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Foreword

Health expenditure Australia 2007–08 is the latest in the Australian Institute of Health and Welfare's long-running series of reports on Australia's National Health Accounts, which began in 1985 with an analysis of expenditure to 1981–82.

In the financial year 2007–08, Australia's health expenditure totalled \$103.6 billion, representing 9.1% of gross domestic product (GDP) – the same percentage as the previous year and an increase of 1.3 percentage points from the 7.8% of GDP in 1997–98. Given the calls for more resources across the different components of the health system, it is important to understand what is currently spent for there to be informed discussion about where the money can be best directed, and to give an indication of the affordability of the nation's health system.

Health expenditure Australia 2007–08 presents health expenditure data for the years 1997–98 to 2007–08, with detailed matrices at the national level and for each of the states and territories for the years 2005–06 to 2007–08.

The new federal/state funding arrangements for healthcare that commenced in 2009 included a requirement for performance indicators that inform as to the sustainability of the health care system, with particular information being required on the allocation of health and aged care expenditure. The data in this report will contribute to this evaluation of health care system sustainability.

Over time the Institute has developed a comprehensive database of health expenditure statistics for Australia, which extends back to the early 1960s. Our task now is to continue to push the boundaries to ensure that the statistics we publish are as useful and timely as possible. My aim is that these health expenditure statistics continue to be refined with stakeholder input and become even more timely and relevant.

Penny Allbon
Director
Australian Institute of Health and Welfare

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The collection and analysis of the data and the writing of this publication was done by Rebecca Bennetts, Kate Ridgway, Richard Webb, Tony Hynes and John Goss, with assistance from Jenny Hargreaves.

Abbreviations

ABS	Australian Bureau of Statistics
AHCAs	Australian Health Care Agreements
AIHW	Australian Institute of Health and Welfare
COAG	Council of Australian Governments
CPI	consumer price index
DoHA	Australian Government Department of Health and Ageing
DVA	Australian Government Department of Veterans' Affairs
GDP	gross domestic product
GFCE	government final consumption expenditure
GFS	government finance statistics
GHE	government health expenditure
GP	general practitioner
HEAC	Health Expenditure Advisory Committee
HFCE	household final consumption expenditure
HPV	human papillomavirus vaccination
ICHA	International Classification for Health Accounts
IPD	implicit price deflator
IVF	in-vitro fertilisation
LHC	Lifetime Health Cover
MBS	Medicare Benefits Schedule
NHA	National Health Accounts
NHPC	National Health Performance Committee
NICNAS	National Industrial Chemicals Notification and Assessment Scheme
NMDS	national minimum data set
OECD	Organisation for Economic Co-operation and Development
OGTR	Office of Gene Technology Regulator
PBS	Pharmaceutical Benefits Scheme
PET	positron emission tomography
PHE	public hospital establishments
PHIAC	Private Health Insurance Administration Council
PHIIS	Private Health Insurance Incentives Scheme
PHOFAs	Public Health Outcome Funding Agreements
PPP	purchasing power parity

RPBS	Repatriation Pharmaceutical Benefits Scheme
SHA	System of Health Accounts
SPPs	specific purpose payments
TGA	Therapeutic Goods Administration
THPI	total health price index
WHO	World Health Organization

Symbols

n.a.	not available
..	not applicable
n.e.c.	not elsewhere classified
–	nil or rounded down to zero

Summary

Expenditure on health in Australia has increased from \$10.8 billion in 1981–82 to \$103.6 billion in 2007–08. At the same time Australia's gross domestic product (GDP) increased from \$172.3 billion to \$1,132 billion, so health expenditure as a proportion of GDP has gone from 6.3% in 1981–82 to 9.1% of GDP in 2007–08.

This report looks at the period from 1997–98 to 2007–08 and includes important information about how much health care costs Australia, in terms of both the total number of dollars spent and the proportion of Australia's national income that is spent on health. It also looks at the types of health goods and services that attracted funding and where that funding came from. The report also examines Australia's health spending from an international perspective – how it compares with the region and with other developed economies.

The \$103.6 billion spent on health goods and services during 2007–08 represented 9.1% of GDP and averaged out at \$4,874 per Australian.

In 2006–07 the proportion of GDP spent on health was also 9.1% and totalled \$94.9 billion.

Of the total spent in 2007–08, 95% (\$98.0 billion) was recurrent expenditure on health goods and services. The remaining 5% was capital expenditure (\$5.5 billion).

Spending on public hospital services in 2007–08 was estimated at \$30.8 billion or 31.4% of total recurrent health expenditure. Expenditure on medical services at \$18.3 billion, or 18.7% of recurrent expenditure and medications at \$13.7 billion (14.0%) were other major contributors to total recurrent health spending.

Total health expenditure grew by 6.0% in real terms in 2007–08. The area of expenditure with the highest growth was public health which grew by 20.7% in real terms. A large part of this growth in public health expenditure was in respect of organised immunisation programs, which grew by 55.9% in that year (Table 4.19), mostly due to the costs associated with the implementation of the national human papillomavirus vaccination (HPV) program.

Health research had the second highest growth in 2007–08 – up 12.0%.

Increased spending on public hospital services of \$2.1 billion was the largest component of the overall increase in spending in 2007–08, accounting for almost one-third (32.5%) of the \$8.6 billion increase in that year.

Governments funded 68.7% of total health expenditure during 2007–08 compared to 67.4% of expenditure in 1997–98.

The Australian Government's share of public hospital funding was 42.5% in 1997–98 and decreased to 38.6% in 2006–07 (Table 4.6). Its share of public hospital funding then increased to 39.2% in 2007–08. This was largely due to an extra \$0.5 billion of general funding provided by the Australian Government. The Australian Government also provided specific additional funding to public hospitals via the Elective Surgery Waiting List Reduction Plan (\$75 million), funding of the Mersey Community Hospital (\$36 million) and other programs.

Australia's health expenditure as a proportion of GDP according to OECD definitions was 8.9% which was the same as the median in 2007 for member states of the OECD. United States health expenditure as a proportion of GDP in 2007 was 16.0%.

Government funding of health expenditure as a proportion of total health expenditure was 68% for Australia in 2007 as compared to the median for OECD countries of 75%.

Between 1997-98 and 2007-08, Australia's expenditure on health in real terms (after adjustment for inflation), grew at an average of 5.2% per year, compared with average growth in real GDP of 3.5% per year. Health prices moved at a slower rate than prices in the general economy in the 3 years from 2004-05 to 2007-08. This resulted in 3 years of negative excess health inflation. Up to 2004-05 health prices had generally increased more rapidly than other prices.