Australian Government
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Expenditure on health for Aboriginal and Torres Strait Islander people 2010–11

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Authoritative information and statistics to promote better health and wellbeing

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Australian Institute of Health and Welfare
Canberra
Cat. no. HWE 57

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This publication is part of the Australian Institute of Health and Welfare's Health and welfare expenditure series. A complete list of the Institute's publications is available from the Institute's website <www.aihw.gov.au>.

ISSN 1323-5850
ISBN 978-1-74249-415-9

Suggested citation

Australian Institute of Health and Welfare 2013. Expenditure on health for Aboriginal and Torres Strait Islander people 2010–11. Health and welfare expenditure series no. 48. Cat. No HWE 57. Canberra: AIHW.

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Published by the Australian Institute of Health and Welfare

Please note that there is the potential for minor revisions of data in this report. Please check the online version at <www.aihw.gov.au> for any amendments.

Contents

Acknowledgments

The collection and analysis of the data and the writing of this publication was primarily done by Graz Hamilton, Elizabeth Dernie, Barbara Gray and Adrian Webster. Teresa Dickinson also provided input.

In addition, the Australian Institute of Health and Welfare acknowledges the funding for the project from the Office for Aboriginal and Torres Strait Islander Health within the Australian Government Department of Health and Ageing.

Thanks are extended to the Australian and state and territory governments and members of the Aboriginal and Torres Strait Islander Technical Advisory Group for providing input and advice during the preparation of this report. Members of the advisory group have worked with the project team to finalise the health expenditure estimates and the supporting method used in their jurisdictions. Technical Advisory Group members and other contributors to this report are listed below.

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Abbreviations

ABS	Australian Bureau of Statistics
ACCHS	Aboriginal Community Controlled Health Service
AIHW	Australian Institute of Health and Welfare
ASGC	Australian Standard Geographical Classification
DoHA	Department of Health and Ageing
DVA	Department of Veterans' Affairs
HMCM	Hospital Morbidity Costing Model
IER	Indigenous Expenditure Report
MBS	Medicare Benefits Schedule
OATSIH	Office for Aboriginal and Torres Strait Islander Health
OECD	Organisation for Economic Co-operation and Development
PBS	Pharmaceutical Benefits Scheme
VII	Voluntary Indigenous Identifier

Symbols

n.a.	not available
n.e.c.	not elsewhere classified
n.f.d.	not further defined
n.p.	not published due to small numbers
. .	not applicable
–	nil or rounded to zero

Summary

This report presents estimates of health expenditure for Aboriginal and Torres Strait Islander people and their non-Indigenous counterparts for 2010–11. The reports are produced every 2 years. This is the seventh report in the series.

In 2010–11, health expenditure for Aboriginal and Torres Strait Islander people was estimated at $4,552 million, or 3.7% of Australia's total recurrent health expenditure. The Aboriginal and Torres Strait Islander population comprised 2.5% of the Australian population on 31 December 2010.

Per person health expenditure

In 2010–11, average health expenditure per Indigenous Australian was $7,995, compared with $5,437 per non-Indigenous Australian. This represents an Indigenous per person ratio of 1.47—that is, $1.47 was spent on health per Indigenous Australian for every $1.00 spent per non-Indigenous Australian.

This ratio (1.47) was an increase from 1.39 in 2008–09. Some of this increase may be due to improvements in the accuracy and quality of the estimates in this report.

Areas of health expenditure

In 2010–11, publicly provided services, such as public hospital and community health services, were the highest expenditure areas for the Indigenous population. For example, the average per person expenditure on public hospital services for Indigenous Australians ($3,631) was more than double that for non-Indigenous Australians ($1,683).

For health services that have greater out-of-pocket expenses, such as pharmaceutical and dental services, Indigenous expenditure is generally lower relative to the non-Indigenous population. For example, the average per person expenditure on dental services was $149 for Indigenous Australians, compared with $355 for non-Indigenous Australians.

Funding sources

The Australian Government (44.8%) and the state and territory governments (46.6%) combined funded 91.4% of the total health expenditure for Indigenous Australians in 2010–11. The non-government sector, which includes out-of-pocket payments by individuals, funded 8.6%.

