid pharmaceuticals grew at an average of 10.5% per year from 1994-95 to 2004-05 (Table 36). The period of most rapid growth was from 1997-98 to 2002-03, when growth averaged 12.4% per year – greater than the overall rate of growth in total recurrent health expenditure (5.5%) (Table A8). Growth in that period was shared between the Australian Government (12.9% per year) and individuals' (9.7% per year) expenditure (Table 36).

In 2004-05, the total amount spent on pharmaceuticals for which benefits were paid was \$7,079 million in current prices (Figure 22). Benefits paid by the Australian Government for PBS and RPBS items accounted for 81.9% of this expenditure. Of the remaining expenditure, 15.3% of the total was due to patient contributions for PBS and RPBS items, and 2.8% to Section 100 drugs (excluding highly specialised drugs).

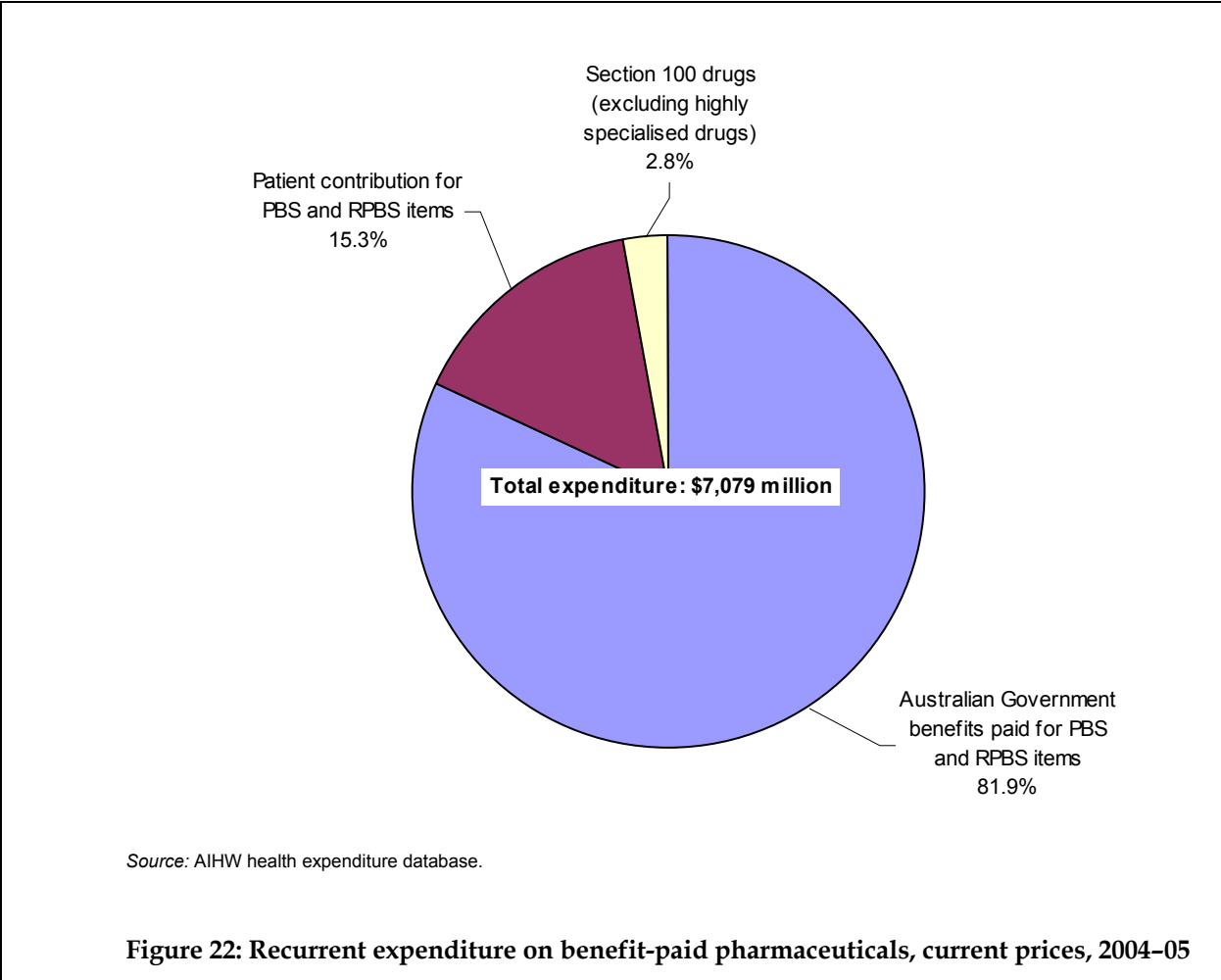


Table 36: Recurrent expenditure on benefit-paid pharmaceuticals, constant prices^(a), by source of funds, and annual growth rates, 1994–95 to 2004–05

Year	Australian Government		Individuals		Total recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1994–95	2,128	..	470	..	2,599	..
1995–96	2,545	19.6	501	6.5	3,046	17.2
1996–97	2,754	8.2	557	11.1	3,311	8.7
1997–98	2,814	2.2	600	7.8	3,414	3.1
1998–99	3,105	10.3	630	5.0	3,735	9.4
1999–00	3,537	13.9	683	8.4	4,221	13.0
2000–01	4,324	22.2	777	13.7	5,101	20.9
2001–02	4,683	8.3	842	8.5	5,525	8.3
2002–03	5,171	10.4	951	12.9	6,123	10.8
2003–04	5,660	9.5	1,035	8.8	6,695	9.4
2004–05	5,917	4.5	1,148	10.9	7,065	5.5
Average annual growth rate						
1994–95 to 1997–98		9.8		8.4		9.5
1997–98 to 2002–03		12.9		9.7		12.4
1994–95 to 2004–05		10.8		9.3		10.5

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

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

Source: AIHW health expenditure database.

All other medications

In real terms, recurrent expenditure on other medication items (see Table 51 for definition) grew by an average of 6.3% between 1994–95 and 2004–05 (Table 37). To some extent, this growth mirrors that for benefit-paid items. This is due to the effect of the PBS patient co-payment threshold and the increased availability of cheaper alternatives to those items on the PBS that would have attracted pharmaceutical benefits. Expenditure by the Australian Government from 1997–98 is entirely composed of the proportion of the private health insurance rebate allocated to pharmaceuticals.

The main source of funding for other medication items was individuals' out-of-pocket expenditure. The most rapid period of growth (10.5%) was from 1997–98 to 2002–03, which can largely be attributed to growth in expenditure by individuals (10.4%) and by health insurance funds (9.1%) (Table 37).

Table 37: Recurrent expenditure of other medications, constant prices^(a), by source of funds, and annual growth rates, 1994–95 to 2004–05

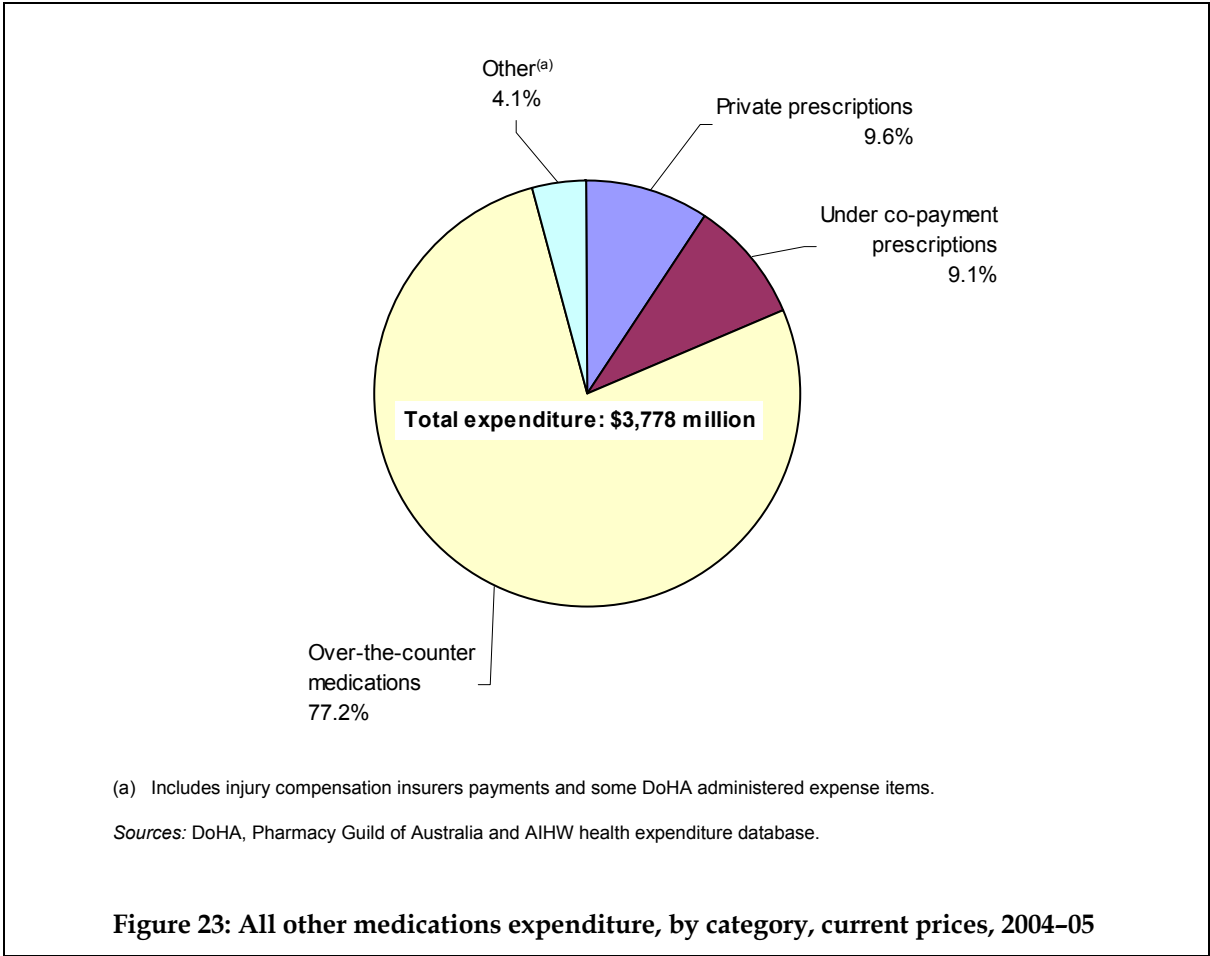
Year	Australian Government		State/territory and local governments		Health insurance funds		Individuals and other non-govt		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1994–95	—	..	2	..	49	..	1,930	..	1,981	..
1995–96	—	..	12	..	50	3.0	1,828	-5.3	1,890	-4.6
1996–97	—	..	12	1.2	50	-0.4	2,033	11.2	2,096	10.9
1997–98	3	..	18	44.7	34	-31.2	2,379	17.0	2,435	16.2
1998–99	8	125.8	—	..	32	-8.0	2,593	9.0	2,633	8.1
1999–00	15	84.6	—	..	33	4.1	2,856	10.1	2,903	10.3
2000–01	86	488.5	—	..	38	14.4	3,095	8.4	3,219	10.9
2001–02	56	-35.2	2	..	47	24.3	3,702	19.6	3,807	18.3
2002–03	61	10.5	—	..	53	13.5	3,893	5.2	4,008	5.3
2003–04	75	22.8	—	..	49	-8.8	3,444	-11.5	3,568	-11.0
2004–05	119	58.2	—	..	48	-2.3	3,495	1.5	3,662	2.6
Average annual growth rate										
1994–95 to 1997–98		..		..		-11.0		7.2		7.1
1997–98 to 2002–03		77.4		..		9.1		10.4		10.5
1994–95 to 2004–05		..		..		-0.3		6.1		6.3

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

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

Source: AIHW health expenditure database.

In 2004–05, expenditure on all other medication items was \$3,778 million. Over-the-counter medicines accounted for the largest share of this expenditure at 77.2%. Private prescriptions accounted for 9.6%, under co-payment prescriptions for 9.1% and the remainder (4.1%) comprised funding from injury compensation insurers and other administered expense items (Figure 23).



Pharmaceutical expenditure in the community and hospitals

In 2004-05, estimated expenditure on pharmaceuticals (excluding complementary and alternative medications, and over-the-counter medications for which a prescription was not required) was \$9,755 million (Table 38). The majority of this expenditure was for benefit-paid pharmaceuticals (72.6% or \$7,079 million) most of which was funded by the Australian Government (83.7%). Individuals' out-of-pocket expenses accounted for the remaining 16.3% of benefit-paid pharmaceuticals. Expenditure on in-hospital drugs comprised \$1,511 million spent on drugs by public hospitals and \$304 million spent by private hospitals. This total (\$9,755 million) does not include expenditures incurred by the Australian Government and state and territory governments in purchasing and administering vaccines under various state, territory and national public health programs.

Table 38: Expenditure on pharmaceuticals for which a script is required, dispensed in the community and by hospitals^(a), current prices, 2004–05 (\$ million)

Funding source	Benefit-paid pharmaceuticals	All other pharmaceuticals		Total pharmaceuticals
		Non-hospital ^(b)	Hospital ^(c)	
Government sector				
Australian Government Department of Veterans' Affairs	474	..	..	474
Australian Government Department of Health and Ageing ^{(d)(e)}	5,454	123	..	5,577
Public hospitals ^(f)	..	..	1,511	1,511
<i>Total public sector</i>	<i>5,928</i>	<i>123</i>	<i>1,511</i>	<i>7,562</i>
Non-government sector				
Health insurance funds	..	49	..	49
Individuals	1,151	631	..	1,782
Private hospitals ^(g)	..	..	304	304
Other non-government ^(h)	..	58	..	58
<i>Total private sector</i>	<i>1,151</i>	<i>739</i>	<i>304</i>	<i>2,193</i>
Total	7,079	862	1,815	9,755

(a) Excludes complementary and alternative medicines and over-the-counter medicines for which a prescription is not required.

(b) Includes private prescriptions and under co-payment prescriptions.

(c) Does not include the costs of paying hospital staff to dispense these pharmaceuticals. Dispensary costs are included in the first two columns of this table.

(d) Excludes \$471 million in payments for highly specialised drugs.

(e) Includes \$204 million in Section 100 payments for human growth hormones, IVF and other subsidised pharmaceuticals.

(f) Includes \$385 million in Australian Government payments to states for highly specialised drugs.

(g) Includes \$86 million in Australian Government payments for highly specialised drugs.

(h) Includes funding by injury compensation insurers.

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

Source: AIHW health expenditure database.

Expenditure on benefit-paid items under the PBS and RPBS represented almost three quarters (72.6%) of the total expenditure on pharmaceuticals for which a prescription was required (Table 38). Expenditure on benefit-paid items has two components – the cost to government and co-payments by users.

The cost to government under the PBS (not including expenditure under the RPBS) in 2003–04 was estimated at \$4,992 million (Table 39). In 2004–05, it increased to \$5,296 million. The relative funding shares of the PBS (that were met by the Australian Government through benefits and by individuals through their co-payments) changed little until 1 January 2005, when co-payments by general patients increased from \$23.70 per prescription to \$28.60 and by concessional patients from \$3.80 to \$4.60. There have also been some changes over time in the proportion of total patient contribution paid by general and concessional patients and funding under the safety net arrangements. In 2000–01 concessional patients contributed \$337 million or 45.3% of total patient contributions. By 2004–05 their contribution had dropped to 42.7% or \$444 million. During the same period contributions provided by the Australian Government for general and concessional patients under the safety net arrangement increased from \$788 million (20.7% of Australian Government contribution to PBS benefits) to \$1,368 million (25.8%) in 2004–05.

Table 39: Pharmaceuticals Benefits Scheme^(a), Australian Government and patients' payments, 2000–01 to 2004–05 (\$ million)

Benefit category	2000–01	2001–02	2002–03	2003–04	2004–05
Patient contributions					
General patients	407	444	489	545	597
Concessional patients	337	362	370	393	444
<i>Total patient contributions</i>	<i>744</i>	<i>806</i>	<i>860</i>	<i>938</i>	<i>1,041</i>
Government benefits					
General patients–no safety net	662	691	751	824	851
General patients–safety net	128	148	170	191	223
<i>Total general patients</i>	<i>790</i>	<i>840</i>	<i>920</i>	<i>1,015</i>	<i>1,073</i>
Concessional patients–no safety net	2,360	2,570	2,747	2,972	3,077
Concessional patients–safety net	660	778	908	1,005	1,145
<i>Total concessional patients</i>	<i>3,020</i>	<i>3,348</i>	<i>3,655</i>	<i>3,977</i>	<i>4,223</i>
<i>Total cost to government</i>	<i>3,810</i>	<i>4,188</i>	<i>4,575</i>	<i>4,992</i>	<i>5,296</i>
Total cost of PBS benefit-paid items^(b)	4,554	4,994	5,435	5,929	6,337

(a) Does not include RPBS or 'doctors bag' pharmaceuticals.

(b) Excludes Section 100 payments for human growth hormones, IVF and other non-PBS subsidised pharmaceuticals.

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

Source: DoHA unpublished data.

Aids and appliances

Expenditure on health aids and appliances grew 11.4% per year in real terms over the period 1994–95 to 2004–05. The fastest year of growth was 1999–00 to 2000–01, when it grew by 30.1% (Table A8). Changes in the methodology surrounding the treatment of private health insurance benefits paid for contractual ancillary services, and revisions to the ABS estimate of HFCE for medicines, aids and appliances have affected this series.

In 2004–05 expenditure on aids and appliances was \$3,622 million, of which over 80% was funded by individuals' out-of-pocket expenditure (calculated from Table A3).

Community health and other

In 2003–04, expenditure by state, territory and local governments totalled \$3.1 billion out of a total of \$3.7 billion spent on community health services (Table A2). In 2004–05, community health was estimated at \$4.1 billion (Table A3).

Public health

While reliable estimates are not available for earlier years, since 1999–00, estimates of public health expenditure have been compiled on a consistent basis in each state and territory and for the Australian Government using a single collection protocol developed through the National Public Health Expenditure Project (AIHW 2002, 2004, 2006b).

Over the past three years, public health expenditure was estimated at:

- 2002–03 – \$1.2 billion
- 2003–04 – \$1.3 billion
- 2004–05 – \$1.4 billion.

Over these three years the Australian Government's funding of total public health expenditure has been respectively 58.8%, 52.0% and 59.8% (calculated from Tables A1, A2 and A3). Part of this Australian Government funding was directed to state and territory governments to fund public health initiatives (32.1%, 24.6% and 27.1% respectively of total public health expenditure). State and territory own source funding of public health has been 41.2%, 43.0% and 36.3% respectively.

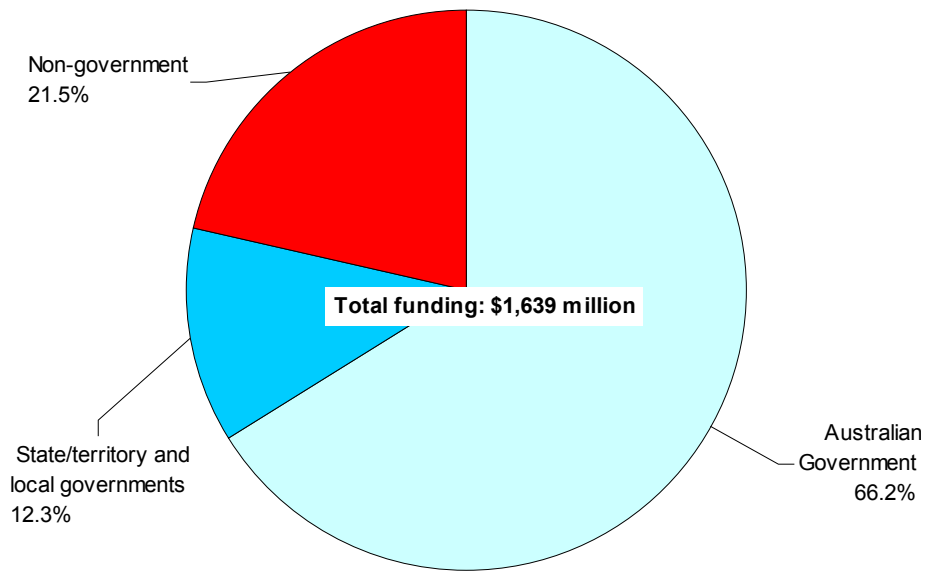
Dental services

Individuals funded 67.1% of the \$5.1 billion spent on dental services in 2004–05 (Table A3). For the period 1994–95 to 2004–05, real growth in dental services expenditure averaged 3.7% per year – 1.4 percentage points below the annual real growth in total recurrent health expenditure (Table A8). However, in nominal terms, average annual growth for dental services expenditure was 8.8% over the decade, 0.5 percentage points higher than the growth for total recurrent health expenditure of 8.3% (Table A7). The reason for the difference is the high growth in dental prices.