For non-Indigenous Australians, the Australian Government (44.5%) and the state and territory governments (23.7%) funded 68.1% of the total health expenditure. Non-government sources and individuals funded the remaining 31.9%.

Health expenditure trends over time

Between 2008–09 and 2010–11, all government (Australian and state and territory governments) health expenditure on Aboriginal and Torres Strait Islander people increased by $847 per person (in constant prices). This represented an average annual growth rate of 6.1%. The corresponding figure for non-Indigenous Australians was 2.6%. Expenditure per person for Indigenous Australians was higher in all areas of expenditure for 2010–11 compared with 2008–09.

1 Introduction

This publication provides estimates of expenditure on health goods and services for Aboriginal and Torres Strait Islander people in Australia during the 2010–11 financial year. It builds on the previous six Australian Institute of Health and Welfare (AIHW) reports on this topic and is part of the *Expenditure on health for Aboriginal and Torres Strait Islander people* series.

Health expenditure for Indigenous Australians is of particular interest because of their higher burden of disease and greater relative need for health services. Compared to non-Indigenous Australians, Indigenous Australians have lower life expectancies and are more likely to have a disability and reduced quality of life due to ill health (AIHW 2011b).

As of 31 December 2010, Aboriginal and Torres Strait Islander people comprised 2.5% of the Australian population (Table 1.1); however, the age profile of Indigenous Australians is much younger than that of non-Indigenous Australians (ABS 2010).

For more information on the health status of Aboriginal and Torres Strait Islander people, please refer to the *Aboriginal and Torres Strait Islander Health Performance Framework 2012: detailed analyses* (AIHW, forthcoming), reports on the AIHW Indigenous observatory <http://www.aihw.gov.au/indigenous-observatory/> and *Australian hospital statistics 2010–11* (AIHW 2012b).

1.1 Data sources and methods

The total health expenditure estimates in this report are based on the AIHW's health expenditure database, which is compiled annually from a wide range of government and non-government sources with estimates published in *Health expenditure Australia* (HEA) reports. These data sources include:

- the Department of Health and Ageing
- the Australian Bureau of Statistics
- the Department of Veterans' Affairs
- state and territory health departments
- the Private Health Insurance Administration Council
- Comcare
- the major workers compensation and compulsory third party motor vehicle insurers in each state and territory.

The report provides estimates on recurrent health expenditure, consisting mainly of expenditure on wages, salaries and supplements, purchases of goods and services and consumption of fixed capital. This does not include expenditure that results in the creation or acquisition of fixed assets.

Total health expenditure is divided into expenditure for Indigenous and non-Indigenous Australians using a variety of data sources and methods. Please refer to the Appendix to this report for more detailed information on the data sources and methodologies used.

The expenditure estimates presented in per person terms should be interpreted as the cost to society of service provision, rather than the cost of delivering the service to each individual person. This is because per person estimates are calculated using the Australia-wide

population even in circumstances when only a small proportion of the population is eligible for that service. For example, only women over the age of 50 are eligible for breast cancer screening programs.

1.2 Funding of health services for Aboriginal and Torres Strait Islander people

Australia's health care system is funded and administered by several levels of government, including the Australian Government and state and territory governments, and is supported by the non-government sector including private health insurance arrangements. For more information on the structure of the Australian health care system, please refer to *Health expenditure Australia 2010–11* (AIHW 2012e).

In addition to this, a range of specific programs address the poorer health outcomes faced by many Indigenous Australians. The estimates in this report cover expenditure on Indigenous-specific services and programs, as well as expenditure on Indigenous people using mainstream services.

The Australian Government supports a variety of service providers who deliver health care to Aboriginal and Torres Strait Islander people in many locations around Australia. In 2010–11, 235 primary health care services and 49 stand-alone substance–use services received funding from the Australian Government through the Department of Health and Ageing's (DoHA) Office for Aboriginal and Torres Strait Islander Health (OATSIH). The services include both Aboriginal Community Controlled Health Services (ACCHSs) and non-community controlled health organisations. For more information on these services refer to *Aboriginal and Torres Strait Islander health services report, 2010–11 OATSIH services reporting – key results* (AIHW 2012a).

Australia's national health insurance scheme the Medicare Benefits Scheme (Medicare)—funded and administered by the Australian Government—is another important element of the Australian health care system. In addition to providing mainstream services for all Australians, Medicare also delivers a range of specific measures to meet the needs of the Indigenous population.

In addition to the above, the Council of Australian Governments (COAG) has committed $1.6 billion over four years to *Closing the Gap in Indigenous Health Outcomes* under the National Partnership Agreement (NPA) (COAG 2012). Funding under the Agreement commenced in 2009–10 and aims to address the three health priority areas identified in the NPA, which include:

- smoking
- primary health care services
- fixing gaps and improving the patient journey.

1.3 Impact of location on Aboriginal and Torres Strait Islander health expenditure

Economies of scale and the relative isolation of some Aboriginal and Torres Strait Islander populations can affect the costs of both producing and delivering health goods and services. These factors can have large impacts on both the levels of health expenditure and the provision of goods and services to particular population groups. For example, the Northern Territory, with its relatively small population, faces substantial additional costs compared with other jurisdictions, such as Victoria, in providing health goods and services to its population. Differences in the relative remoteness of the Aboriginal and Torres Strait Islander populations in these two jurisdictions further compound this situation.

While more than half (54.3%) of Australia's Aboriginal and Torres Strait Islander people live in *Major cities* and *Inner regional* areas, a large proportion (23.3%) reside in *Remote* and *Very remote* areas (Table 1.1). In comparison, only 1.7% of non-Indigenous Australians live in *Remote* and *Very remote* areas. These patterns vary by state and territory; in the Northern Territory, 77.8% of the Aboriginal and Torres Strait Islander population live in *Remote* and *Very remote* areas. In contrast, only 4.7% of the Aboriginal and Torres Strait Islander population in New South Wales live in those areas.

Table 1.1: Aboriginal and Torres Strait Islander population estimates, by Australian Standard Geographical Classification Remoteness Area and state and territory, 31 December 2010

	ASGC Remoteness Areas						Proportion of total population (per cent)
	Major cities	Inner regional[(a)]	Outer regional[(b)]	Remote	Very remote	Total	
NSW	73,242	55,181	30,743	6,632	1,241	167,040	2.3
Vic	18,609	12,813	5,737	46	..	37,205	0.7
Qld[(c)]	46,967	33,847	48,212	13,010	20,722	162,758	3.6
WA	27,842	6,342	11,921	12,676	18,201	76,983	3.3
SA	15,331	2,826	7,243	1,211	4,111	30,722	1.9
Tas	..	10,945	8,725	447	227	20,343	4.0
ACT[(d)]	4,768	n.p.	..	..	..	4,768	1.3
NT	..	..	15,371	15,847	38,040	69,258	30.1
Indigenous[(e)]	**186,759**	**122,204**	**127,951**	**49,870**	**82,542**	**569,327**	**2.5**
Indigenous (per cent)	32.8	21.5	22.5	8.8	14.5	100.0	
Non-Indigenous[(e)]	15,253,368	4,309,968	1,973,159	278,908	92,648	21,908,052	97.5
Non-Indigenous (per cent)	**69.6**	**19.7**	**9.0**	**1.3**	**0.4**	**100.0**	

(a) Hobart is classified as Inner regional.

(b) Darwin is classified as Outer regional.

(c) Aboriginal and Torres Strait Islander population by Australian Standard Geographical Classification Remoteness Area for Queensland differ from equivalent estimates published by Queensland Treasury.

(d) Inner regional ACT population has not been published due to small numbers.

(e) Includes Christmas Island, Jervis Bay, and Cocos (Keeling) Islands.

Source: AIHW derived from ABS 2008 and ABS 2009.

1.4 Structure of this report

Chapter 2 presents information about total and average health expenditure per person for Indigenous and non-Indigenous Australians. Estimates are provided for the Australian Government, state and territory governments, and non-government organisations.

Chapter 3 presents estimates of total health funding for Aboriginal and Torres Strait Islander people from different sources, including the Australian Government, state and territory governments and non-government sources such as private health insurers, out-of-pocket payments by individuals and injury compensation insurers.