In contrast, for the period 1997–98 to 2002–03, real growth for dental services (6.2% annually) exceeded that for recurrent health expenditure by 0.7 percentage points (Table A8).

Research

Total estimated expenditure on health research in 2004–05 was \$1,639 million (Table A3). In real terms, estimated expenditure grew at an average of 7.6% per year between 1994–95 and 2004–05 (Table 40). Much of the expenditure in 2004–05 (66.2%) was funded by the Australian Government (Figure 24). State and territory and local governments provided 12.3% of the funding for research and a further 21.5% was provided by non-government sources.



Source: Table A3.

Figure 24: Recurrent expenditure on health research, current prices, by broad source of funds, 2004-05

Table 40: Recurrent funding for health research, constant prices^(a), and annual growth rates, by broad source of funds, 1994–95 to 2004–05

Year	Government				Non-government		Total recurrent funding	
	Australian Government		State/territory and local		Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)				
1994–95	508	..	119	..	127	..	754	..
1995–96	555	9.3	106	-10.9	136	7.6	798	5.8
1996–97	567	2.1	125	17.8	145	6.4	837	4.9
1997–98	517	-8.8	116	-7.5	156	7.5	789	-5.8
1998–99	600	16.1	109	-5.7	143	-8.4	852	8.1
1999–00	654	9.0	130	19.1	225	57.2	1,009	18.4
2000–01	821	25.4	157	20.8	270	20.3	1,248	23.7
2001–02	870	5.9	165	5.0	290	7.1	1,324	6.1
2002–03	950	9.3	177	7.8	310	6.9	1,437	8.6
2003–04	988	4.0	171	-3.7	326	5.2	1,484	3.3
2004–05	1,036	4.9	192	12.6	338	3.6	1,566	5.5
Average annual growth rate								
1994–95 to 1997–98		0.6		-1.0		7.2		1.5
1997–98 to 2002–03		12.9		9.0		14.7		12.8
1994–95 to 2004–05		7.4		4.9		10.3		7.6

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

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

Source: AIHW health expenditure database.

4.2 Capital formation

Because investments in health facilities and equipment involve large outlays, and the lives of such facilities and equipment can be very long (up to 50 years is not uncommon for buildings), capital expenditure fluctuates greatly from year to year (Table 41 and Figure 25). It is, therefore, meaningless to look at average growth rates over a relatively short period such as 10 years. Capital expenditure on health facilities and investments in 2004–05 was \$3,743 million (in 2003–04 prices), 4.5% of total health expenditure (Tables 1 and 41).

Australian Government funding of capital is often by way of grants and subsidies to other levels of government or to non-government organisations. In the early 1990s, the estimates of Australian Government funding of capital were somewhat distorted by the negative outlays that resulted from the disposal of the Repatriation General Hospitals.

State, territory and local governments, in contrast, devote much of their resources to new and replacement capital for government service providers (for example, hospitals and community health facilities). There were particularly high levels of capital expenditure in Queensland towards the end of the 1990s as some of the state's very old or run-down capital stock was replaced.

Typically, capital expenditure by the non-government sector accounts for between one-third and one-half of all capital outlays in any year. Non-government capital investment is largely in private hospitals and residential care facilities.

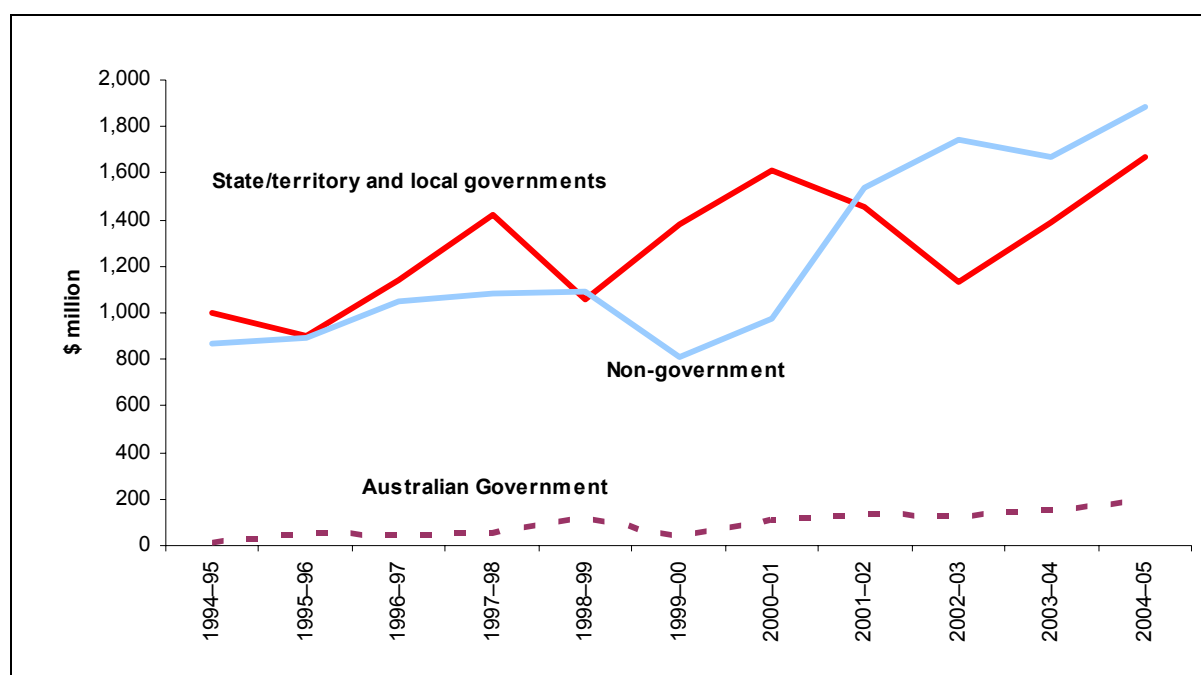
Table 41: Outlays on capital, constant prices^(a), by source of funds, 1994-95 to 2004-05 (\$ million)

Year	Government		Non-government	Total
	Australian Government	State/territory and local		
1994-95	5	998	866	1,869
1995-96	50	898	892	1,840
1996-97	39	1,137	1,050	2,226
1997-98	47	1,425	1,083	2,554
1998-99	120	1,062	1,093	2,274
1999-00	30	1,381	811	2,222
2000-01	109	1,611	977	2,697
2001-02	134	1,454	1,538	3,126
2002-03	128	1,135	1,746	3,009
2003-04	148	1,390	1,667	3,206
2004-05	193	1,669	1,880	3,743

(a) Constant price health expenditure for 1994-95 to 2004-05 is expressed in terms of 2003-04 prices.

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

Source: AIHW health expenditure database.



(a) Constant price health expenditure for 1994-95 to 2004-05 is expressed in terms of 2003-04 prices.

Source: Table 41.

Figure 25: Outlays on capital, constant prices^(a), by broad source of funds, 1994-95 to 2004-05

4.3 Capital consumption by governments

Capital consumption is otherwise known as depreciation and represents the amount of fixed capital used up each year. The AIHW sources the data for this item from ABS Government finance statistics. Traditionally within the National Health Accounts (NHA) tables, capital consumption has been excluded from recurrent expenditure and sits along side capital expenditure. Together capital expenditure, capital consumption and recurrent expenditure add to total direct health expenditure.

Capital consumption (depreciation) by governments, in real terms, was estimated at \$1,260 million in 2004–05 (Table 42). This was an increase, in real terms, of 5.9% from 2003–04.

Table 42: Capital consumption by governments, current and constant prices^(a), and annual growth rates, 1994–95 to 2004–05

Year	Current prices	Constant prices	Real growth (%)
	\$ million	\$ million	
1994–95	529	524	..
1995–96	571	561	7.1
1996–97	531	529	-5.7
1997–98	579	577	9.2
1998–99	884	886	53.4
1999–00	945	959	8.3
2000–01	985	985	2.8
2001–02	1,038	1,043	5.8
2002–03	1,080	1,076	3.2
2003–04	1,190	1,190	10.6
2004–05	1,288	1,260	5.9

(a) Constant price health expenditure for 1994–95 to 2004–05 is expressed in terms of 2003–04 prices.

Source: AIHW health expenditure database.

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

6 Technical notes

6.1 General

Health expenditure is reported domestically using the Australian National Health Accounts (NHA) framework. This framework, which has operated since the early 1960s, is based on a national health expenditure matrix showing areas of expenditure by sources of funding.

Since 1998, the AIHW, which has responsibility for developing estimates of national health expenditure, has collated and stored its health expenditure data in a way that enables it to simultaneously report national health expenditure according to the national framework and the OECD's System of Health Accounts (OECD 2000).

Health Expenditure Advisory Committee (HEAC)

In 2003, the AIHW established the HEAC, comprising data users and providers, to provide advice on health expenditure reporting in Australia. The committee, which meets twice a year, consists of representatives of Australian government agencies – DoHA, ABS, DVA, Commonwealth Grants Commission, Medicare Australia and the Private Health Insurance Advisory Council (PHIAC) – and each state and territory health department. The terms of reference for this committee are to provide advice to the AIHW on:

- data sources, analysis and presentation of its estimates of health expenditure in Australia
- integration of AIHW's health expenditure collections with all other Australian sub-national and national collections, and with international frameworks and collections of health expenditure statistics
- longer term directions related to the reporting of expenditure on health, both within Australia and to international bodies such as the OECD and WHO.

6.2 Definition of health expenditure

The term 'health expenditure' refers to expenditure on health goods and services and health-related investment. Health goods and services expenditure includes expenditure on health goods (medications, aids and appliances) and health services (clinical interventions); and other health services such as expenditure on public health, research and administration. These expenditures are collectively termed recurrent expenditure. Health-related investment is often referred to as capital formation or capital expenditure.

The AIHW's definition of health expenditure closely follows the definitions and concepts provided by the OECD's SHA (OECD 2000) framework. It excludes:

- expenditure that may have a 'health' outcome but that is incurred outside the health sector (such as expenditure on building safer transport systems, removing lead from petrol, and educating health practitioners)
- expenditure on personal activities not directly related to maintaining or improving personal health
- expenditure that does not have health as the main area of expected benefit
- expenditure on capital transfers by government to underwrite medical indemnity insurance or premiums paid by individuals for private health insurance cover. Such expenditure, while having a health-related purpose, is regarded as expenditure on insurance rather than expenditure on a health good or service. Such funds become health expenditure to the extent that they are drawn upon when they are used to purchase health goods and services.

Total health expenditure reported for Australia (both domestically and internationally) is slightly underestimated in that it excludes health expenditure by the Australian Defence Force, some school health expenditure and some expenditure incurred by corrective services institutions in the various states and territories. Difficulties in separating expenditures incurred by local governments on particular health functions from those of state and territory governments means that these funding sources are often combined. However, the ABS data indicate that the contribution of local governments is quite small.

Table 51: Areas of health expenditure used in this report

Term	Definition
Public (non-psychiatric) hospitals	Hospitals operated by, or on behalf of, state and territory governments that provide a range of general hospital services. Such hospitals are recognised under the AHCAs.
Public psychiatric hospitals	Hospitals operated by, or on behalf of, state and territory governments that provide treatment and care specifically to patients with psychiatric disorders.
Private hospitals	A privately owned and operated institution, catering for patients who are treated by a doctor of their own choice. Patients are charged fees for accommodation and other services provided by the hospital and relevant medical and paramedical practitioners. The term includes private free-standing day hospital facilities.
High-level residential care	Care provided to residents in residential care facilities who have been classified as having a need for and are receiving a high level of care (i.e. patients classified in Resident Classification Scale categories 1–4).
Residential care facilities	Establishments that provide long-term care involving regular basic nursing care to chronically ill, frail, disabled or convalescent persons or senile in-patients. They must be approved by DoHA and licensed by a state or territory government.
Ambulance services	Public or registered non-profit organisations which provide patient transport (or ambulance) services associated with out-patient or residential episodes to and from health care facilities. Excludes patient transport expenses that are included in the operating costs of public hospitals.
Medical services	Services listed in the Medical Benefits Schedule that are provided by registered medical practitioners. Most medical services in Australia are provided on a fee-for-service basis and attract benefits from the Australian Government under Medicare. Expenditure on medical services includes services provided to private admitted patients in hospitals as well as some expenditure that is not based on fee-for-service (i.e. alternative funding arrangements). Excludes expenditure on medical services provided to public patients in public hospitals and medical services provided to public patients at out-patient clinics in public hospitals.
Other health practitioners	Services provided by registered health practitioners (other than doctors and dentists). These include chiropractors, optometrists, physiotherapists, speech therapists, audiologists, dietitians, podiatrists, homeopaths, naturopaths, practitioners of Chinese medicine and other forms of traditional medicine, etc.
Benefit-paid pharmaceuticals	Pharmaceuticals in the PBS and the RPBS (see Glossary) for which the Australian Government paid a benefit.
Other medications	Pharmaceuticals for which no PBS or RPBS benefit was paid and other medications. Includes: <ul style="list-style-type: none"> • pharmaceuticals listed in the PBS or RPBS, the total costs of which are equal to, or less than, the statutory patient contribution for the class of patient concerned • medicines dispensed through private prescriptions that do not fulfil the criteria for payment under the PBS or RPBS • over-the-counter medicines such as pharmacy-only medicines, aspirin, cough and cold medicines, vitamins and minerals, some herbal and other complementary medicines, and a range of medical non-durables, such as bandages, band aids and condoms.

(continued)

Table 51 (continued): Areas of health expenditure used in this report

Term	Definition
Aids and appliances	<p>Durable medical goods dispensed to out-patients that are used more than once, for therapeutic purposes, such as glasses, hearing aids, wheelchairs and orthopaedic appliances and prosthetics that are not implanted surgically but are external to the user of the appliance.</p> <p>Excludes prostheses fitted as part of admitted patient care in a hospital.</p>
Community health	<p>Non-residential health services offered by public or registered non-profit establishments to patients/clients, in an integrated and coordinated manner in a community setting, or the coordination of health services elsewhere in the community.</p> <p>Includes:</p> <ul style="list-style-type: none">• well baby clinics• health services provided to particular groups such as Aboriginal and Torres Strait Islander people, as well as family planning services, alcohol and drug rehabilitation, etc.• specialised mental health programs for patients with mental illness that are delivered in a community setting.
Public health	<p>Services provided and/or funded by governments that are aimed at protecting and promoting the health of the whole population or specified population subgroups and/or preventing illness, injury and disability in the whole population or specified population subgroups.</p> <p>Public health services do not include treatment services.</p>
Dental services	<p>A range of services provided by registered dental practitioners.</p> <p>Includes maxiofacial surgery items listed in the Medical Benefits Schedule.</p>
Health administration	<p>Activities related to the formulation and administration of government and non-government policy in health and in the setting and enforcement of standards for medical and paramedical personnel and for hospitals, clinics, etc.</p> <p>Includes the regulation and licensing of providers of health services.</p>
Health research	<p>Research undertaken at tertiary institutions, in private non-profit organisations and in government facilities that has a health socioeconomic objective.</p> <p>Excludes commercially oriented research carried out or commissioned by private business, the costs of which are assumed to have been included in the prices charged for the goods and services (e.g. medications that have been developed and/or supported by research activities).</p>
Capital expenditure	<p>Expenditure on fixed assets (e.g. new buildings and equipment with a useful life extending over a number of years).</p>
Capital consumption	<p>Capital consumption is otherwise known as depreciation and represents the amount of fixed capital used up each year.</p>
Non-specific tax expenditure	<p>These are a form of tax expenditure known as the medical expenses tax offset. This becomes available to individuals to claim through the taxation system if they have out-of-pocket medical expenses over a specified limit in an income year. For the 2004–05 income year, the tax offset was 20 cents for each \$1 by which a taxpayer's net medical expenses exceeded \$1,500 (the threshold).</p>

6.3 Data and methods used to produce estimates

General

The total expenditure and revenue data used to generate the tables are, to the greatest extent possible, produced on an accrual basis; that is, expenditures reported for each area relate to expenses incurred in the year in which they are reported. This is not, however, achievable in all cases. For example, where the data on which the estimates are based are provided by a funding source, such as the private health insurance funds, they often relate to the date of processing claims. These do not necessarily coincide with the date on which the related service was provided. As a further consequence, the contribution of that funding source may be understated in one year and overstated in another.

Public hospital expenditure is partly funded by private practitioner facility fees. This revenue is in turn partly funded by the Medicare Benefits Schedule, (which is included under medical services reporting). Therefore there is a double count of the public hospital expenditure funded from private practitioner facility fees and medical services. Hence total health expenditure reported in this publication is an overestimate of actual total health expenditure.

The AIHW gathers information on which to base its estimates of health expenditure from a wide range of sources. The ABS, the Department of Health and Ageing, and state and territory health authorities provided most of the basic data used in this publication. Other major data sources are the DVA, the PHIAC, Comcare, and the major workers' compensation and compulsory third-party motor vehicle insurers in each state and territory.

State and territory expenditure tables

The state and territory tables are intended to give some indication of differences in the overall levels of expenditure on health in the states and territories; they do not necessarily reflect levels of activity by state and territory governments. For example, service providers located in the different states and territories pursue a variety of funding arrangements involving inputs from both government and non-government sources. As a result, one state or territory may have a mix of services and facilities that is quite different from that in another state. The estimates will enable a state or territory government to monitor the impact of policies on overall expenditure on health goods and services provided within its borders.

It should be noted that estimates of funding by state and local government in respect of a particular state/territory table relates to all funding by state/territory and local governments on services provided in the state or territory concerned. Some of the services concerned may actually be the subject of cross-border reimbursement arrangements between the states and territories concerned.

Where funding data are provided only on a national basis, as is the case for some Australian Government programs, the AIHW calculates allocations for those expenditures by state and territory.

State government contracting of private hospital services

At present the matrices for each state and territory before 2002–03 indicate that state and territory governments provided no funding for services provided by private hospitals. This is incorrect, because there are at least two situations in which they do provide funding for services provided by private hospitals, namely where:

- (a) a state or territory government or an area health service has contracts with private hospitals to provide services to public patients
- (b) a public hospital, which is essentially a state or territory government instrumentality, purchases services from a private hospital in respect of some of its public patients.

The AIHW has begun to collect the first of these data flows from 2002–03 and they are included in both the national and the state and territory matrices from that year.

The second of these flows would currently be included in total expenditure, but they would be counted as funding for services provided by public hospitals (so long as the related purchases are being included in the reported expenses of the purchasing hospitals in the establishments data).

Expenditure by the Australian Government

The bulk of the expenditures by the Australian Government can readily be allocated on a state and territory basis. These include:

- specific purpose payments (SPPs) to the states and territories for public hospitals
- other SPPs to the states and territories for health
- high-level residential care subsidies
- Medicare benefits payments
- pharmaceutical benefit payments.

Data on other health funding by the Australian Government are generally not available on a state and territory basis. In those cases, indicators are used to derive state and territory estimates. For example, non-Medicare payments to medical service providers aimed at enhancing or modifying medical practice are allocated according to the proportion of vocationally registered general practitioners in each state or territory. Expenditures on public health that are not part of SPPs to the states and territories have been allocated according to the allocation of public health SPPs.

Expenditure by state, territory and local governments

The ABS produces annual estimates of public finance, which form part of the NHA. These include expenses and revenues for all levels of government.

Until 1996–97, public finance data were reported on a cash basis. From 1997–98, reporting has been on an accrual basis for most jurisdictions. Where states or territories have not reported on an accrual basis, their cash accounts have been modified by the ABS to conform to accrual definitions. State and territory data included in the ABS's public finance database are provided by each of the state and territory treasuries. The Government Purpose Classification (GPC) developed by the ABS are used to allocate expenses and revenues by function.

There have always been difficulties associated with the way the government expenditures in the public finance database have been allocated to purpose (function). This is particularly the case at the lower levels of disaggregation.

Since the move to accrual-based accounting, the emphasis of the ABS and the Treasury departments has been on ensuring that transaction-type classifications of expenditure are correct (that is, ensuring that expenses and revenues are correctly classified in the state and territory accounts). To date, less attention has been given to the verification of expenditure according to function. As a consequence, the ABS's estimates of total expenditure only by state and local governments are used in this publication as a guide to the overall movements in state and local government recurrent funding for health from one year to the next.

The AIHW relies on data from state and territory health authorities for its estimates of state and local government expenditure and funding for:

- public hospitals
- high-level residential care
- ambulance services
- community health services
- public health services
- dental services
- administration.

The ABS provided research expenditure data from its Research and Experimental Development Survey series (ABS 2004, 2005a, 2006b).

In 1998–99 and 2001–02, as part of the process for collection of data for studies into expenditure on health goods and services for Aboriginal and Torres Strait Islander peoples, each of the states and territories provided detailed estimates of expenditure for programs for which they had primary responsibility. That information has been extensively checked and verified with the provider agencies. Because of the rigorous processes gone through in verifying the accuracy of the data, the AIHW has, wherever possible, incorporated them in the state/territory estimates of health expenditure for those years.

It should also be noted that the estimates of expenditure on public hospitals in this publication reflect the level of expenditure on goods and services provided in hospitals, including community health services that are operated by public hospitals. The estimates of community health services exclude expenditure on community health services that is already included in the gross operating expenditures of public hospitals. This complicates state-by-state comparisons as far as those services are concerned, because the proportion of community health services delivered by hospitals (and included in hospital operating costs) varies from state to state.

Expenditure by the non-government sector

Funding by the non-government sector is shown in the various state matrices in three broad 'source of funds' categories:

- health insurance funds
- individuals
- other non-government sources.

Funding by health insurance funds on health goods and services within a state or territory is assumed to be equal to the level of expenditure by health insurance funds that operate from that state or territory. In the case of New South Wales and the Australian Capital Territory, it is assumed that their combined total expenditure is equal to the total funding by health insurance funds registered in New South Wales. This is then split between New South Wales and the Australian Capital Territory according to the relative numbers of available private hospital beds in the two jurisdictions. In all years from 1997–98, funding by health insurance funds has been reduced by the extent of the Australian Government subsidy through the PHIIS and the 30% rebate on private health insurance contributions.

Estimates of expenditure by individuals on:

- patient transport (ambulance services)
- dental services
- other health practitioners
- aids and appliances

are based on ABS estimates of HFCE. Funding of these services by private health insurance funds are deducted from HFCE estimates to arrive at the estimates of individuals' out-of-pocket funding.

Change in methodology for deflators

There are eight types of deflators (see Appendix C for more information) used in this report (Table 52). Most deflators are very specific to the type of expenditure they are applied to. For example, all hospitals and high-level residential care use the Government Final Consumption Expenditure (GFCE) hospital/nursing home care deflator. A few expenditure areas such as public health and research use the GFCE total non-defence deflator.

In this report, the deflator used for private hospital expenditure is different to the one used in *Health expenditure Australia 2003–04* (AIHW 2005a). See Appendix C for further details.

Table 52: Area of health expenditure by type of deflator applied

Area of expenditure	Deflator applied
Public (non-psychiatric) hospitals	GFCE hospital/nursing home care
Public psychiatric hospitals	GFCE hospital/nursing home care
Private hospitals	GFCE hospital/nursing home care
High-level residential care	GFCE hospital/nursing home care
Ambulance and other	GFCE hospital/nursing home care
Medical services	Medicare medical services fees charged
Other health practitioners	HFCE doctors and other health practitioners
Benefit-paid pharmaceuticals	PBS pharmaceuticals
All other medications	HFCE medicines, aids and appliances
Aids and appliances	HFCE medicines, aids and appliances
Community health and other	GFCE total non-defence
Public health	GFCE total non-defence
Dental services	HFCE dental services
Administration	GFCE total non-defence
Research	GFCE total non-defence
Capital expenditure	Gross fixed capital formation
Capital consumption	Gross fixed capital formation
Non-specific tax expenditure	GFCE total non-defence

Blank cells in expenditure tables

The national and the state and territory tables in Appendixes A and B have some cells for which there is no expenditure recorded. The reasons for this are manifold, but the main ones are:

- (i) there are assumed to be no funding flows because they do not exist in the institutional framework for health care funding
- (ii) the total funding is so small that it rounds to less than \$500,000
- (iii) a flow of funds exists but it cannot be estimated from available data sources
- (iv) some cells relate to 'catch-all' categories and the data and metadata are of such high quality as to enable all expenditure to be allocated to specified areas. This, in turn, means that there is no residual to be allocated to the 'catch-all' categories.

As to (i), for example, there are no funding flows by the state, territory and local government for medical services and benefit-paid pharmaceuticals because these are funded by the Australian Government, individuals and private health insurance funds through Medicare and the PBS.

An example of (iii) is state and local government funding for private hospitals. There are known to be funding flows in this area because state and territory governments are known to contract with private hospitals to provide some hospital services to public patients. Some data has been inserted in the matrices from 2002–03 onwards. The AIHW is negotiating with state and territory health departments to obtain data that would support estimates of their funding of private hospitals for earlier years.

As to (iv), in some years some small miscellaneous expenditures by the Australian Government have been allocated to the category 'Other non-institutional n.e.c.'. These could not, at that time, be allocated to the specific health expenditure areas in the matrix. In other years, better quality of description may have allowed those types of expenditures to be more precisely allocated. The expenditure category remains in order to show that data over long time series.

Population

The per person estimates of expenditure are calculated using estimates of annual mean resident population, which are based on quarterly estimated resident population data from the ABS (ABS 2006b).

6.4 International comparisons

The OECD averages in this publication are averages (means) of member countries for which data are available for all the years presented. The periods covered by the OECD data for a particular year may differ from one country to another (see Box 4 for examples).

Box 4: Periods equating to OECD year 2004

Country	Financial year
<i>Australia</i>	<i>1 July 2004 to 30 June 2005</i>
<i>Canada</i>	<i>1 April 2004 to 31 March 2005</i>
<i>France</i>	<i>1 January 2004 to 31 December 2004</i>
<i>Germany</i>	<i>1 January 2004 to 31 December 2004</i>
<i>Japan</i>	<i>1 April 2004 to 31 March 2005</i>
<i>New Zealand</i>	<i>1 July 2004 to 30 June 2005</i>
<i>Sweden</i>	<i>1 January 2004 to 31 December 2004</i>
<i>United Kingdom</i>	<i>1 April 2004 to 31 March 2005</i>
<i>United States</i>	<i>1 October 2003 to 30 September 2004</i>

6.5 Revisions of definitions and estimates

Definitions

High-level residential care

Facilities that were formerly classified as nursing homes are now incorporated into the class of facility known as 'residential care facilities'. Aged persons' hostels are also included in this class of facilities.

Residents in such facilities are classified according to the level of care that they need and receive, and there are eight such care-level categories. For the purpose of maintaining

consistency with previous reporting of nursing home expenditure, residents who are classified into the four highest categories are defined as receiving 'health care' and the associated expenditure is included in this publication as high-level residential care.

All residents whose care needs do not come within the four highest levels of care are regarded as receiving welfare services, and none of the expenditure related to that care is classified as health expenditure.

Public and community health

In previous health expenditure publications, public health expenditure was included with community health expenditure because of the difficulty in obtaining reliable data about these two categories of expenditure that were sourced from the public finance statistics of the ABS and from the states and territories themselves.

Separate and timely data on public health expenditure data, based on nine core public health expenditure activities, have now become available from the AIHW's Public Health Expenditure Project. This project, which forms an integral part of the development of public health information under the National Public Health Partnership, is funded by DoHA. It aims to develop reliable and timely estimates of public health investment in Australia, both in the public sector and in the non-government sector.

The data for 1999-00 to 2003-04 have been published in the AIHW's *National public health expenditure reports* (AIHW 2002, 2004, 2006b). Data for 2004-05 will be released later in 2006. The estimates of public health expenditure in this report are based on the data in the National Public Health Expenditure Project. Note that, at present, public health expenditure data are collected only for key health departments and agencies of the Australian Government and states and territories.

Other medications

Expenditure on other medications includes expenditure on over-the-counter medicines, complementary medicines, over-the-counter medical non-durables, as well as prescribed medications for which no benefits are paid under the PBS or RPBS, including PBS or RPBS items less than or equal to the co-payment.

The over-the-counter medicines and medical non-durable goods are all therapeutic goods of a type that are sold at pharmacies, supermarkets and convenience stores and are used to treat or cure a condition. These include pharmacy-only medicines. Examples of over-the-counter medicines are analgesics, antacids and cough medicines. Examples of over-the-counter medical non-durable goods include non-prescription therapeutic goods that tend to be single-use items, such as bandages, elastic stockings, incontinence articles, condoms and other mechanical contraceptive devices, from pharmacies, supermarkets and convenience stores. Goods that are for personal use such as tanning lotion are not considered to be therapeutic, whereas after-sun lotion to treat sunburn would be within scope of health expenditure.

The AIHW has obtained over-the-counter data for 2001–02 to 2004–05 from *Retail pharmacy* (Flanagan 2002a, 2004a, 2005a) and *Retail world* (Flanagan 2002b, 2003, 2004b, 2005b), having previously obtained it from *Pharmacy 2000* (Feros 1998 to 2001). This change in data source has enabled a more comprehensive breakdown of each category of products sold at pharmacies and supermarkets. For example, the estimates are now able to include the therapeutic proportion of the total sales of mouthwash sold at supermarkets. No data are yet available for health goods sold through retail outlets such as convenience stores but such expenditure constitutes a very small part of total over-the-counter sales of pharmaceuticals and medical non-durables.

Non-specific tax expenditure

These are a form of tax expenditure known as the medical expenses tax offset. This becomes available to individuals to claim through the taxation system if they have out-of-pocket medical expenses over a specified limit in an income year. For the 2004–05 income year, the tax offset was 20 cents for each \$1 by which a taxpayer's net medical expenses exceeded \$1,500 (the threshold).

Net medical expenses are the medical expenses that have been paid less any refunds that have been received, or could be received, from Medicare or a private health fund. The medical expenses tax offset covers a wide range of health expenditures, not just expenses associated with doctors as its name might suggest. It is named 'non-specific tax expenditure' in this publication to reflect the fact that it cannot be specifically allocated to the various areas of expenditure.

Revision of estimates

Some estimates of recurrent health expenditure have been revised since the publication of *Health expenditure Australia 2003–04* (AIHW 2005a). These revisions relate to all years after 1998–99 (Table 53).

The large downward revision of estimated expenditure for 1999–00 has meant that growth in expenditure between 1998–99 and 1999–00 in nominal and real terms is now lower than previously reported. Similarly, the large upward revisions of estimated expenditure for 2001–02 and 2002–03 has meant that growth in expenditure between 2000–01 and 2001–02 as well as between 2001–02 and 2002–03 are now higher than previously reported.

Table 53: Comparison of previously published estimates of total health expenditure, current prices, 1998–99 to 2002–03, with current estimates (\$ million)

Year	Previous estimate	Revised estimate	Change
1998–99	51,440	51,419	–21
1999–00	55,255	54,916	–339
2000–01	61,635	61,618	–17
2001–02	66,769	67,132	363
2002–03	72,452	73,108	656

Source: AIHW health expenditure database.

Revision of 1998–99 estimates

Overall, the estimates of health expenditure for 1998–99 were revised down by \$21 million. This was due to a revision of the capital formation and consumption estimates sourced from the ABS.

Revision of 1999–00 estimates

Overall, the estimates of health expenditure for 1999–00 were revised down by \$339 million. The major areas of revision were:

- (i) capital formation (down \$339 million)
- (ii) university sourced health research (down \$237 million)
- (iii) other health research (up \$243 million)

Revision of 2000–01 estimates

Overall, the estimates of health expenditure for 2000–01 were revised down by \$17 million. The major areas of revision were:

- (i) university sourced research (down \$332 million)
- (ii) other health research (up \$345 million)
- (iii) other health practitioners (down \$217 million)
- (iv) private hospitals (up \$99 million)
- (v) capital formation (up \$79 million)

Revision of 2001–02 estimates

Overall, the estimates of health expenditure for 2001–02 were revised up by \$363 million. The major areas of revision were:

- (i) other health practitioners (down \$517 million)
- (ii) aids and appliances (down \$223 million)
- (iii) capital formation (up \$1,017 million)
- (iv) other health research (up \$49 million)

Revision of 2002–03 estimates

Overall, the estimates of health expenditure for 2002–03 were revised up by \$656 million. The major areas of revision were:

- (i) capital formation (up \$1,438 million)
- (ii) other health practitioners (down \$843 million)
- (iii) private hospitals (up \$199 million)
- (iv) aids and appliances (down \$178 million)

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Appendix A: National health expenditure matrices, 2002–03 to 2004–05

Table A1: Total health expenditure, current prices, Australia, by area of expenditure and source of funds^(a), 2002–03 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Private health insurance funds	Individuals	Other ^(c)	Total	
	Direct outlays	Premium rebates ^(b)	Total							
Total hospitals	9,399	1,238	10,637	9,144	19,781	2,820	707	1,312	4,839	24,620
Public (non-psychiatric) hospitals	8,360	125	8,486	8,598	17,084	285	317	749	1,351	18,435
Public psychiatric hospitals	210	—	210	255	466	—	15	4	20	485
Private hospitals	828	1,113	1,941	290	2,231	2,535	374	559	3,468	5,699
High-level residential care	3,435	—	3,435	207	3,642	—	904	2	906	4,548
Ambulance and other ^(d)	88	40	128	405	533	92	393	82	567	1,101
<i>Total institutional</i>	<i>12,922</i>	<i>1,278</i>	<i>14,201</i>	<i>9,756</i>	<i>23,957</i>	<i>2,913</i>	<i>2,004</i>	<i>1,396</i>	<i>6,312</i>	<i>30,269</i>
Medical services	9,181	213	9,395	—	9,395	486	1,423	667	2,577	11,972
Other health practitioners	478	143	621	—	621	327	743	285	1,354	1,975
Medications	5,203	23	5,226	—	5,226	52	4,637	95	4,783	10,009
Benefit-paid pharmaceuticals	5,166	—	5,166	—	5,166	—	951	—	951	6,116
All other medications	37	23	60	—	60	52	3,686	95	3,833	3,893
Aids and appliances	121	104	225	—	225	237	1,810	51	2,098	2,323
Other non-institutional services ^(e)	1,895	550	2,445	4,381	6,826	1,253	2,969	27	4,249	11,075
Community health and other ^(f)	253	—	253	3,082	3,335	—	—	16	16	3,351
Public health	707	—	707	495	1,202	—	—	—	—	1,202
Dental services	77	298	375	414	790	679	2,969	11	3,660	4,449
Administration	859	252	1,110	389	1,499	573	—	—	573	2,073
Research	927	—	927	173	1,100	—	—	302	302	1,401
<i>Total non-institutional</i>	<i>17,805</i>	<i>1,034</i>	<i>18,839</i>	<i>4,553</i>	<i>23,393</i>	<i>2,355</i>	<i>11,582</i>	<i>1,426</i>	<i>15,363</i>	<i>38,755</i>
Total recurrent expenditure	30,728	2,312	33,040	14,309	47,349	5,268	13,585	2,822	21,675	69,024
Capital expenditure	139	—	139	1,135	1,274	n.a.	n.a.	1,730	1,730	3,004
Capital consumption	53	—	53	1,027	1,080	..	..	..	^(g) ..	1,080
Direct health expenditure	30,920	2,312	33,232	16,471	49,703	5,268	13,585	4,552	23,405	73,108
Non-specific tax expenditure	256	..	256	..	256	..	–256	..	–256	..
Total health expenditure	31,176	2,312	33,488	16,471	49,960	5,268	13,329	4,552	23,149	73,108

Notes: See page 112.

Table A2 Total health expenditure, current prices, Australia, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Private health insurance funds	Individuals	Other ^(c)	Total	
	Direct outlays	Premium rebates ^(b)	Total							
Total hospitals	9,820	1,376	11,196	10,097	21,293	3,031	856	1,529	5,416	26,710
Public (non-psychiatric) hospitals	8,689	143	8,832	9,399	18,231	315	404	721	1,440	19,671
Public psychiatric hospitals	227	—	227	302	530	—	24	3	27	557
Private hospitals	904	1,233	2,137	396	2,533	2,716	428	805	3,949	6,482
High-level residential care	3,808	—	3,808	219	4,026	—	1,041	4	1,045	5,072
Ambulance and other ^(d)	105	41	145	578	724	89	390	75	555	1,278
<i>Total institutional</i>	<i>13,733</i>	<i>1,416</i>	<i>15,149</i>	<i>10,894</i>	<i>26,043</i>	<i>3,121</i>	<i>2,288</i>	<i>1,608</i>	<i>7,016</i>	<i>33,059</i>
Medical services	9,726	246	9,972	—	9,972	542	1,600	796	2,938	12,910
Other health practitioners	523	156	679	—	679	343	1,008	275	1,626	2,305
Medications	5,713	22	5,735	—	5,735	49	4,421	58	4,528	10,263
Benefit-paid pharmaceuticals	5,660	—	5,660	—	5,660	—	1,035	—	1,035	6,695
All other medications	53	22	75	—	75	49	3,385	58	3,492	3,568
Aids and appliances	130	115	245	—	245	253	2,324	33	2,610	2,854
Other non-institutional services ^(e)	2,077	584	2,661	4,467	7,128	1,287	3,399	28	4,714	11,842
Community health and other ^(f)	332	—	332	3,107	3,439	1	283	20	303	3,742
Public health	657	—	657	543	1,200	—	63	—	63	1,263
Dental services	77	321	398	445	842	706	3,054	9	3,769	4,611
Administration	1,011	263	1,274	373	1,646	580	—	—	580	2,226
Research	988	—	988	171	1,159	—	—	326	326	1,484
<i>Total non-institutional</i>	<i>19,157</i>	<i>1,122</i>	<i>20,279</i>	<i>4,638</i>	<i>24,917</i>	<i>2,473</i>	<i>12,752</i>	<i>1,516</i>	<i>16,742</i>	<i>41,659</i>
Total recurrent expenditure	32,890	2,539	35,428	15,532	50,960	5,594	15,040	3,124	23,758	74,718
Capital expenditure	148	—	148	1,390	1,538	n.a.	n.a.	1,667	1,667	3,206
Capital consumption	68	—	68	1,122	1,190	..	..	..	^(g) ..	1,190
Direct health expenditure	33,106	2,539	35,645	18,044	53,688	5,594	15,040	4,791	25,425	79,114
Non-specific tax expenditure	315	..	315	..	315	..	-315	..	-315	..
Total health expenditure	33,421	2,539	35,960	18,044	54,004	5,594	14,724	4,791	25,110	79,114

Notes: See page 112.

Table A3: Total health expenditure, current prices, Australia, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Private health insurance funds	Individuals	Other ^(c)	Total	
	Direct outlays	Premium rebates ^(b)	Total							
Total hospitals	10,536	1,627	12,163	11,033	23,195	3,098	947	1,786	5,831	29,026
Public (non-psychiatric) hospitals	9,367	182	9,548	10,291	19,839	346	489	851	1,686	21,525
Public psychiatric hospitals	234	—	234	324	558	—	24	6	30	588
Private hospitals	935	1,445	2,380	418	2,799	2,752	435	928	4,115	6,914
High-level residential care	4,183	—	4,183	215	4,398	—	1,173	14	1,187	5,586
Ambulance and other ^(d)	119	48	166	657	824	91	446	74	611	1,435
<i>Total institutional</i>	<i>14,838</i>	<i>1,674</i>	<i>16,513</i>	<i>11,905</i>	<i>28,417</i>	<i>3,189</i>	<i>2,567</i>	<i>1,874</i>	<i>7,629</i>	<i>36,046</i>
Medical services	11,207	299	11,505	—	11,505	569	1,622	914	3,105	14,611
Other health practitioners	473	181	655	—	655	345	1,145	303	1,794	2,448
Medications	6,026	26	6,051	—	6,051	49	4,698	58	4,805	10,857
Benefit-paid pharmaceuticals	5,928	—	5,928	—	5,928	—	1,151	—	1,151	7,079
All other medications	97	26	123	—	123	49	3,548	58	3,655	3,778
Aids and appliances	207	130	336	—	336	247	3,004	36	3,286	3,622
Other non-institutional services ^(e)	2,326	675	3,002	4,757	7,759	1,287	3,876	31	5,194	12,953
Community health and other ^(f)	407	—	407	3,283	3,690	—	423	22	445	4,135
Public health	858	—	858	521	1,379	—	55	—	55	1,434
Dental services	82	368	450	503	954	701	3,399	10	4,110	5,064
Administration	979	307	1,286	449	1,735	585	—	—	585	2,320
Research	1,085	—	1,085	201	1,287	—	—	353	353	1,639
<i>Total non-institutional</i>	<i>21,324</i>	<i>1,311</i>	<i>22,634</i>	<i>4,958</i>	<i>27,593</i>	<i>2,497</i>	<i>14,346</i>	<i>1,695</i>	<i>18,537</i>	<i>46,130</i>
Total recurrent expenditure	36,162	2,985	39,147	16,863	56,010	5,685	16,912	3,569	26,167	82,176
Capital expenditure	191	—	191	1,709	1,900	n.a.	n.a.	1,930	1,930	3,831
Capital consumption	98	—	98	1,190	1,288	..	..	..	^(g) ..	1,288
Direct health expenditure	36,451	2,985	39,436	19,762	59,199	5,685	16,912	5,499	28,097	87,296
Non-specific tax expenditure	364	..	364	..	364	..	-364	..	-364	..
Total health expenditure	36,815	2,985	39,800	19,762	59,562	5,685	16,548	5,499	27,733	87,296

Notes: See page 112.

Table A4: Total health expenditure, constant prices^(h), Australia, by area of expenditure and source of funds^(a), 2002-03 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Private health insurance funds	Individuals	Other ^(c)	Total	
	Direct outlays	Premium rebates ^(b)	Total							
Total hospitals	9,737	1,282	11,020	9,473	20,493	2,921	733	1,359	5,013	25,506
Public (non-psychiatric) hospitals	8,879	130	9,009	8,690	17,699	296	329	776	1,400	19,100
Public psychiatric hospitals	—	—	—	482	483	—	16	5	20	503
Private hospitals	858	1,153	2,010	300	2,311	2,626	388	579	3,593	5,903
High-level residential care	3,559	—	3,559	215	3,773	—	937	2	939	4,712
Ambulance and other ^(d)	91	42	133	419	553	96	407	85	588	1,140
<i>Total institutional</i>	<i>13,387</i>	<i>1,324</i>	<i>14,712</i>	<i>10,107</i>	<i>24,819</i>	<i>3,017</i>	<i>2,076</i>	<i>1,446</i>	<i>6,539</i>	<i>31,358</i>
Medical services	9,665	225	9,889	—	9,889	512	1,498	702	2,713	12,602
Other health practitioners	531	159	690	—	690	363	830	316	1,509	2,199
Medications	5,209	23	5,232	—	5,232	53	4,747	98	4,898	10,130
Benefit-paid pharmaceuticals	5,171	—	5,171	—	5,171	—	951	—	951	6,123
All other medications	38	23	61	—	61	53	3,795	98	3,946	4,008
Aids and appliances	125	107	232	—	232	244	1,863	52	2,160	2,392
Other non-institutional services ^(e)	1,953	574	2,528	4,512	7,040	1,308	3,140	28	4,476	11,516
Community health and other ^(f)	259	—	259	3,158	3,417	—	—	16	16	3,433
Public health	732	—	732	513	1,245	—	—	—	—	1,245
Dental services	82	316	398	441	839	721	3,140	12	3,873	4,713
Administration	880	258	1,138	400	1,538	587	—	—	587	2,125
Research	950	—	950	177	1,128	—	—	310	310	1,437
<i>Total non-institutional</i>	<i>18,433</i>	<i>1,089</i>	<i>19,522</i>	<i>4,690</i>	<i>24,211</i>	<i>2,480</i>	<i>12,079</i>	<i>1,506</i>	<i>16,065</i>	<i>40,276</i>
Total recurrent expenditure	31,820	2,413	34,233	14,796	49,030	5,497	14,155	2,952	22,605	71,634
Capital expenditure	128	—	128	1,135	1,263	n.a.	n.a.	1,746	1,746	3,009
Capital consumption	49	—	49	1,027	1,076	..	..	..	^(g) ..	1,076
Direct health expenditure	31,997	2,413	34,410	16,959	51,369	5,497	14,155	4,699	24,351	75,720
Non-specific tax expenditure	262	..	262	..	262	..	-262	..	-262	..
Total health expenditure	32,259	2,413	34,673	16,959	51,631	5,497	13,893	4,699	24,089	75,720

Notes: See page 112.

Table A5: Total health expenditure, constant prices^(h), Australia, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Private health insurance funds	Individuals	Other ^(c)	Total	
	Direct outlays	Premium rebates ^(b)	Total							
Total hospitals	9,820	1,376	11,196	10,097	21,293	3,031	856	1,529	5,416	26,710
Public (non-psychiatric) hospitals	8,689	143	8,832	9,399	18,231	315	404	721	1,440	19,671
Public psychiatric hospitals	227	—	227	302	530	—	24	3	27	557
Private hospitals	904	1,233	2,137	396	2,533	2,716	428	805	3,949	6,482
High-level residential care	3,808	—	3,808	219	4,026	—	1,041	4	1,045	5,072
Ambulance and other ^(d)	105	41	145	578	724	89	390	75	555	1,278
<i>Total institutional</i>	<i>13,733</i>	<i>1,416</i>	<i>15,149</i>	<i>10,894</i>	<i>26,043</i>	<i>3,121</i>	<i>2,288</i>	<i>1,608</i>	<i>7,016</i>	<i>33,059</i>
Medical services	9,726	246	9,972	—	9,972	542	1,600	796	2,938	12,910
Other health practitioners	523	156	679	—	679	343	1,008	275	1,626	2,305
Medications	5,713	22	5,735	—	5,735	49	4,421	58	4,528	10,263
Benefit-paid pharmaceuticals	5,660	—	5,660	—	5,660	—	1,035	—	1,035	6,695
All other medications	53	22	75	—	75	49	3,385	58	3,492	3,568
Aids and appliances	130	115	245	—	245	253	2,324	33	2,610	2,854
Other non-institutional services ^(e)	2,077	584	2,661	4,467	7,128	1,287	3,399	28	4,714	11,842
Community health and other ^(f)	332	—	332	3,107	3,439	1	283	20	303	3,742
Public health	657	—	657	543	1,200	—	63	—	63	1,263
Dental services	77	321	398	445	842	706	3,054	9	3,769	4,611
Administration	1,011	263	1,274	373	1,646	580	—	—	580	2,226
Research	988	—	988	171	1,159	—	—	326	326	1,484
<i>Total non-institutional</i>	<i>19,157</i>	<i>1,122</i>	<i>20,279</i>	<i>4,638</i>	<i>24,917</i>	<i>2,473</i>	<i>12,752</i>	<i>1,516</i>	<i>16,742</i>	<i>41,659</i>
Total recurrent expenditure	32,890	2,539	35,428	15,532	50,960	5,594	15,040	3,124	23,758	74,718
Capital expenditure	148	—	148	1,390	1,538	n.a.	n.a.	1,667	1,667	3,206
Capital consumption	68	—	68	1,122	1,190	..	..	..^(g)	..	1,190
Direct health expenditure	33,106	2,539	35,645	18,044	53,688	5,594	15,040	4,791	25,425	79,114
Non-specific tax expenditure	315	..	315	..	315	..	-315	..	-315	..
Total health expenditure	33,421	2,539	35,960	18,044	54,004	5,594	14,724	4,791	25,110	79,114

Notes: See page 112.

Table A6: Total health expenditure, constant prices^(h), Australia, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Private health insurance funds	Individuals	Other ^(c)	Total	
	Direct outlays	Premium rebates ^(b)	Total							
Total hospitals	10,155	1,568	11,723	10,629	22,352	2,986	913	1,721	5,620	27,972
Public (non-psychiatric) hospitals	9,028	175	9,203	9,914	19,117	333	471	820	1,624	20,741
Public psychiatric hospitals	226	—	226	312	537	—	23	6	29	566
Private hospitals	902	1,393	2,295	404	2,698	2,653	419	894	3,967	6,665
High-level residential care	4,032	—	4,032	207	4,240	—	1,131	14	1,144	5,384
Ambulance and other ^(d)	115	46	160	633	794	87	430	71	589	1,383
<i>Total institutional</i>	<i>14,302</i>	<i>1,614</i>	<i>15,916</i>	<i>11,470</i>	<i>27,386</i>	<i>3,074</i>	<i>2,474</i>	<i>1,806</i>	<i>7,353</i>	<i>34,739</i>
Medical services	10,394	277	10,671	—	10,671	528	1,505	848	2,881	13,551
Other health practitioners	459	176	635	—	635	335	1,110	293	1,738	2,373
Medications	6,011	25	6,036	—	6,036	48	4,587	56	4,691	10,727
Benefit-paid pharmaceuticals	5,917	—	5,917	—	5,917	—	1,148	—	1,148	7,065
All other medications	94	25	119	—	119	48	3,439	56	3,543	3,662
Aids and appliances	200	125	326	—	326	239	2,912	34	3,186	3,511
Other non-institutional services ^(e)	2,228	640	2,869	4,537	7,406	1,220	3,678	30	4,927	12,333
Community health and other ^(f)	389	—	389	3,133	3,522	—	404	21	425	3,947
Public health	827	—	827	503	1,330	—	52	—	52	1,383
Dental services	77	347	424	472	896	661	3,221	9	3,891	4,787
Administration	935	293	1,229	429	1,657	559	—	—	559	2,216
Research	1,036	—	1,036	192	1,229	—	—	338	338	1,566
<i>Total non-institutional</i>	<i>20,328</i>	<i>1,244</i>	<i>21,572</i>	<i>4,729</i>	<i>26,301</i>	<i>2,369</i>	<i>13,792</i>	<i>1,599</i>	<i>17,760</i>	<i>44,062</i>
Total recurrent expenditure	34,630	2,858	37,488	16,199	53,687	5,443	16,266	3,405	25,114	78,801
Capital expenditure	193	—	193	1,669	1,862	n.a.	n.a.	1,880	1,880	3,743
Capital consumption	99	—	99	1,161	1,260	..	..	..^(g)	..	1,260
Direct health expenditure	34,922	2,858	37,780	19,029	56,809	5,443	16,266	5,285	26,994	83,804
Non-specific tax expenditure	348	..	348	..	348	..	–348	..	–348	..
Total health expenditure	35,270	2,858	38,128	19,029	57,157	5,443	15,918	5,285	26,647	83,804

Notes: See page 112.

Table A7: Annual growth in health expenditure, current prices, Australia, by area of expenditure, 1994–95 to 2004–05 (per cent)

Area of expenditure	1994–95	1995–96	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	Average annual growth		
	to 1995–96	to 1996–97	to 1997–98	to 1998–99	to 1999–00	to 2000–01	to 2001–02	to 2002–03	to 2003–04	to 2004–05	1994–95 to 2004–05	1994–95 to 1997–98	1997–98 to 2002–03
Hospitals	7.4	8.1	7.1	6.9	4.5	7.0	8.8	10.5	8.5	8.7	7.7	7.5	7.5
Public (non-psychiatric) hospitals	6.9	8.3	8.3	6.6	4.0	6.6	8.0	10.4	6.7	9.4	7.5	7.8	7.1
Public psychiatric hospitals	-5.4	-9.7	-7.1	4.7	6.1	-7.4	21.0	2.9	14.8	5.5	2.1	-7.4	5.1
Private hospitals	11.1	9.7	4.7	8.2	6.2	10.1	10.5	11.4	13.7	6.7	9.2	8.5	9.3
High-level residential care	7.7	7.7	10.0	5.9	0.8	4.1	6.4	9.9	11.5	10.1	7.4	8.5	5.4
Ambulance and other ^(d)	13.0	-22.1	26.5	18.9	-3.0	14.8	18.2	9.3	16.1	12.2	9.5	3.6	11.3
<i>Total institutional</i>	7.6	6.9	8.1	7.1	3.7	6.8	8.8	10.4	9.2	9.0	7.8	7.5	7.3
Medical services	6.6	4.1	4.1	5.9	7.3	5.1	9.8	6.9	7.8	13.2	7.1	5.0	7.0
Other health practitioners	2.8	17.7	-5.6	-0.7	0.6	27.0	1.2	2.6	16.7	6.2	6.4	4.5	5.7
Medications	9.7	10.2	8.7	9.3	12.4	18.7	12.3	9.5	2.5	5.8	9.8	9.5	12.4
Benefit-paid pharmaceuticals	17.7	9.0	3.3	9.9	13.2	21.1	8.3	10.9	9.5	5.7	10.8	9.9	12.6
All other medications	-2.3	12.3	18.2	8.3	11.1	15.0	18.9	7.4	-8.4	5.9	8.3	9.0	12.1
Aids and appliances	6.0	6.3	5.3	25.6	11.5	35.0	-9.7	11.7	22.9	26.9	13.4	5.9	13.8
Other non-institutional services ^(e)	8.9	8.7	5.1	2.4	13.8	19.6	10.1	11.0	6.9	9.4	9.5	7.6	11.2
Community health and other ^(f)	22.5	28.4	2.6	14.8	-0.4	32.2	8.9	14.6	11.7	10.5	14.1	17.3	13.5
Public health	6.8	-3.4	9.1	11.5	17.6	10.8	7.8	10.1	5.1	13.6	8.8	4.0	11.5
Dental services	8.9	7.5	1.6	1.3	10.0	19.6	20.1	7.3	3.6	9.8	8.8	6.0	11.4
Administration	-1.3	-3.1	13.4	-15.3	43.5	9.3	-5.2	14.2	7.4	4.2	5.7	2.7	7.5
Research	7.9	7.1	-4.5	11.1	22.1	28.4	10.2	11.9	5.9	10.4	10.7	3.3	16.5
<i>Total non-institutional</i>	7.6	7.7	4.5	6.5	10.5	16.0	8.6	8.9	7.5	10.7	8.8	6.6	10.1
Total recurrent expenditure	7.6	7.4	6.2	6.8	7.3	11.8	8.7	9.6	8.2	10.0	8.3	7.1	8.8
Capital expenditure	0.6	18.1	14.5	-9.9	-4.0	25.1	16.1	-3.0	6.7	19.5	7.8	10.8	4.0
Capital consumption	7.9	-7.0	9.1	52.5	6.9	4.2	5.4	4.1	10.2	8.2	9.3	3.1	13.3
Direct health expenditure	7.3	7.6	6.6	6.5	6.8	12.2	8.9	8.9	8.2	10.3	8.3	7.2	8.6

Notes: See page 112.

Table A8: Annual growth in health expenditure, constant prices^(h), Australia, by area of expenditure, 1994–95 to 2004–05 (per cent)

Area of expenditure	1994–95	1995–96	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	Average annual growth		
	to 1995–96	to 1996–97	to 1997–98	to 1998–99	to 1999–00	to 2000–01	to 2001–02	to 2002–03	to 2003–04	to 2004–05	1994–95 to 2004–05	1994–95 to 1997–98	1997–98 to 2002–03
Hospitals	5.3	6.5	5.0	4.1	2.2	3.6	5.5	6.8	4.7	4.7	4.8	5.6	4.4
Public (non-psychiatric) hospitals	4.8	6.9	6.1	3.8	1.7	3.1	4.7	6.7	3.0	5.4	4.6	5.9	4.0
Public psychiatric hospitals	-7.3	-10.8	-9.3	2.0	3.8	-10.4	17.4	-0.6	10.8	1.6	-0.7	-9.2	2.0
Private hospitals	8.9	7.9	2.8	5.3	3.8	6.6	7.2	7.6	9.8	2.8	6.3	6.5	6.1
High-level residential care	5.6	6.3	7.7	3.1	-1.5	0.8	3.2	6.1	7.6	6.2	4.5	6.5	2.3
Ambulance and other ^(d)	10.7	-23.3	24.1	15.8	-5.2	11.1	14.7	5.6	12.1	8.2	6.6	1.8	8.1
<i>Total institutional</i>	5.5	5.4	5.9	4.3	1.3	3.4	5.5	6.6	5.4	5.1	4.8	5.6	4.2
Medical services	4.8	2.5	1.0	3.4	5.8	0.7	3.8	1.4	2.4	5.0	3.1	2.7	3.0
Other health practitioners	-3.9	12.5	-11.6	-3.0	-2.8	18.9	-7.6	-8.3	4.8	3.0	-0.2	-1.5	-1.0
Medications	7.8	9.5	8.2	8.9	11.9	16.8	12.2	8.6	1.3	4.5	8.9	8.5	11.6
Benefit-paid pharmaceuticals	17.2	8.7	3.1	9.4	13.0	20.9	8.3	10.8	9.4	5.5	10.5	9.5	12.4
All other medications	-4.6	10.9	16.2	8.1	10.3	10.9	18.3	5.3	-11.0	2.6	6.3	7.1	10.5
Aids and appliances	3.6	4.9	3.5	25.4	10.7	30.1	-10.2	9.5	19.3	23.0	11.4	4.0	12.2
Other non-institutional services ^(e)	5.6	5.4	2.1	-0.5	9.6	14.6	5.8	6.4	2.8	4.1	5.5	4.3	7.1
Community health and other ^(f)	20.2	25.4	0.5	11.7	-2.9	27.8	4.9	11.1	9.0	5.5	10.9	14.9	10.1
Public health	4.7	-5.2	7.3	8.6	15.1	7.2	4.5	6.3	1.4	9.5	5.8	2.1	8.3
Dental services	4.2	3.3	-2.3	-1.8	4.3	13.4	14.4	1.5	-2.1	3.8	3.7	1.7	6.2
Administration	-3.2	-5.6	11.6	-17.5	39.7	5.4	-8.7	10.8	4.8	-0.5	2.7	0.7	4.2
Research	5.8	4.9	-5.8	8.1	18.4	23.7	6.1	8.6	3.3	5.5	7.6	1.5	12.8
<i>Total non-institutional</i>	4.7	5.6	1.4	4.0	8.1	11.5	4.6	4.6	3.4	5.8	5.3	3.9	6.5
Total recurrent expenditure	5.1	5.5	3.5	4.2	4.9	7.8	5.0	5.5	4.3	5.5	5.1	4.7	5.5
Capital expenditure	-1.6	21.0	14.7	-11.0	-2.3	21.4	15.9	-3.7	6.5	16.7	7.2	11.0	3.3
Capital consumption	7.1	-5.7	9.2	53.4	8.3	2.8	5.8	3.2	10.6	5.9	9.2	3.3	13.3
Direct health expenditure	4.8	5.9	4.0	4.0	4.7	8.2	5.4	5.1	4.5	5.9	5.3	4.9	5.5

Notes: See page 112.

Table A9: Proportions of recurrent health expenditure, current prices, Australia, by area of expenditure, 1994–95 to 2004–05 (per cent)

Area of expenditure	1994–95	1995–96	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05
Hospitals	37.3	37.2	37.5	37.8	37.9	36.9	35.3	35.4	35.7	35.7	35.3
Public (non-psychiatric) hospitals	28.3	28.1	28.3	28.9	28.9	28.0	26.7	26.5	26.7	26.3	26.2
Public psychiatric hospitals	1.3	1.1	1.0	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Private hospitals	7.8	8.0	8.2	8.1	8.2	8.1	8.0	8.1	8.3	8.7	8.4
High-level residential care	7.4	7.4	7.5	7.7	7.7	7.2	6.7	6.6	6.6	6.8	6.8
Ambulance and other ^(d)	1.6	1.6	1.2	1.4	1.6	1.4	1.5	1.6	1.6	1.7	1.7
<i>Total institutional</i>	<i>46.3</i>	<i>46.3</i>	<i>46.1</i>	<i>47.0</i>	<i>47.1</i>	<i>45.5</i>	<i>43.5</i>	<i>43.5</i>	<i>43.9</i>	<i>44.2</i>	<i>43.9</i>
Medical services	20.0	19.8	19.2	18.9	18.7	18.7	17.6	17.8	17.3	17.3	17.8
Other health practitioners	3.6	3.4	3.7	3.3	3.1	2.9	3.3	3.1	2.9	3.1	3.0
Medications	11.5	11.7	12.0	12.3	12.6	13.2	14.0	14.5	14.5	13.7	13.2
Benefit-paid pharmaceuticals	6.9	7.6	7.7	7.5	7.7	8.1	8.8	8.8	8.9	9.0	8.6
All other medications	4.6	4.2	4.4	4.9	4.9	5.1	5.3	5.8	5.6	4.8	4.6
Aids and appliances	2.8	2.7	2.7	2.7	3.2	3.3	4.0	3.3	3.4	3.8	4.4
Other non-institutional services ^(e)	14.2	14.3	14.5	14.4	13.8	14.6	15.6	15.8	16.0	15.8	15.8
Community health and other ^(f)	3.0	3.4	4.1	3.9	4.2	3.9	4.6	4.6	4.9	5.0	5.0
Public health	1.7	1.7	1.5	1.5	1.6	1.8	1.7	1.7	1.7	1.7	1.7
Dental services	5.9	6.0	6.0	5.7	5.4	5.6	6.0	6.6	6.4	6.2	6.2
Administration	3.6	3.3	3.0	3.2	2.5	3.4	3.3	2.9	3.0	3.0	2.8
Research	1.6	1.6	1.6	1.4	1.5	1.7	2.0	2.0	2.0	2.0	2.0
<i>Total non-institutional</i>	<i>53.7</i>	<i>53.7</i>	<i>53.9</i>	<i>53.0</i>	<i>52.9</i>	<i>54.5</i>	<i>56.5</i>	<i>56.5</i>	<i>56.1</i>	<i>55.8</i>	<i>56.1</i>
Total recurrent expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: See page 112.

Notes to Appendix A tables

- (a) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health care. They do not show gross outlays on health goods and services by the different service provider sectors.
- (b) Includes rebates claimed through taxation.
- (c) 'Other' includes expenditure on health goods and services by workers' compensation and compulsory third-party motor vehicle insurers as well as other sources of income (for example, interest earned) for service providers.
- (d) 'Other' denotes 'other institutional n.e.c.'.
- (e) 'Other non-institutional services' is a summary of community and public health, dental services and administration.
- (f) 'Other' denotes 'other non-institutional n.e.c.'.
- (g) Non-government capital consumption (depreciation) is incorporated in recurrent expenditure.
- (h) Constant price health expenditure for 1994-95 to 2004-05 is expressed in terms of 2003-04 prices.

Appendix B: State and territory health expenditure matrices, 2002–03 to 2004–05

Table B1: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2002-03 (\$ million)

Area of expenditure	Government sector					Non-government sector				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
Total hospitals	494	3,089	3,582	3,009	6,591	876	329	443	1,649	8,240
Public (non-psychiatric) hospitals	282	2,658	2,940	2,822	5,762	152	174	277	603	6,365
Public psychiatric hospitals	—	84	84	107	191	—	9	3	12	202
Private hospitals	211	347	558	80	638	724	147	163	1,034	1,672
High-level residential care	182	1,057	1,239	42	1,281	—	331	—	331	1,612
Ambulance and other ^(c)	20	34	54	72	126	72	60	29	161	286
<i>Total institutional</i>	<i>695</i>	<i>4,179</i>	<i>4,875</i>	<i>3,123</i>	<i>7,997</i>	<i>948</i>	<i>721</i>	<i>472</i>	<i>2,141</i>	<i>10,138</i>
Medical services	219	3,150	3,368	—	3,368	138	529	330	997	4,366
Other health practitioners	40	174	214	—	214	116	241	101	457	671
Medications	155	1,684	1,838	—	1,838	24	1,518	50	1,592	3,430
Benefit-paid pharmaceuticals	155	1,661	1,815	—	1,815	—	332	—	332	2,147
All other medications	—	23	23	—	23	24	1,186	50	1,260	1,283
Aids and appliances	—	83	83	—	83	96	524	23	643	726
Other non-institutional services ^(d)	29	769	798	1,092	1,890	478	1,034	12	1,524	3,414
Community health and other ^(e)	—	50	50	818	869	—	—	7	8	876
Public health	—	235	235	106	341	—	—	—	—	341
Dental services	24	118	142	117	260	263	1,034	5	1,302	1,562
Administration	4	367	371	50	421	214	—	—	214	635
Research	1	268	269	52	321	—	—	91	91	412
<i>Total non-institutional</i>	<i>443</i>	<i>6,127</i>	<i>6,570</i>	<i>1,143</i>	<i>7,714</i>	<i>852</i>	<i>3,846</i>	<i>607</i>	<i>5,305</i>	<i>13,018</i>
Total recurrent expenditure	1,138	10,307	11,445	4,266	15,711	1,800	4,566	1,079	7,445	23,157
Capital expenditure	—	37	37	502	539	n.a.	n.a.	426	426	965
Capital consumption	—	14	14	354	368	..	..	..	^(f) ..	368
Direct health expenditure	1,138	10,358	11,496	5,122	16,618	1,800	4,566	1,505	7,872	24,490
Non-specific tax expenditure	..	108	108	..	108	..	-108	..	-108	..
Total health expenditure	1,138	10,466	11,604	5,122	16,726	1,800	4,458	1,505	7,764	24,490

Notes: See page 138.

Table B2: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
Total hospitals	515	3,259	3,774	3,562	7,336	967	365	592	1,924	9,260
Public (non-psychiatric) hospitals	289	2,768	3,056	3,422	6,478	170	224	289	682	7,161
Public psychiatric hospitals	—	87	87	140	227	—	14	—	14	241
Private hospitals	226	405	631	—	631	797	127	303	1,228	1,859
High-level residential care	190	1,170	1,360	50	1,410	—	381	—	381	1,791
Ambulance and other ^(c)	22	35	57	247	303	73	63	24	160	463
<i>Total institutional</i>	<i>726</i>	<i>4,465</i>	<i>5,191</i>	<i>3,858</i>	<i>9,049</i>	<i>1,041</i>	<i>808</i>	<i>616</i>	<i>2,465</i>	<i>11,514</i>
Medical services	219	3,283	3,502	—	3,502	155	582	440	1,178	4,680
Other health practitioners	39	192	231	—	231	123	342	100	565	795
Medications	164	1,832	1,996	—	1,996	24	1,405	8	1,437	3,433
Benefit-paid pharmaceuticals	164	1,803	1,967	—	1,967	—	359	—	359	2,326
All other medications	—	29	29	—	29	24	1,046	8	1,078	1,107
Aids and appliances	—	89	89	—	89	100	626	6	732	821
Other non-institutional services ^(d)	28	839	867	1,077	1,944	490	1,164	8	1,662	3,606
Community health and other ^(e)	—	70	70	845	915	—	50	6	57	972
Public health	—	221	221	105	326	—	50	—	50	376
Dental services	23	127	151	126	277	275	1,064	2	1,341	1,618
Administration	5	420	425	—	425	214	—	—	214	639
Research	—	276	276	57	333	—	—	99	99	431
<i>Total non-institutional</i>	<i>450</i>	<i>6,510</i>	<i>6,960</i>	<i>1,133</i>	<i>8,094</i>	<i>892</i>	<i>4,120</i>	<i>661</i>	<i>5,672</i>	<i>13,766</i>
Total recurrent expenditure	1,176	10,975	12,151	4,992	17,143	1,932	4,927	1,277	8,137	25,279
Capital expenditure	—	35	35	529	564	n.a.	n.a.	498	498	1,062
Capital consumption	—	15	15	376	391	..	..	..	^(f) ..	391
Direct health expenditure	1,176	11,025	12,201	5,897	18,098	1,932	4,927	1,775	8,635	26,733
Non-specific tax expenditure	..	134	134	..	134	..	-134	..	-134	..
Total health expenditure	1,176	11,159	12,335	5,897	18,232	1,932	4,793	1,775	8,501	26,733

Notes: See page 138.

Table B3: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
Total hospitals	548	3,535	4,083	3,897	7,980	993	316	729	2,039	10,019
Public (non-psychiatric) hospitals	325	2,968	3,292	3,750	7,042	187	196	377	760	7,802
Public psychiatric hospitals	—	87	87	148	235	—	16	—	16	251
Private hospitals	223	480	703	—	703	807	104	352	1,263	1,966
High-level residential care	215	1,243	1,458	30	1,487	—	417	—	417	1,904
Ambulance and other ^(c)	22	41	63	244	308	74	62	25	161	469
<i>Total institutional</i>	<i>785</i>	<i>4,819</i>	<i>5,604</i>	<i>4,171</i>	<i>9,775</i>	<i>1,067</i>	<i>795</i>	<i>755</i>	<i>2,617</i>	<i>12,392</i>
Medical services	233	3,828	4,061	—	4,061	166	591	519	1,277	5,338
Other health practitioners	41	187	228	—	228	126	358	119	603	832
Medications	168	1,922	2,089	—	2,089	24	1,492	10	1,526	3,615
Benefit-paid pharmaceuticals	168	1,877	2,045	—	2,045	—	394	—	394	2,438
All other medications	—	45	45	—	45	24	1,099	10	1,132	1,177
Aids and appliances	—	121	121	—	121	96	852	7	955	1,076
Other non-institutional services ^(d)	30	956	987	1,020	2,007	495	1,400	11	1,906	3,913
Community health and other ^(e)	—	93	93	778	871	—	177	8	185	1,056
Public health	—	288	288	99	387	—	41	—	41	428
Dental services	25	147	172	143	316	275	1,183	3	1,460	1,775
Administration	5	428	433	—	433	220	—	—	220	653
Research	—	293	293	55	349	—	—	99	99	448
<i>Total non-institutional</i>	<i>472</i>	<i>7,308</i>	<i>7,780</i>	<i>1,076</i>	<i>8,855</i>	<i>906</i>	<i>4,695</i>	<i>765</i>	<i>6,365</i>	<i>15,221</i>
Total recurrent expenditure	1,257	12,127	13,384	5,247	18,631	1,973	5,490	1,520	8,982	27,613
Capital expenditure	—	44	44	584	627	n.a.	n.a.	499	499	1,126
Capital consumption	—	23	23	393	416	..	..	..	^(f) ..	416
Direct health expenditure	1,257	12,193	13,450	6,224	19,674	1,973	5,490	2,018	9,481	29,155
Non-specific tax expenditure	..	155	155	..	155	..	-155	..	-155	..
Total health expenditure	1,257	12,348	13,605	6,224	19,829	1,973	5,335	2,018	9,326	29,155

Notes: See page 138.

Table B4: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2002–03 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
Total hospitals	348	2,261	2,609	2,566	5,175	669	242	457	1,369	6,544
Public (non-psychiatric) hospitals	169	1,960	2,129	2,549	4,678	44	88	269	400	5,078
Public psychiatric hospitals	—	11	11	17	28	—	—	1	1	30
Private hospitals	179	290	468	—	469	625	155	187	967	1,436
High-level residential care	128	742	870	58	928	—	224	—	224	1,152
Ambulance and other ^(c)	22	2	23	146	170	4	99	25	127	297
<i>Total institutional</i>	<i>497</i>	<i>3,005</i>	<i>3,502</i>	<i>2,771</i>	<i>6,272</i>	<i>673</i>	<i>565</i>	<i>483</i>	<i>1,720</i>	<i>7,993</i>
Medical services	150	2,207	2,357	—	2,357	135	333	124	591	2,948
Other health practitioners	26	117	142	—	142	64	333	86	483	625
Medications	95	1,211	1,306	—	1,306	7	1,165	27	1,200	2,506
Benefit-paid pharmaceuticals	95	1,199	1,294	—	1,294	—	236	—	236	1,530
All other medications	—	12	12	—	12	7	929	27	964	976
Aids and appliances	—	48	48	—	48	40	462	11	513	560
Other non-institutional services ^(d)	17	499	516	1,009	1,525	255	1,055	5	1,316	2,841
Community health and other ^(e)	—	27	27	779	806	—	—	3	3	810
Public health	—	163	163	142	305	—	—	—	—	305
Dental services	13	55	68	74	142	120	1,055	2	1,177	1,320
Administration	4	254	257	14	272	135	—	—	135	407
Research	1	263	264	40	303	—	—	72	72	375
<i>Total non-institutional</i>	<i>288</i>	<i>4,345</i>	<i>4,633</i>	<i>1,049</i>	<i>5,682</i>	<i>502</i>	<i>3,348</i>	<i>325</i>	<i>4,174</i>	<i>9,856</i>
Total recurrent expenditure	785	7,349	8,134	3,820	11,954	1,174	3,913	807	5,895	17,849
Capital expenditure	—	39	39	169	208	n.a.	n.a.	656	656	864
Capital consumption	—	11	11	222	233	..	..	..	^(f) ..	233
Direct health expenditure	785	7,399	8,184	4,211	12,395	1,174	3,913	1,464	6,551	18,945
Non-specific tax expenditure	..	67	67	..	67	..	-67	..	-67	..
Total health expenditure	785	7,466	8,251	4,211	12,462	1,174	3,846	1,464	6,484	18,945

Notes: See page 138.

Table B5: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	381	2,324	2,706	2,583	5,288	697	282	551	1,529	6,817
Public (non-psychiatric) hospitals	196	2,000	2,196	2,565	4,762	49	98	342	490	5,251
Public psychiatric hospitals	—	11	11	17	29	—	1	—	1	30
Private hospitals	185	313	498	—	498	647	183	208	1,038	1,536
High-level residential care	129	819	949	59	1,007	—	257	3	259	1,267
Ambulance and other ^(c)	23	2	25	165	190	3	93	27	123	313
<i>Total institutional</i>	<i>534</i>	<i>3,145</i>	<i>3,679</i>	<i>2,807</i>	<i>6,486</i>	<i>700</i>	<i>631</i>	<i>580</i>	<i>1,912</i>	<i>8,398</i>
Medical services	151	2,350	2,501	—	2,501	152	368	134	653	3,155
Other health practitioners	26	130	156	—	156	69	399	87	555	711
Medications	103	1,337	1,440	—	1,440	5	1,201	26	1,232	2,671
Benefit-paid pharmaceuticals	103	1,322	1,424	—	1,424	—	257	—	257	1,681
All other medications	—	15	15	—	15	5	944	26	975	990
Aids and appliances	—	52	52	—	52	44	731	10	785	837
Other non-institutional services ^(d)	17	545	563	782	1,345	261	1,090	5	1,357	2,702
Community health and other ^(e)	1	40	40	554	594	—	1	3	5	599
Public health	—	155	155	145	300	—	2	—	2	302
Dental services	13	60	72	83	155	126	1,086	2	1,214	1,369
Administration	4	291	295	—	295	136	—	—	136	431
Research	—	259	259	22	282	—	—	62	62	344
<i>Total non-institutional</i>	<i>297</i>	<i>4,674</i>	<i>4,971</i>	<i>804</i>	<i>5,775</i>	<i>531</i>	<i>3,788</i>	<i>325</i>	<i>4,644</i>	<i>10,420</i>
Total recurrent expenditure	831	7,819	8,650	3,611	12,261	1,231	4,420	905	6,556	18,817
Capital expenditure	—	30	30	361	392	n.a.	n.a.	404	404	796
Capital consumption	—	14	14	236	249	..	..	..	^(f) ..	249
Direct health expenditure	831	7,863	8,695	4,208	12,902	1,231	4,420	1,309	6,960	19,863
Non-specific tax expenditure	..	81	81	..	81	..	-81	..	-81	..
Total health expenditure	831	7,944	8,776	4,208	12,983	1,231	4,339	1,309	6,879	19,863

Notes: See page 138.

Table B6: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	407	2,543	2,950	2,823	5,773	702	329	611	1,642	7,415
Public (non-psychiatric) hospitals	220	2,169	2,389	2,804	5,193	57	110	378	546	5,739
Public psychiatric hospitals	—	11	11	19	30	—	—	—	—	30
Private hospitals	187	362	549	—	549	645	219	233	1,097	1,646
High-level residential care	146	887	1,034	72	1,106	—	292	12	305	1,411
Ambulance and other ^(c)	27	2	29	191	220	4	104	24	132	352
<i>Total institutional</i>	581	3,432	4,013	3,086	7,098	706	725	647	2,079	9,177
Medical services	158	2,684	2,842	—	2,842	154	369	139	662	3,504
Other health practitioners	28	122	149	—	149	67	472	84	623	773
Medications	105	1,410	1,515	—	1,515	5	1,272	24	1,301	2,816
Benefit-paid pharmaceuticals	105	1,383	1,488	—	1,488	—	287	—	287	1,775
All other medications	—	27	27	—	27	5	985	24	1,014	1,041
Aids and appliances	—	75	75	—	75	44	908	11	964	1,039
Other non-institutional services ^(d)	18	618	636	846	1,482	259	1,199	5	1,463	2,945
Community health and other ^(e)	—	58	58	593	651	—	—	3	3	655
Public health	—	200	200	145	345	—	—	—	—	345
Dental services	13	68	81	107	188	124	1,199	2	1,325	1,513
Administration	4	292	297	—	297	135	—	—	135	432
Research	—	264	264	20	284	—	—	56	56	340
<i>Total non-institutional</i>	309	5,172	5,481	866	6,347	529	4,220	319	5,069	11,416
Total recurrent expenditure	890	8,604	9,494	3,952	13,446	1,236	4,945	966	7,147	20,593
Capital expenditure	—	43	43	417	461	n.a.	n.a.	562	562	1,023
Capital consumption	—	21	21	253	273	..	..	..	^(f) ..	273
Direct health expenditure	890	8,668	9,558	4,622	14,180	1,236	4,945	1,529	7,710	21,889
Non-specific tax expenditure	..	93	93	..	93	..	-93	..	-93	..
Total health expenditure	890	8,762	9,651	4,622	14,273	1,236	4,852	1,529	7,616	21,889

Notes: See page 138.

Table B7: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2002–03 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
Total hospitals	313	1,700	2,013	1,410	3,423	564	58	192	814	4,237
Public (non-psychiatric) hospitals	73	1,406	1,479	1,343	2,822	25	19	69	113	2,935
Public psychiatric hospitals	—	42	42	44	86	—	3	—	3	89
Private hospitals	240	253	493	22	515	539	37	123	698	1,213
High-level residential care	84	490	574	40	614	—	157	—	157	771
Ambulance and other ^(c)	13	8	20	52	73	4	140	15	159	232
<i>Total institutional</i>	<i>410</i>	<i>2,198</i>	<i>2,608</i>	<i>1,502</i>	<i>4,110</i>	<i>568</i>	<i>356</i>	<i>206</i>	<i>1,130</i>	<i>5,240</i>
Medical services	150	1,573	1,722	—	1,722	98	276	69	443	2,165
Other health practitioners	26	98	124	—	124	62	150	30	242	366
Medications	93	862	955	—	955	11	891	4	905	1,860
Benefit-paid pharmaceuticals	93	849	943	—	943	—	174	—	174	1,116
All other medications	—	13	13	—	13	11	717	4	732	744
Aids and appliances	—	42	42	—	42	43	382	3	429	471
Other non-institutional services ^(d)	21	424	446	915	1,361	227	307	5	538	1,899
Community health and other ^(e)	—	45	45	678	724	—	—	2	2	726
Public health	—	128	128	74	202	—	—	—	—	202
Dental services	17	57	73	111	184	126	307	3	436	620
Administration	4	195	199	52	251	101	—	—	101	352
Research	—	138	138	32	170	—	—	56	56	226
<i>Total non-institutional</i>	<i>291</i>	<i>3,137</i>	<i>3,428</i>	<i>947</i>	<i>4,375</i>	<i>440</i>	<i>2,005</i>	<i>167</i>	<i>2,613</i>	<i>6,987</i>
Total recurrent expenditure	701	5,335	6,036	2,449	8,484	1,009	2,361	373	3,743	12,227
Capital expenditure	—	25	25	228	253	n.a.	n.a.	388	388	641
Capital consumption	—	9	9	268	277	..	..	..	^(f) ..	277
Direct health expenditure	701	5,369	6,069	2,945	9,014	1,009	2,361	761	4,131	13,145
Non-specific tax expenditure	..	38	38	..	38	..	–38	..	–38	..
Total health expenditure	701	5,407	6,107	2,945	9,052	1,009	2,323	761	4,093	13,145

Notes: See page 138.

Table B8: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
Total hospitals	325	1,841	2,166	1,548	3,714	622	58	163	843	4,557
Public (non-psychiatric) hospitals	64	1,476	1,540	1,276	2,816	29	8	22	59	2,875
Public psychiatric hospitals	—	69	69	68	137	—	6	3	9	145
Private hospitals	261	296	557	204	761	593	45	138	776	1,537
High-level residential care	108	561	669	41	710	—	182	—	182	892
Ambulance and other ^(c)	25	6	31	42	73	1	150	10	160	233
<i>Total institutional</i>	<i>457</i>	<i>2,409</i>	<i>2,866</i>	<i>1,631</i>	<i>4,497</i>	<i>623</i>	<i>390</i>	<i>173</i>	<i>1,185</i>	<i>5,682</i>
Medical services	158	1,740	1,898	—	1,898	110	326	58	494	2,392
Other health practitioners	27	108	135	—	135	64	175	29	268	403
Medications	101	965	1,066	—	1,066	10	913	8	932	1,998
Benefit-paid pharmaceuticals	101	949	1,050	—	1,050	—	191	—	191	1,242
All other medications	—	16	16	—	16	10	722	8	740	756
Aids and appliances	—	46	46	—	46	47	571	4	622	669
Other non-institutional services ^(d)	21	460	482	1,013	1,495	235	385	2	623	2,117
Community health and other ^(e)	—	58	58	742	800	—	65	2	67	867
Public health	—	114	114	94	209	—	5	—	5	214
Dental services	17	61	78	120	197	131	315	1	447	644
Administration	5	227	232	57	289	104	—	—	104	393
Research	—	161	161	36	197	—	—	68	68	265
<i>Total non-institutional</i>	<i>307</i>	<i>3,480</i>	<i>3,787</i>	<i>1,049</i>	<i>4,836</i>	<i>466</i>	<i>2,372</i>	<i>169</i>	<i>3,007</i>	<i>7,843</i>
Total recurrent expenditure	765	5,889	6,654	2,680	9,333	1,089	2,761	342	4,192	13,525
Capital expenditure	—	36	36	264	301	n.a.	n.a.	514	514	815
Capital consumption	—	11	11	287	298	..	..	..	^(f) ..	298
Direct health expenditure	765	5,936	6,701	3,231	9,932	1,089	2,761	856	4,706	14,638
Non-specific tax expenditure	..	49	49	..	49	..	–49	..	–49	..
Total health expenditure	765	5,985	6,750	3,231	9,981	1,089	2,713	856	4,657	14,638

Notes: See page 138.

Table B9: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
Total hospitals	340	2,036	2,376	1,560	3,936	639	53	164	856	4,792
Public (non-psychiatric) hospitals	80	1,611	1,691	1,274	2,965	30	13	29	72	3,037
Public psychiatric hospitals	—	70	70	64	134	—	6	5	11	145
Private hospitals	260	356	615	221	837	609	34	130	773	1,610
High-level residential care	125	627	752	46	798	—	208	—	208	1,006
Ambulance and other ^(c)	29	7	36	65	102	—	164	11	175	277
<i>Total institutional</i>	<i>495</i>	<i>2,671</i>	<i>3,165</i>	<i>1,671</i>	<i>4,836</i>	<i>639</i>	<i>425</i>	<i>175</i>	<i>1,239</i>	<i>6,075</i>
Medical services	168	2,085	2,253	—	2,253	117	333	68	519	2,771
Other health practitioners	30	105	134	—	134	68	203	34	305	439
Medications	107	1,050	1,157	—	1,157	11	989	7	1,007	2,164
Benefit-paid pharmaceuticals	107	1,025	1,132	—	1,132	—	218	—	218	1,350
All other medications	—	25	25	—	25	11	770	7	788	813
Aids and appliances	—	62	62	—	62	46	728	4	778	840
Other non-institutional services ^(d)	23	525	548	1,098	1,645	237	420	3	660	2,305
Community health and other ^(e)	—	74	74	838	913	—	63	2	64	977
Public health	—	154	154	89	243	—	6	—	6	249
Dental services	18	71	89	128	217	133	352	1	486	703
Administration	5	225	230	42	272	104	—	—	104	377
Research	—	195	195	37	232	—	—	84	84	316
<i>Total non-institutional</i>	<i>328</i>	<i>4,022</i>	<i>4,350</i>	<i>1,134</i>	<i>5,484</i>	<i>479</i>	<i>2,674</i>	<i>200</i>	<i>3,352</i>	<i>8,836</i>
Total recurrent expenditure	822	6,693	7,515	2,805	10,320	1,118	3,098	375	4,592	14,912
Capital expenditure	—	40	40	367	406	n.a.	n.a.	398	398	804
Capital consumption	—	18	18	301	319	..	..	..	^(f) ..	319
Direct health expenditure	822	6,750	7,572	3,473	11,045	1,118	3,098	773	4,990	16,035
Non-specific tax expenditure	..	56	56	..	56	..	-56	..	-56	..
Total health expenditure	822	6,806	7,628	3,473	11,101	1,118	3,042	773	4,934	16,035

Notes: See page 138.

Table B10: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2002–03 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
Total hospitals	153	916	1,069	998	2,067	307	14	91	411	2,479
Public (non-psychiatric) hospitals	78	758	836	799	1,635	23	8	63	94	1,730
Public psychiatric hospitals	—	28	28	36	64	—	1	—	2	66
Private hospitals	74	131	205	163	368	284	4	28	315	683
High-level residential care	39	226	265	31	296	—	68	—	68	364
Ambulance and other ^(c)	6	10	16	40	56	10	13	4	27	83
<i>Total institutional</i>	<i>197</i>	<i>1,152</i>	<i>1,350</i>	<i>1,069</i>	<i>2,419</i>	<i>317</i>	<i>95</i>	<i>95</i>	<i>507</i>	<i>2,926</i>
Medical services	45	774	819	—	819	50	118	39	207	1,026
Other health practitioners	10	50	60	—	60	37	4	17	58	118
Medications	32	419	452	—	452	4	480	6	489	941
Benefit-paid pharmaceuticals	32	415	447	—	447	—	88	—	88	535
All other medications	—	5	5	—	5	4	392	6	401	406
Aids and appliances	—	24	24	—	24	27	227	4	258	281
Other non-institutional services ^(d)	9	254	264	458	722	140	306	2	448	1,171
Community health and other ^(e)	—	49	49	244	293	—	—	2	2	295
Public health	—	66	66	60	126	—	—	—	—	126
Dental services	7	38	45	48	92	85	306	1	391	484
Administration	2	102	104	106	210	55	—	—	55	265
Research	—	71	71	9	81	—	—	17	17	97
<i>Total non-institutional</i>	<i>97</i>	<i>1,593</i>	<i>1,690</i>	<i>467</i>	<i>2,157</i>	<i>258</i>	<i>1,134</i>	<i>85</i>	<i>1,477</i>	<i>3,634</i>
Total recurrent expenditure	294	2,745	3,040	1,537	4,576	575	1,229	179	1,983	6,560
Capital expenditure	—	13	13	94	107	n.a.	n.a.	113	113	220
Capital consumption	—	6	6	76	82	..	..	..	^(f) ..	82
Direct health expenditure	294	2,764	3,058	1,707	4,765	575	1,229	292	2,096	6,861
Non-specific tax expenditure	..	18	18	..	18	..	-18	..	-18	..
Total health expenditure	294	2,782	3,076	1,707	4,783	575	1,210	292	2,077	6,861

Notes: See page 138.

Table B11: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	179	948	1,127	1,064	2,191	324	91	96	511	2,702
Public (non-psychiatric) hospitals	97	783	880	869	1,749	21	50	19	90	1,838
Public psychiatric hospitals	—	20	20	26	46	—	1	—	1	47
Private hospitals	82	145	227	169	396	303	40	77	420	816
High-level residential care	43	251	294	31	325	—	78	—	78	403
Ambulance and other ^(c)	5	10	16	44	60	10	14	4	28	88
<i>Total institutional</i>	<i>228</i>	<i>1,209</i>	<i>1,437</i>	<i>1,139</i>	<i>2,576</i>	<i>334</i>	<i>183</i>	<i>100</i>	<i>617</i>	<i>3,193</i>
Medical services	46	816	862	—	862	55	134	53	243	1,105
Other health practitioners	10	55	65	—	65	38	30	14	82	147
Medications	35	462	498	—	498	4	391	9	404	902
Benefit-paid pharmaceuticals	35	456	492	—	492	—	96	—	96	588
All other medications	—	6	6	—	6	4	295	9	308	314
Aids and appliances	—	26	26	—	26	29	189	2	220	246
Other non-institutional services ^(d)	9	282	291	710	1,001	144	369	9	522	1,524
Community health and other ^(e)	—	62	62	479	540	—	48	7	55	596
Public health	—	61	61	69	129	—	4	—	4	134
Dental services	7	39	46	51	97	86	317	2	404	501
Administration	2	120	123	112	235	58	—	—	58	293
Research	—	83	83	14	97	—	—	18	18	115
<i>Total non-institutional</i>	<i>100</i>	<i>1,725</i>	<i>1,825</i>	<i>724</i>	<i>2,549</i>	<i>270</i>	<i>1,113</i>	<i>106</i>	<i>1,489</i>	<i>4,039</i>
Total recurrent expenditure	328	2,934	3,262	1,863	5,125	604	1,296	206	2,106	7,231
Capital expenditure	—	17	17	114	131	n.a.	n.a.	99	99	230
Capital consumption	—	8	8	91	99	..	..	..	^(f) ..	99
Direct health expenditure	328	2,959	3,287	2,068	5,355	604	1,296	305	2,205	7,561
Non-specific tax expenditure	..	22	22	..	22	..	-22	..	-22	..
Total health expenditure	328	2,981	3,309	2,068	5,377	604	1,274	305	2,183	7,561

Notes: See page 138.

Table B12: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	174	1,055	1,230	1,155	2,385	336	165	176	677	3,063
Public (non-psychiatric) hospitals	86	858	944	957	1,901	23	141	26	190	2,091
Public psychiatric hospitals	—	22	22	28	50	—	1	1	1	52
Private hospitals	88	176	264	170	434	313	24	149	486	920
High-level residential care	49	297	346	31	376	—	91	—	91	467
Ambulance and other ^(c)	6	13	19	51	70	11	15	4	31	101
<i>Total institutional</i>	<i>229</i>	<i>1,365</i>	<i>1,594</i>	<i>1,237</i>	<i>2,831</i>	<i>347</i>	<i>271</i>	<i>180</i>	<i>799</i>	<i>3,630</i>
Medical services	49	935	985	—	985	58	140	59	257	1,242
Other health practitioners	11	52	63	—	63	37	31	14	82	145
Medications	36	483	519	—	519	3	423	9	435	954
Benefit-paid pharmaceuticals	36	472	509	—	509	—	107	—	107	615
All other medications	—	10	10	—	10	3	316	9	329	339
Aids and appliances	—	34	34	—	34	29	258	3	289	323
Other non-institutional services ^(d)	10	315	325	768	1,093	144	414	9	567	1,659
Community health and other ^(e)	—	68	68	538	606	—	53	7	59	665
Public health	—	81	81	59	140	—	4	—	4	144
Dental services	7	44	51	50	101	83	357	2	442	543
Administration	2	122	124	121	245	61	—	—	61	306
Research	—	99	99	28	127	—	—	19	19	145
<i>Total non-institutional</i>	<i>106</i>	<i>1,918</i>	<i>2,024</i>	<i>796</i>	<i>2,820</i>	<i>272</i>	<i>1,264</i>	<i>113</i>	<i>1,648</i>	<i>4,468</i>
Total recurrent expenditure	336	3,283	3,618	2,033	5,651	618	1,536	293	2,447	8,099
Capital expenditure	—	23	23	181	204	n.a.	n.a.	185	185	389
Capital consumption	—	11	11	103	114	..	..	..	^(f) ..	114
Direct health expenditure	336	3,317	3,653	2,317	5,969	618	1,536	478	2,633	8,602
Non-specific tax expenditure	..	25	25	..	25	..	-25	..	-25	..
Total health expenditure	336	3,343	3,678	2,317	5,995	618	1,510	478	2,607	8,602

Notes: See page 138.

Table B13: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2002–03 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	105	794	899	632	1,530	261	7	65	332	1,863
Public (non-psychiatric) hospitals	68	652	721	589	1,310	26	2	28	56	1,365
Public psychiatric hospitals	—	35	35	39	75	—	2	—	2	77
Private hospitals	36	107	143	3	146	235	3	37	274	421
High-level residential care	51	296	347	36	383	—	85	—	85	468
Ambulance and other ^(c)	7	3	10	42	52	2	69	6	77	129
<i>Total institutional</i>	<i>162</i>	<i>1,094</i>	<i>1,256</i>	<i>709</i>	<i>1,965</i>	<i>262</i>	<i>161</i>	<i>71</i>	<i>495</i>	<i>2,460</i>
Medical services	42	697	739	—	739	51	..	..	210	949
Other health practitioners	9	45	53	—	53	39	..	..	54	107
Medications	33	405	437	—	437	4	380	4	387	825
Benefit-paid pharmaceuticals	33	401	433	—	433	—	76	—	76	509
All other medications	—	4	4	—	4	4	303	4	311	315
Aids and appliances	—	19	19	—	19	22	144	5	171	190
Other non-institutional services ^(d)	8	207	214	423	637	117	118	1	237	874
Community health and other ^(e)	—	27	27	267	293	—	—	—	—	293
Public health	—	60	60	50	111	—	—	—	—	111
Dental services	6	30	37	44	80	67	118	1	186	267
Administration	2	89	91	62	153	50	—	—	50	203
Research	—	102	102	27	129	—	—	46	46	175
<i>Total non-institutional</i>	<i>91</i>	<i>1,474</i>	<i>1,565</i>	<i>450</i>	<i>2,015</i>	<i>234</i>	<i>713</i>	<i>159</i>	<i>1,106</i>	<i>3,121</i>
Total recurrent expenditure	253	2,568	2,821	1,159	3,980	496	874	230	1,600	5,580
Capital expenditure	—	11	11	121	132	n.a.	n.a.	65	65	197
Capital consumption	—	6	6	69	75	..	..	..	^(f) ..	75
Direct health expenditure	253	2,585	2,838	1,349	4,187	496	874	295	1,665	5,852
Non-specific tax expenditure	..	13	13	..	13	..	-13	..	-13	..
Total health expenditure	253	2,597	2,851	1,349	4,199	496	862	295	1,653	5,852

Notes: See page 138.

Table B14: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	107	811	918	815	1,733	265	14	63	342	2,074
Public (non-psychiatric) hospitals	71	667	738	767	1,505	28	11	14	53	1,558
Public psychiatric hospitals	—	33	33	44	77	—	2	—	2	80
Private hospitals	36	110	147	4	150	237	—	49	286	436
High-level residential care	51	328	379	38	417	—	101	—	101	518
Ambulance and other ^(c)	7	3	10	36	47	2	57	8	66	113
<i>Total institutional</i>	<i>165</i>	<i>1,142</i>	<i>1,307</i>	<i>889</i>	<i>2,196</i>	<i>267</i>	<i>172</i>	<i>71</i>	<i>509</i>	<i>2,705</i>
Medical services	41	736	777	—	777	55	92	79	226	1,003
Other health practitioners	8	48	57	—	57	40	10	29	78	135
Medications	35	442	477	—	477	3	326	5	334	811
Benefit-paid pharmaceuticals	35	436	471	—	471	—	82	—	82	553
All other medications	—	6	6	—	6	3	244	5	252	258
Aids and appliances	—	21	21	—	21	24	128	7	159	180
Other non-institutional services ^(d)	8	224	232	471	703	120	197	1	318	1,021
Community health and other ^(e)	—	35	35	243	279	—	78	1	79	357
Public health	—	55	55	55	110	—	—	—	—	110
Dental services	6	33	39	42	81	71	119	1	191	272
Administration	2	101	103	130	233	49	—	—	49	282
Research	—	117	117	32	148	—	—	58	58	206
<i>Total non-institutional</i>	<i>92</i>	<i>1,587</i>	<i>1,679</i>	<i>502</i>	<i>2,182</i>	<i>243</i>	<i>753</i>	<i>178</i>	<i>1,174</i>	<i>3,355</i>
Total recurrent expenditure	258	2,729	2,987	1,392	4,378	509	925	249	1,682	6,061
Capital expenditure	—	12	12	82	94	n.a.	n.a.	81	81	175
Capital consumption	—	7	7	89	96	..	..	..	^(f) ..	96
Direct health expenditure	258	2,749	3,006	1,562	4,568	509	925	329	1,763	6,332
Non-specific tax expenditure	..	15	15	..	15	..	-15	..	-15	..
Total health expenditure	258	2,763	3,021	1,562	4,583	509	910	329	1,749	6,332

Notes: See page 138.

Table B15: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	114	874	988	937	1,925	269	36	55	360	2,285
Public (non-psychiatric) hospitals	75	708	783	881	1,664	29	10	18	56	1,721
Public psychiatric hospitals	—	35	36	51	87	—	2	—	2	89
Private hospitals	39	131	169	4	174	240	25	37	302	476
High-level residential care	58	364	422	36	458	—	117	—	117	575
Ambulance and other ^(c)	7	4	11	48	59	2	84	7	93	152
<i>Total institutional</i>	<i>179</i>	<i>1,242</i>	<i>1,421</i>	<i>1,022</i>	<i>2,443</i>	<i>271</i>	<i>237</i>	<i>61</i>	<i>570</i>	<i>3,013</i>
Medical services	45	837	882	—	882	57	91	93	241	1,124
Other health practitioners	9	49	58	—	58	38	17	32	88	146
Medications	36	465	501	—	501	4	327	6	336	837
Benefit-paid pharmaceuticals	36	455	491	—	491	—	91	—	91	582
All other medications	—	10	10	—	10	4	236	6	245	255
Aids and appliances	—	30	30	—	30	24	148	7	179	209
Other non-institutional services ^(d)	9	250	259	530	789	116	211	2	330	1,118
Community health and other ^(e)	—	42	42	265	307	—	72	1	72	379
Public health	—	69	69	47	117	—	3	—	3	119
Dental services	6	37	44	49	93	69	137	1	207	300
Administration	2	102	104	168	272	47	—	—	47	319
Research	—	140	140	43	183	—	—	71	71	254
<i>Total non-institutional</i>	<i>100</i>	<i>1,770</i>	<i>1,870</i>	<i>573</i>	<i>2,443</i>	<i>240</i>	<i>794</i>	<i>211</i>	<i>1,245</i>	<i>3,688</i>
Total recurrent expenditure	279	3,012	3,291	1,595	4,885	511	1,032	273	1,815	6,701
Capital expenditure	—	18	18	107	125	n.a.	n.a.	166	166	291
Capital consumption	—	10	10	96	106	..	..	..	^(f) ..	106
Direct health expenditure	279	3,039	3,318	1,798	5,116	511	1,032	439	1,981	7,098
Non-specific tax expenditure	..	17	17	..	17	..	-17	..	-17	..
Total health expenditure	279	3,057	3,336	1,798	5,134	511	1,014	439	1,964	7,098

Notes: See page 138.

Table B16: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2002–03 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	36	208	244	182	426	79	19	32	130	556
Public (non-psychiatric) hospitals	13	165	177	151	328	7	17	24	48	376
Public psychiatric hospitals	—	11	11	12	22	—	—	—	—	22
Private hospitals	23	32	56	20	76	73	1	7	82	157
High-level residential care	14	79	92	—	92	—	25	—	25	117
Ambulance and other ^(c)	2	—	3	19	21	—	—	2	2	23
<i>Total institutional</i>	52	287	338	201	539	79	44	33	157	696
Medical services	19	197	216	—	216	12	31	17	59	276
Other health practitioners	4	12	16	—	16	7	6	11	25	42
Medications	14	129	143	—	143	2	118	2	122	265
Benefit-paid pharmaceuticals	14	127	141	—	141	—	24	—	24	165
All other medications	—	3	3	—	3	2	94	2	98	101
Aids and appliances	—	6	6	—	6	7	43	2	52	58
Other non-institutional services ^(d)	3	64	67	119	185	29	47	1	77	262
Community health and other ^(e)	—	5	5	66	71	—	—	1	1	72
Public health	—	24	24	16	40	—	—	—	—	40
Dental services	2	7	8	9	17	15	47	—	62	79
Administration	1	28	29	28	57	14	—	—	14	71
Research	—	18	18	4	22	—	—	4	4	26
<i>Total non-institutional</i>	40	426	466	123	589	57	245	37	339	928
Total recurrent expenditure	92	713	804	324	1,128	137	289	70	496	1,624
Capital expenditure	—	5	5	–5	—	n.a.	n.a.	47	47	48
Capital consumption	—	3	3	13	16	..	..	..	^(f) ..	16
Direct health expenditure	92	721	813	332	1,145	137	289	117	543	1,688
Non-specific tax expenditure	..	3	3	..	3	..	–3	..	–3	..
Total health expenditure	92	724	816	332	1,148	137	286	117	540	1,688

Notes: See page 138.

Table B17: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	40	226	266	171	437	85	2	43	130	567
Public (non-psychiatric) hospitals	15	187	202	149	351	8	1	27	35	387
Public psychiatric hospitals	—	3	3	3	6	—	—	—	—	6
Private hospitals	25	36	61	18	79	78	2	16	95	174
High-level residential care	19	87	106	—	106	—	28	—	28	134
Ambulance and other ^(c)	2	—	3	18	21	—	4	1	5	26
<i>Total institutional</i>	<i>61</i>	<i>314</i>	<i>375</i>	<i>189</i>	<i>564</i>	<i>85</i>	<i>34</i>	<i>44</i>	<i>164</i>	<i>728</i>
Medical services	19	207	226	—	226	13	32	16	61	288
Other health practitioners	4	14	17	—	17	7	17	9	33	51
Medications	15	143	158	—	158	2	103	1	106	264
Benefit-paid pharmaceuticals	15	140	155	—	155	—	26	—	26	181
All other medications	—	3	3	—	3	2	76	1	79	82
Aids and appliances	—	6	6	—	6	7	40	2	49	55
Other non-institutional services ^(d)	3	69	72	127	199	30	55	—	86	285
Community health and other ^(e)	—	7	7	62	70	—	7	—	7	77
Public health	—	22	22	18	40	—	—	—	—	40
Dental services	2	7	9	9	18	15	48	—	64	82
Administration	1	33	34	37	71	15	—	—	15	86
Research	—	17	17	2	19	—	—	3	3	22
<i>Total non-institutional</i>	<i>41</i>	<i>456</i>	<i>497</i>	<i>128</i>	<i>625</i>	<i>59</i>	<i>248</i>	<i>32</i>	<i>339</i>	<i>964</i>
Total recurrent expenditure	102	770	872	317	1,189	144	282	76	502	1,692
Capital expenditure	—	7	7	18	24	n.a.	n.a.	34	34	59
Capital consumption	—	4	4	15	19	..	..	..	^(f) ..	19
Direct health expenditure	102	781	883	350	1,232	144	282	110	537	1,769
Non-specific tax expenditure	..	4	4	..	4	..	–4	..	–4	..
Total health expenditure	102	784	887	350	1,236	144	278	110	533	1,769

Notes: See page 138.

Table B18: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
Total hospitals	35	247	283	208	491	83	3	28	115	606
Public (non-psychiatric) hospitals	15	204	218	182	401	9	1	16	26	426
Public psychiatric hospitals	—	4	4	3	7	—	—	—	—	7
Private hospitals	21	40	61	22	83	75	2	12	89	172
High-level residential care	20	97	118	—	118	—	31	—	31	149
Ambulance and other ^(c)	2	1	3	27	29	—	5	1	6	36
<i>Total institutional</i>	58	345	403	235	638	83	39	30	152	790
Medical services	19	236	255	—	255	13	32	17	62	317
Other health practitioners	4	14	18	—	18	8	22	9	39	57
Medications	14	147	161	—	161	2	110	1	113	274
Benefit-paid pharmaceuticals	14	142	157	—	157	—	29	—	29	185
All other medications	—	4	4	—	4	2	81	1	84	88
Aids and appliances	—	9	9	—	9	7	58	2	67	76
Other non-institutional services ^(d)	3	76	79	137	216	29	64	1	94	310
Community health and other ^(e)	—	9	10	73	83	—	10	—	10	93
Public health	—	28	28	15	43	—	—	—	—	43
Dental services	2	8	9	11	20	14	54	—	69	89
Administration	1	31	32	38	70	15	—	—	15	85
Research	—	10	10	2	12	—	—	4	4	16
<i>Total non-institutional</i>	40	492	532	139	670	59	286	34	379	1,049
Total recurrent expenditure	98	837	935	373	1,308	142	325	64	531	1,840
Capital expenditure	—	10	10	23	32	n.a.	n.a.	65	65	97
Capital consumption	—	6	6	15	21	..	..	..	^(f) ..	21
Direct health expenditure	98	852	950	411	1,362	142	325	129	596	1,958
Non-specific tax expenditure	..	4	4	..	4	..	–4	..	–4	..
Total health expenditure	98	857	955	411	1,366	142	321	129	592	1,958

Notes: See page 138.

Table B19: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2002-03 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	20	106	126	201	327	53	22	23	98	425
Public (non-psychiatric) hospitals	9	106	115	201	315	9	5	13	27	342
Private hospitals	11	—	11	—	11	44	17	10	71	83
High-level residential care	6	34	40	—	40	—	11	2	13	53
Ambulance and other ^(c)	-1	—	-1	11	11	—	3	1	4	15
<i>Total institutional</i>	25	140	165	212	378	53	37	26	115	493
Medical services	5	118	123	—	123	—	45	6	51	175
Other health practitioners	1	6	7	—	7	—	12	8	20	27
Medications	6	61	67	—	67	—	52	1	53	120
Benefit-paid pharmaceuticals	6	61	67	—	67	—	16	—	16	83
All other medications	—	—	—	—	—	—	36	1	37	37
Aids and appliances	—	2	2	—	2	—	18	—	18	20
Other non-institutional services ^(d)	35	28	63	160	224	—	73	1	74	297
Community health and other ^(e)	—	2	2	103	105	—	—	—	—	105
Public health	—	15	15	18	33	—	—	—	—	33
Dental services	—	—	—	5	6	—	73	—	73	79
Administration	35	11	45	35	80	—	—	—	—	80
Research	—	59	59	8	67	—	—	15	15	82
<i>Total non-institutional</i>	47	275	322	168	491	—	200	31	232	722
Total recurrent expenditure	72	415	487	381	868	53	237	58	347	1,215
Capital expenditure	—	3	3	17	20	n.a.	n.a.	24	24	44
Capital consumption	—	2	2	11	13	..	..	..	^(f) ..	13
Direct health expenditure	72	420	492	409	901	53	237	82	371	1,272
Non-specific tax expenditure	..	8	8	..	8	..	-8	..	-8	..
Total health expenditure	72	428	500	409	909	53	229	82	363	1,272

Notes: See page 138.

Table B20: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	20	111	131	220	351	58	30	13	101	452
Public (non-psychiatric) hospitals	10	110	120	220	340	9	12	3	24	364
Private hospitals	11	—	11	—	11	49	18	10	76	87
High-level residential care	5	36	42	—	42	—	13	2	14	56
Ambulance and other ^(c)	—	—	—	9	9	—	2	1	4	13
<i>Total institutional</i>	<i>26</i>	<i>147</i>	<i>173</i>	<i>229</i>	<i>402</i>	<i>58</i>	<i>45</i>	<i>16</i>	<i>119</i>	<i>521</i>
Medical services	22	132	154	—	154	—	57	8	65	219
Other health practitioners	7	7	14	—	14	—	20	6	26	40
Medications	6	66	72	—	72	—	51	1	52	124
Benefit-paid pharmaceuticals	6	65	72	—	72	—	18	—	18	89
All other medications	—	1	1	—	1	—	33	1	35	35
Aids and appliances	—	2	2	—	2	—	25	1	26	29
Other non-institutional services ^(d)	33	32	64	149	213	—	109	1	110	323
Community health and other ^(e)	—	4	4	88	92	—	33	—	33	125
Public health	—	15	15	18	33	—	1	—	1	34
Dental services	1	—	2	7	8	—	75	—	75	84
Administration	31	13	44	36	80	—	—	—	—	80
Research	2	67	69	9	78	—	—	16	16	94
<i>Total non-institutional</i>	<i>70</i>	<i>305</i>	<i>375</i>	<i>158</i>	<i>533</i>	<i>—</i>	<i>263</i>	<i>33</i>	<i>296</i>	<i>829</i>
Total recurrent expenditure	95	452	548	387	935	58	308	48	415	1,349
Capital expenditure	—	5	5	16	21	n.a.	n.a.	28	28	48
Capital consumption	—	3	3	14	17	..	..	..	^(f) ..	17
Direct health expenditure	95	460	555	418	973	58	308	76	442	1,415
Non-specific tax expenditure	..	10	10	..	10	..	–10	..	–10	..
Total health expenditure	95	469	565	418	982	58	299	76	433	1,415

Notes: See page 138.

Table B21: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
Total hospitals	20	118	139	246	385	63	31	15	108	493
Public (non-psychiatric) hospitals	10	118	128	246	374	11	17	4	31	405
Private hospitals	10	1	11	—	11	52	14	11	77	88
High-level residential care	6	35	41	—	41	—	15	2	16	57
Ambulance and other ^(c)	—	—	—	13	13	—	3	1	3	16
<i>Total institutional</i>	26	153	179	259	439	63	48	17	128	567
Medical services	12	150	162	—	162	—	59	9	68	230
Other health practitioners	–5	5	—	—	—	—	27	7	34	34
Medications	7	69	76	—	76	—	55	1	56	132
Benefit-paid pharmaceuticals	7	68	75	—	75	—	19	—	19	94
All other medications	—	1	1	—	1	—	36	1	37	38
Aids and appliances	—	3	3	—	3	—	32	1	33	36
Other non-institutional services ^(d)	36	36	73	189	261	—	132	1	133	394
Community health and other ^(e)	—	5	5	82	87	—	48	1	49	136
Public health	—	18	18	20	38	—	1	—	1	39
Dental services	1	—	1	8	9	—	83	—	83	92
Administration	36	13	48	79	127	—	—	—	—	127
Research	2	80	82	11	92	—	—	19	19	111
<i>Total non-institutional</i>	52	343	395	200	594	—	304	38	343	937
Total recurrent expenditure	78	496	574	459	1,033	63	352	56	470	1,504
Capital expenditure	—	6	6	21	27	n.a.	n.a.	39	39	65
Capital consumption	—	4	4	14	17	..	..	..	^(f) ..	17
Direct health expenditure	78	505	583	494	1,077	63	352	94	509	1,586
Non-specific tax expenditure	..	11	11	..	11	..	–11	..	–11	..
Total health expenditure	78	516	595	494	1,089	63	341	94	498	1,586

Notes: See page 138.

Table B22: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2002-03 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	2	93	95	146	241	12	15	9	36	277
Public (non-psychiatric) hospitals	1	88	89	144	233	1	4	5	10	243
Private hospitals	1	5	7	2	8	12	11	3	26	34
High-level residential care	1	7	8	—	9	—	2	—	2	11
Ambulance and other ^(c)	—	4	4	23	26	—	9	1	10	36
<i>Total institutional</i>	3	104	107	169	276	13	26	9	48	324
Medical services	1	50	50	—	50	2	8	7	17	67
Other health practitioners	—	4	4	—	4	2	10	3	15	19
Medications	1	25	26	—	26	—	34	1	35	61
Benefit-paid pharmaceuticals	1	25	26	—	26	—	5	—	5	30
All other medications	—	—	—	—	—	—	29	1	30	31
Aids and appliances	—	2	2	—	2	2	10	3	14	16
Other non-institutional services ^(d)	—	77	77	204	282	6	28	—	35	317
Community health and other ^(e)	—	46	46	127	173	—	—	—	—	173
Public health	—	16	16	30	45	—	—	—	—	45
Dental services	—	1	2	6	8	3	28	—	32	39
Administration	—	14	14	42	56	3	—	—	3	59
Research	—	6	6	1	7	—	—	2	2	9
<i>Total non-institutional</i>	2	164	165	206	371	12	90	16	118	489
Total recurrent expenditure	5	268	273	374	647	24	116	25	166	813
Capital expenditure	—	5	5	9	14	n.a.	n.a.	10	10	25
Capital consumption	—	4	4	14	18	..	..	..	^(f) ..	18
Direct health expenditure	5	277	282	397	679	24	116	36	176	855
Non-specific tax expenditure	..	1	1	..	1	..	-1	..	-1	..
Total health expenditure	5	278	283	397	680	24	115	36	175	855

Notes: See page 138.

Table B23: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	2	107	109	136	245	13	15	8	36	281
Public (non-psychiatric) hospitals	1	98	99	131	230	1	2	4	6	237
Public psychiatric hospitals	—	3	3	5	8	—	—	—	—	8
Private hospitals	1	6	7	—	7	13	13	4	30	36
High-level residential care	1	8	9	—	9	—	2	—	2	11
Ambulance and other ^(c)	—	4	4	16	20	—	8	—	8	28
<i>Total institutional</i>	3	119	121	152	273	13	25	8	47	320
Medical services	1	52	52	—	52	2	7	8	18	70
Other health practitioners	—	4	5	—	5	2	14	3	18	23
Medications	1	29	30	—	30	—	30	—	31	60
Benefit-paid pharmaceuticals	1	28	29	—	29	—	5	—	5	34
All other medications	—	—	—	—	—	—	25	—	25	26
Aids and appliances	—	2	2	—	2	2	14	—	16	18
Other non-institutional services ^(d)	—	90	90	138	228	7	30	—	37	265
Community health and other ^(e)	—	55	55	93	148	—	—	—	—	148
Public health	—	14	14	38	53	—	—	—	—	53
Dental services	—	2	2	7	8	3	30	—	33	41
Administration	—	19	19	—	19	3	—	—	3	23
Research	—	5	5	—	5	—	—	1	1	7
<i>Total non-institutional</i>	2	182	184	138	322	13	95	13	121	443
Total recurrent expenditure	4	301	305	290	595	26	120	22	168	763
Capital expenditure	—	7	7	6	13	n.a.	n.a.	9	9	21
Capital consumption	—	5	5	15	20	..	..	..	^(f) ..	20
Direct health expenditure	4	313	317	311	628	26	120	30	176	804
Non-specific tax expenditure	..	1	1	..	1	..	-1	..	-1	..
Total health expenditure	4	314	318	311	629	26	119	30	175	804

Notes: See page 138.

Table B24: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government				Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total							
Total hospitals	1	113	114	206	320	12	14	8	33	353
Public (non-psychiatric) hospitals	—	102	102	196	299	1	1	3	5	303
Public psychiatric hospitals	—	4	4	10	14	—	—	—	—	14
Private hospitals	1	6	7	—	7	12	13	4	29	36
High-level residential care	1	13	14	—	14	—	3	—	3	17
Ambulance and other ^(c)	—	4	4	18	22	—	9	—	9	32
<i>Total institutional</i>	2	131	133	224	357	12	26	8	45	402
Medical services	1	65	66	—	66	2	8	10	20	85
Other health practitioners	—	4	4	—	4	2	15	3	20	23
Medications	1	33	34	—	34	—	31	—	32	65
Benefit-paid pharmaceuticals	1	32	33	—	33	—	6	—	6	39
All other medications	—	1	1	—	1	—	25	—	26	27
Aids and appliances	—	2	2	—	2	2	19	—	21	23
Other non-institutional services ^(d)	—	96	96	170	266	7	36	—	42	309
Community health and other ^(e)	—	57	57	115	172	—	1	—	1	173
Public health	—	20	20	47	66	—	—	—	—	66
Dental services	—	2	2	8	10	3	34	—	38	48
Administration	—	18	18	—	18	3	—	—	3	21
Research	—	2	2	5	7	—	—	1	1	8
<i>Total non-institutional</i>	2	202	204	175	379	13	108	15	135	514
Total recurrent expenditure	4	333	336	399	735	25	134	22	181	916
Capital expenditure	—	8	8	9	18	n.a.	n.a.	16	16	34
Capital consumption	—	6	6	15	22	..	..	..	^(f) ..	22
Direct health expenditure	4	348	351	424	775	25	134	38	197	972
Non-specific tax expenditure	..	1	1	..	1	..	-1	..	-1	..
Total health expenditure	4	349	353	424	776	25	133	38	196	972

Notes: See page 138.

Notes to Appendix B tables

- (a) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health goods and services. They do not show gross outlays on health services by the different service provider sectors.
- (b) 'Other' includes expenditure on health goods and services by workers' compensation and compulsory motor vehicle third-party insurers as well as other sources of income (for example, interest earned) of service providers.
- (c) 'Other' denotes 'other institutional n.e.c.'.
- (d) 'Other non-institutional services' is a summary of community and public health, dental services and administration.
- (e) 'Other' denotes 'other non-institutional n.e.c.'.
- (f) Non-government capital consumption (depreciation) is included as part of recurrent expenditure.

Appendix C: Price indexes and deflation

This publication uses price indexes in several ways:

- Some indexes are presented as variables of interest in their own right. For example, Table 5 compares the rates of health inflation with general (or economy-wide) inflation and computes a measure of ‘excess health inflation’.
- Also, price indexes are used to compute constant price health expenditure aggregates (also called ‘real’ or ‘volume’ expenditures) from their current price counterparts. Computations of these kinds allow one to abstract from the effects of price change. For example, Table 3 and Figure 3 compare the growth in real health expenditure with that in real GDP over the past decade.

Price indexes

There is a wide variety of price indexes for the Australian health sector, and these may be distinguished in several ways:

- By the scope of the index – the economic variable to which the price indexes refer (such as all health expenditure, consumption, capital expenditure and so on); the economic agents over which the indexes are aggregated (such as all agents, households, all government, state and territory governments and so on); or by the segment of health services to which the indexes refer (such as all health services, medical services, pharmaceuticals and so on).
- By the technical manner in which the indexes are constructed – such as implicit price deflators or directly computed indexes (base-weighted, current-weighted or symmetric indexes; chained or unchained indexes and so on).

Different indexes are appropriate for different analytical purposes. For this publication, the AIHW prefers indexes whose scope matches, say, the particular health services being analysed rather than broad-brush indexes that cover all health services. Chain indexes, which give better measures of pure price change, are preferred to, say, implicit price deflators. But the suite of available indexes is not always ideal, and in some cases it has been necessary to resort to proxies for the preferred indexes.

Deflation and constant price expenditure aggregates

Expenditure aggregates in this publication are expressed in current price terms, constant price terms or both. The transformation of a current price aggregate into its constant price counterpart is called ‘deflation’ and the price indexes used in this transformation are called ‘deflators’. The analytical benefit of a constant price estimate (of, say, expenditure on health goods, health services or capital) lies in the fact that the effects of price change have been removed to provide a measure of the volume of the goods, services or capital.

A variety of general price indexes or price indexes specific to health might be used to deflate current price aggregates into constant price terms. These include chain price indexes, implicit price deflators (IPDs) and fixed-weight indexes such as the consumer price index (CPI) or its components. For this publication, deflation has been undertaken using chain price indexes and IPDs only.

The chain price indexes used in this publication are annually re-weighted Laspeyres (base-period-weighted) chain price indexes. The indexes are calculated at a finely detailed level, and they provide a close approximation to measures of pure price change. In this publication, the chain price indexes have been used for deflation of such expenditure aggregates as:

- institutional services and facilities that are provided by or purchased through the public sector
- capital expenditure and capital consumption.

Some other constant price aggregates in this publication have been derived using IPDs, when a directly-constructed chain index is not available. An IPD is an index obtained by dividing a current price value by its corresponding chain volume estimate. Thus, IPDs are implicit rather than directly computed measures of price; they are not measures of pure price change as they are affected by compositional changes. The IPD for GDP is the broadest measure of price change available in the national accounts; it provides an indication of the overall changes in the prices of goods and services produced in Australia.

Neither the CPI nor its health services subgroup is appropriate for measuring movements in overall prices of health goods and services, or for deflating macro expenditure aggregates. This is because the CPI measures movements in the prices faced by households only. The overall CPI and its components do not, for example, include government subsidies, benefit payments and non-marketed services provided by governments.

Table C1 shows the main indexes used to derive constant price aggregates for this publication. All indexes are sourced from the ABS, except for the IPD for Medicare medical services fees charged, PBS pharmaceuticals and the total health price index, which have been derived by the AIHW.

Change in methodology

The Government Final Consumption Expenditure hospital and nursing home deflator has been used to derive private hospital expenditure in constant prices. This is a departure from previous practice which used the deflator for Household Final Consumption Expenditure hospital services. The change of deflator has resulted in significant change to private hospital expenditure expressed in constant prices, compared to what was published in *Health expenditure Australia 2003–04* (AIHW 2005a).

Table C1: Total health price index and industry-wide indexes (reference year 2003-04 = 100)

Year ended 30 June	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total health price index ^(a)	78.07	79.91	81.19	83.25	85.25	86.95	90.14	93.15	96.55	100.00	104.17
Final consumption expenditure (FCE) by governments											
Hospital/nursing home care	78.90	80.47	81.96	83.36	85.64	87.57	90.46	93.35	96.50	100.00	103.68
Total non-defence FCE	78.50	80.00	81.60	82.80	85.30	87.70	90.90	94.40	97.50	100.00	104.70
FCE by households											
Doctors and other health practitioners	54.20	58.00	61.00	65.20	66.90	69.00	73.60	80.50	89.90	100.00	103.20
Dental services	65.60	68.60	71.50	74.30	76.70	80.80	85.40	89.50	94.50	100.00	105.60
Medicines, aids and appliances	85.80	87.80	91.30	92.60	92.50	93.00	96.00	96.20	97.60	100.00	102.70
PBS pharmaceuticals ^(a)	97.98	98.44	98.66	98.89	99.44	99.63	99.77	99.83	99.92	100.00	100.15
Total health FCE	63.30	66.80	71.40	75.20	76.40	79.00	83.20	88.00	93.90	100.00	101.50
Medicare medical services fees charged^(a)	73.56	74.91	76.13	78.46	80.44	81.60	85.18	90.11	94.96	100.00	107.79
Gross fixed capital formation											
Australian Government	166.60	160.90	149.00	138.40	131.10	120.80	119.70	115.30	108.70	100.00	99.00
State, territory and local	99.20	100.60	99.30	99.10	99.10	98.00	99.40	99.00	100.10	100.00	102.50
Private	93.90	94.00	91.90	91.90	92.60	93.10	97.30	98.30	99.10	100.00	102.70
Gross domestic product	81.50	83.40	84.50	85.60	85.60	87.40	91.60	94.20	97.10	100.00	103.90

(a) IPD, constructed by AIHW.

Table C2: Growth rates for the total health price index and industry-wide indexes, 1994–95 to 2004–05 (per cent)

Index	1994–95 to 1995–96	1995–96 to 1996–97	1996–97 to 1997–98	1997–98 to 1998–99	1998–99 to 1999–00	1999–00 to 2000–01	2000–01 to 2001–02	2001–02 to 2002–03	2002–03 to 2003–04	2003–04 to 2004–05
Total health price index ^(a)	2.4	1.6	2.5	2.4	2.0	3.7	3.3	3.7	3.6	4.2
Final consumption expenditure (FCE) by governments										
Hospital/nursing home care	2.0	1.8	1.7	2.7	2.2	3.3	3.2	3.4	3.6	3.7
Total non-defence FCE	1.9	2.0	1.5	3.0	2.8	3.6	3.9	3.3	2.6	4.7
FCE by households										
Doctors and other health practitioners	7.0	5.2	6.9	2.6	3.1	6.7	9.4	11.7	11.2	3.2
Dental services	4.6	4.2	3.9	3.2	5.3	5.7	4.8	5.6	5.8	5.6
Medicines, aids and appliances	2.3	4.0	1.4	-0.1	0.5	3.2	0.2	1.5	2.5	2.7
PBS pharmaceuticals ^(a)	0.5	0.2	0.2	0.6	0.2	0.1	0.1	0.1	0.1	0.2
Total health FCE	5.5	6.9	5.3	1.6	3.4	5.3	5.8	6.7	6.5	1.5
Medicare medical services fees charged^(a)	1.8	1.6	3.1	2.5	1.4	4.4	5.8	5.4	5.3	7.8
Gross fixed capital formation										
Australian Government	-3.4	-7.4	-7.1	-5.3	-7.9	-0.9	-3.7	-5.7	-8.0	-1.0
State, territory and local	1.4	-1.3	-0.2	—	-1.1	1.4	-0.4	1.1	-0.1	2.5
Private	0.1	-2.2	—	0.8	0.5	4.5	1.0	0.8	0.9	2.7
Gross domestic product	2.3	1.3	1.3	0.1	2.1	4.8	2.9	3.0	3.0	4.0

(a) IPD, constructed by AIHW.

Appendix D: Capital in the Australian health sector

AIHW publications present some information on capital. For example:

- *Health expenditure Australia* shows 10-year time series of outlays on capital dissected by sector, and of capital consumption (depreciation). These series are derived from ABS national accounts data and state and territory health authorities.
- *Australian hospital statistics* shows estimates of depreciation for public acute and psychiatric hospitals in each state and territory. These estimates are derived from public hospital establishments' data.

Those who analyse the economics of health in Australia would like integrated capital accounts – covering investment (capital formation), re-evaluation of assets and depreciation (capital consumption). Ideally, these estimates would be dissected by segment of health, by state or territory, and by public/private sector.

It is not possible at present to compile such integrated accounts, owing to deficiencies and inconsistencies in the available data. The AIHW, under the guidance of the HEAC, has been investigating the possibility of compiling experimental integrated accounts. This project has begun with hospitals – because of the large amount of capital (both buildings and equipment) in that sector and because the data sources are relatively rich. The first step has been to ascertain whether consistent national series for investment (capital formation) can be derived from the multiple data sources. It is not possible to achieve a full quantitative reconciliation between the various estimates, but it may be possible to derive broadly consistent levels and movements. If that can be done, the next step will be to derive estimates of capital stock and depreciation, using the modelling approach (the perpetual inventory model) that the ABS and some other statistical agencies have adopted for national accounting purposes. But stock and depreciation estimates derived in this manner are likely to differ noticeably from the values shown in the accounts of hospital administration authorities (owing to differences in valuation bases, assumed rates of depreciation and so on). So it will be necessary to undertake analyses explaining those differences and providing at least a broad reconciliation with, say, the figures reported in the *Australian hospital statistics* publications.

A longer term goal is to develop nationally-agreed standards for the reporting of capital data, as part of a new national minimum data set for health expenditure.

Appendix E: Cross-border flows

Cross-border flows are defined as expenditures incurred by and revenues received for individual states and territories in respect of patients whose usual residence is not within the state or territory in which the expenditure is incurred. Such expenditures can result in funding transfers between the states and territories concerned. In the most recent *Australian hospital statistics 2004–05* report (AIHW 2006a) a table was included that showed a notional estimate of cross-border flows (based on Diagnostic Related Groups) between jurisdictions, for public patients, by state and territory of usual residence (see Table 7.10, p.147).

Currently the *Health expenditure Australia* publications contain estimates of the amounts spent on the public hospitals located in each state and territory. They do not show estimates of the expenditure incurred by each state and territory government for hospital services for residents of that state or territory.

In future *Health expenditure Australia* publications it is proposed to include data on gross expenditures incurred and revenues received by individual states and territories for admitted patients whose usual residence is not within the state or territory in which the expenditure is incurred. These data would be accrual based and represent a move towards reporting on the basis of the state or territory of the usual residence of the patient. Expenditure would also continue to be reported on the basis of the state or territory where the expenditure occurred.

Appendix F: Mean resident population

The mean resident population is the population used internationally, such as by the OECD, to derive per capita GDP. By examining health expenditure on a per person basis, the influence of changes in the overall size of the population is removed from the analysis. At the national level, GDP is the main measure used to indicate the overall level of economic activity. It is also a principal measure used to assist international comparisons of the relative sizes and growth rates of different countries' health sectors. The ratio of Australia's health expenditure to GDP (health to GDP ratio) provides an indication of the proportion of overall economic activity contributed by the health sector.

The mean resident population (mean population) is calculated using quarterly estimated resident population data from the ABS according to the following formula:

$$\text{mean population} = \frac{a + 4b + 2c + 4d + e}{12}$$

Where *a* is the population at the end of the quarter immediately preceding the 12 month period, and *b*, *c*, *d* and *e* are the populations at the end of each of the four succeeding quarters. The weights used in the formulation of the mean annual population have been derived using a mathematical technique which involves the fitting of two quadratic polynomial functions to a series of points (p38, ABS 1997).

Table F1: Australian mean resident population, 1994–95 to 2004–05

Year	Population ('000)
1994–95	17,961.3
1995–96	18,194.8
1996–97	18,422.6
1997–98	18,617.0
1998–99	18,820.9
1999–00	19,043.9
2000–01	19,284.1
2001–02	19,531.7
2002–03	19,759.7
2003–04	19,986.9
2004–05	20,213.5

Source: AIHW health expenditure database.

Table F2: Mean resident population, by state and territory, 1996–97 to 2004–05 ('000)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	6,244.0	4,580.7	3,368.1	1,781.3	1,477.7	474.3	309.1	184.5	18,422.6
1997–98	6,309.2	4,618.1	3,422.2	1,808.9	1,485.6	472.9	309.1	188.4	18,617.0
1998–99	6,376.2	4,663.1	3,474.2	1,837.1	1,493.7	471.8	310.8	191.3	18,820.9
1999–00	6,449.8	4,715.3	3,531.4	1,863.2	1,502.1	471.6	313.8	194.2	19,043.9
2000–01	6,531.0	4,774.0	3,594.4	1,888.5	1,508.4	471.5	317.1	196.5	19,284.1
2001–02	6,608.2	4,832.1	3,669.1	1,913.7	1,515.3	472.2	320.4	198.1	19,531.7
2002–03	6,659.5	4,885.2	3,757.8	1,936.5	1,522.5	474.7	322.6	198.3	19,759.7
2003–04	6,702.7	4,938.7	3,845.8	1,964.5	1,529.8	480.2	323.5	198.9	19,986.9
2004–05	6,749.0	4,994.8	3,925.9	1,994.4	1,537.3	483.9	324.5	201.1	20,213.5

Source: AIHW health expenditure database.

Table F3: Annual population growth, by state and territory, 1996–97 to 2004–05 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97 to 1997–98	1.0	0.8	1.6	1.5	0.5	-0.3	—	2.1	1.1
1997–98 to 1998–99	1.1	1.0	1.5	1.6	0.5	-0.2	0.6	1.5	1.1
1998–99 to 1999–00	1.2	1.1	1.6	1.4	0.6	—	0.9	1.5	1.2
1999–00 to 2000–01	1.3	1.2	1.8	1.4	0.4	—	1.1	1.2	1.3
2000–01 to 2001–02	1.2	1.2	2.1	1.3	0.5	0.1	1.0	0.8	1.3
2001–02 to 2002–03	0.8	1.1	2.4	1.2	0.5	0.5	0.7	0.1	1.2
2002–03 to 2003–04	0.6	1.1	2.3	1.4	0.5	1.1	0.3	0.3	1.1
2003–04 to 2004–05	0.7	1.1	2.1	1.5	0.5	0.8	0.3	1.1	1.1
Average annual growth rate									
1997–98 to 2002–03	1.1	1.1	1.9	1.4	0.5	0.1	0.9	1.0	1.2
1996–97 to 2004–05	1.0	1.1	1.9	1.4	0.5	0.3	0.6	1.1	1.2

Source: AIHW health expenditure database.

Glossary

Accrual accounting	The method of accounting now most commonly used by governments in Australia. Relates expenses, revenues and accruals to the period in which they are incurred (see also <i>Cash accounting</i>).
Admitted patient	A patient who undergoes a hospital's formal admission process to receive treatment and/or care. This treatment and/or care is provided over a period of time and can occur in hospital and/or in the person's home (for hospital-in-the-home patients).
Aids and appliances	See Table 51.
Ambulance services	See Table 51.
Australian Government administered expenses	Expenses incurred by the Department of Health and Ageing in administering resources on behalf of the government to contribute to the specified outcome (for example, most grants in which the grantee has some control over how, when and to whom funds can be expended, including Public Health Outcome Funding Agreement payments and SPPs to state and territory governments) (see also <i>Australian Government departmental expenses</i>).
Australian Government departmental expenses	Those expenses incurred by the Department of Health and Ageing in the production of the department's outputs. This mostly consists of the cost of employees but also including suppliers of goods and services, particularly those where the Australian Government retains full control of how, when and to whom funds are to be provided.
Australian Government expenditure	Total expenditure actually incurred by the Australian Government on its own health programs. It does not include the funding provided by the Australian Government to the states and territories by way of grants under Section 96 of the Constitution.
Australian Government funding	The sum of Australian Government expenditure and Section 96 grants to states and territories.
Australian Health Care Agreements	The Australian Government, via a series of five-year agreements, provides funding to each state and territory to support the provision of free public hospital services and some related state health services to all Australians. See Box 3 for details.
Benefit-paid pharmaceuticals	Pharmaceuticals for which a benefit has been paid under the PBS or the RPBS.

Capital consumption	Capital consumption is otherwise known as depreciation and represents the amount of fixed capital used up each year.
Capital expenditure	See Table 51. See also capital formation.
Capital formation	Gross fixed capital formation is the value of acquisitions less disposals of new or existing fixed assets. Assets consist of tangible or intangible assets that have come into existence as outputs from processes of production, and that are themselves used repeatedly or continuously in other processes of production over periods of time longer than one year. See Australian national accounts: concepts, sources and methods (ABS Cat. no. 5216.0 November 2000) for further details.
Capital outlays	See capital formation.
Cash accounting	Relates receipts and payments to the period in which the cash transfer actually occurred. Does not have the capacity to reflect non-cash transactions, such as depreciation (see also <i>Accrual accounting</i>).
Community health	See Table 51.
Constant prices	Constant price expenditure adjusts for the effects of inflation using, wherever possible, chain price indexes provided by the Australian Bureau of Statistics (ABS). Where such chain price indexes are not available, implicit price deflators are used. Because the reference year for both the chain price indexes and the implicit price deflators is 2003–04, the constant price estimates indicate what expenditure would have been had 2003–04 prices applied in all years.
Current prices	The term ‘current prices’ refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and volume.
Dental services	See Table 51.
Direct health expenditure	Excludes non-specific tax expenditures.
Excess health inflation	The difference where the health inflation rate exceeds the general inflation rate, i.e. the rate of increase in the price of goods and services in the health care sector exceeds the rate of increase in the price of goods and services in the economy as a whole.
General inflation	The increase in the general price level of goods and services in the economy.

Government Finance Statistics	Provides details of revenues, expenses, cash flows and assets and liabilities of the Australian public sector and comprises units which are owned and/or controlled by the Australian Government, state governments and local governments: General government, Public non-financial corporations, Non-financial public sector, Public financial corporations, Total public sector. See <i>Australian system of government finance statistics: concepts, sources and methods</i> (ABS Cat. no. 5514.0 September 2005) for further details.
Government Purpose Classification	An ABS classification that classifies current outlays, capital outlays and selected other transactions of the non-financial public sector in terms of the government purposes for which the transactions are made. See <i>Australian system of government finance statistics: concepts, sources and methods</i> (ABS Cat. no. 5514.0 September 2005) for further details.
Gross domestic product (GDP)	A statistic commonly used to indicate national income. It is the total market value of goods and services produced within a given period after deducting the cost of goods and services used up in the process of production but before deducting allowances for the consumption of fixed capital.
Health administration	See Table 51.
Health inflation	The increase in the price level of goods and services in the health sector.
Health research	See Table 51.
In-patient	An OECD term that roughly equates with the Australian 'admitted patient' classification (see Admitted patient).
Institutional health	Includes expenditure on hospitals (both public and private), high-level residential care, ambulance and other institutional health n.e.c.
High-level residential care	See Table 51.
Highly specialised drugs	Under Section 100 of the National Health Act, certain drugs can only be supplied to community patients through hospitals because only the hospitals can provide the facilities or staff necessary to oversee the appropriate use of the drugs. These drugs are funded by the Australian Government.
Household final consumption expenditure	Net expenditure on goods and services of a current nature by households and by private non-profit institutions serving households.
Injury compensation insurers	Workers' compensation and third-party motor vehicle insurers.
Jurisdictions	Australian, state, territory and local governments.

Local government	A public sector unit where the political authority underlying its function is limited to a local government area or other region within a state or territory, or the functions involve policies that are primarily of concern at the local level.
Medical durables	Therapeutic devices, such as glasses, hearing aids, wheelchairs, that can be used more than once.
Medical services	See Table 51.
Nominal expenditure	Expenditure expressed in terms of current prices.
Non-admitted patient	Patients who receive care from a recognised non-admitted patient service/clinic of a hospital.
Non-institutional health	Includes expenditure on medical services, other health practitioners, medications (including benefit paid and all other medications), aids and appliances, community health, public health, dental services, administration, research and other non-institutional health n.e.c.
Non-specific tax expenditure	These are a form of tax expenditure known as the medical expenses tax offset. This becomes available to individuals to claim through the taxation system if they have out-of-pocket medical expenses over a specified limit in an income year. For the 2004–05 income year, the tax offset was 20 cents for each \$1 by which a taxpayer's net medical expenses exceeded \$1,500 (the threshold).
Other health practitioners	See Table 51.
Other institutional health n.e.c.	Miscellaneous expenditures that could not, at that time, be allocated to the specific 'institutional' health expenditure areas in the matrix. In other years, better quality of description may have allowed those types of expenditures to be more precisely allocated. This expenditure category remains in order to show that data over long time series.
Other medications	See Table 51.
Other non-institutional health n.e.c.	Miscellaneous expenditures that could not, at that time, be allocated to the specific 'non-institutional' health expenditure areas in the matrix. In other years, better quality of description may have allowed those types of expenditures to be more precisely allocated. The expenditure category remains in order to show that data over long time series.
Out-patient	An OECD term that roughly equates with the Australian 'non-admitted patient' classification (see above).

Over-the-counter medicines	Private non-prescription therapeutic medicinal preparations that can be purchased from pharmacies, supermarkets and other retail outlets such as convenience stores.
Over-the-counter therapeutic medical non-durables	Private households' expenditure of non-prescription therapeutic goods that tend to be single-use items, such as bandages, elastic stockings, condoms and other mechanical contraceptive devices, from pharmacies, supermarkets and convenience stores.
Pharmaceutical Benefits Scheme (PBS)	A national, government-funded scheme that subsidises the cost of a wide range of pharmaceutical drugs, and that covers all Australians to help them afford standard medications.
Private hospital	A privately owned and operated institution, catering for patients who are treated by a doctor of their own choice. Patients are charged fees for accommodation and other services provided by the hospital and relevant medical and paramedical practitioners. The term includes private free-standing day hospital facilities.
Private patient	Person admitted to a private hospital, or person admitted to a public hospital who decides to choose the doctor(s) who will treat them and/or to have private ward accommodation. This means that the patient will be charged for medical services, food and accommodation.
Public health	See Table 51.
Public health activities	<p>Nine types of activities undertaken or funded by the key jurisdictional health departments that address issues related to populations, rather than individuals. These activities comprise:</p> <ul style="list-style-type: none"> • Communicable disease control • Selected health promotion • Organised immunisation • Environmental health • Food standards and hygiene • Breast cancer screening • Cervical screening • Prevention of hazardous and harmful drug use • Public health research <p>These activities do not include treatment services.</p>
Public hospital	A hospital controlled by a state or territory health authority. In Australia public hospitals offer free diagnostic services, treatment, care and accommodation to all Australians who need it.

Public (non-psychiatric) hospitals	See Table 51.
Public patient	A patient admitted to a public hospital who has agreed to be treated by doctors of the hospital's choice and to accept shared ward accommodation. This means that the patient is not charged.
Public psychiatric hospitals	See Table 51.
Purchasing power parity	This exchange rate is one adjusted for differences in the prices of goods and services between countries. It shows how much the same good or service will cost across countries.
Real expenditure	Expenditure expressed in terms which have been adjusted for inflation (for example, in 2003–04 dollars). This enables comparisons to be made between expenditures in different years.
Rebates of health insurance premiums	<p>There are two types of rebates of health insurance premiums – one under general expenditure and one under tax expenditures. This sometimes causes confusion.</p> <p>The first rebate is the case where the 30% rebate is taken as a reduced premium (with the health funds being reimbursed by the Australian Government).</p> <p>The second rebate is taken as an income tax rebate, where individuals with private health cover elect to claim through the tax system at the end of the financial year for the 30% rebate, having paid the health funds 100% of their premiums up front. It was defined as a tax expenditure for three years – 1998–99 to 2000–01. However, the Australian Tax Office redefined the rebates as tax expenses and for 2001–02 and 2002–03 they are now part of general expenditure rebates.</p>
Recurrent expenditure	Expenditure incurred by organisations on a recurring basis, for the provision of health services. This excludes capital expenditure and depreciation (capital consumption).
Repatriation Pharmaceutical Benefits Scheme (RPBS)	This scheme provides assistance to eligible veterans (with recognised war or service-related disabilities) and their dependants for both pharmaceuticals listed on the PBS and a supplementary Repatriation list, at the same cost as patients entitled to the concessional payment under the PBS.
Residential care facilities	See Table 51.

Specific-purpose payments (SPPs)	Australian Government payments to the states and territories under the provisions of Section 96 of the Constitution, to be used for purposes specified in agreements between the Australian Government and individual state and territory governments. Some are conditional on states and territories incurring a specified level or proportion of expenditure from their own resources.
Therapeutic	Having to do with the treating or curing of a disease.
Total health price index	The ratio of total health expenditure in current prices to total health expenditure in chain volume terms.

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