Chapter 4 provides expenditure estimates on primary and secondary/tertiary health services for Indigenous and non-Indigenous Australians.

Chapter 5 provides information on how selected components of health expenditure for Indigenous and non-Indigenous Australians have changed over time. Data sources and methods are outlined in the Appendix.

1.5 Changes to the estimates

Since the publication of the first report in 1998, there have been significant improvements to the methods used to derive the estimates in this series. These include the use of the Medicare Voluntary Indigenous Identifier (VII) data to improve the quality of the estimates on the Medicare Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS) components of expenditure. This change was introduced in the 2006–07 report (AIHW 2009). The Appendix details all changes in methodology since the first report in the series and notes where caution is needed in interpreting the expenditure estimates.

1.6 Productivity Commission estimates

In September 2012, the Productivity Commission (PC) released its second Indigenous Expenditure Report (IER). This report is prepared every two years under the auspices of the Ministerial Council for Federal Financial Relations on behalf of COAG. It was produced by the Productivity Commission's Indigenous Expenditure Report Secretariat under the guidance of a steering committee comprising representatives from the Australian, state and territory government treasuries and specialist data agencies (including the AIHW). The IER includes information on all government services, including, but not only, health services.

Although there is overlap between the PC's IER report and the AIHW's *Expenditure on health for Aboriginal and Torres Strait Islander people* report series, each has a different focus and scope. The focus of the AIHW's report is to provide detailed information on the health expenditure on Aboriginal and Torres Strait Islander people, whereas the PC report has a broader scope and reports on all areas of government expenditure—including, for example, education.

Several methodological differences explain the small difference between the results:

- The IER separates data for Indigenous-specific health programs and Indigenous use of mainstream programs in its calculation; the AIHW's method does not make a distinction.
- The IER uses estimates for health service use from the AIHW. Because of timing, the IER estimates for both the 2008–09 and 2009–10 financial years use 2008–09 service use estimates. This report uses 2010–11 service use measures where available, and estimates for 2010–11 based on 2008–09 measures when these were not available.

- IER estimates are based on the ABS Government Finance Statistics framework. AIHW uses the Australian System of Health Accounts, which aligns with the international reporting framework, the System of Health Accounts.
- The IER Steering Committee collects data from the Australian Government Department of the Treasury, and state and territory treasury departments. The AIHW's health expenditure database collects from many data providers, including DoHA and the Department of Veterans' Affairs (DVA), state and territory health departments, and private sector health agencies.

2 Health expenditure

This chapter presents 2010–11 estimates of total health expenditure and average per person health expenditure for Indigenous and non-Indigenous Australians. In this report, the term 'health expenditure' refers to the money spent on health-related goods and services by the entity responsible for delivering the service (see Appendix 1.1). The estimates are presented in respect of Australian Government, state and territory governments, and non-government organisations and include expenditure on both mainstream and Indigenous-specific programs. Where 2008–09 estimates are provided these are in 2010–11 constant prices (see Appendix 1.6). Comparisons are made between 2008–09 and 2010–11 as the previous report in this series was for the 2008–09 reference period.

2.1 Total health expenditure

Recurrent health expenditure for Indigenous and non-Indigenous Australians increased across all areas of health expenditure from $112,533 million in 2008–09 to $123,656 million in 2010–11 (constant prices). The Indigenous component of health expenditure increased from $3,892 million to $4,552 million, equating to 3.7% of total expenditure (Table 2.1).

Health expenditure per Indigenous Australian increased by 12.0% between 2008–09 and 2010–11, from $7,139 in 2008–09 to $7,995 in 2010–11. In 2010–11, $1.47 was spent per Indigenous Australian for every dollar spent per non-Indigenous Australian.

The increase in the Indigenous health expenditure estimates reflects a faster rate of growth in health expenditure for Indigenous Australians, particularly in public hospital services, which is the largest area of health expenditure for Indigenous Australians. The availability of improved data sources to allocate expenditure into Indigenous and non-Indigenous components may also have contributed to this. For this reason, comparisons over time should be made with caution.

In 2010–11, public hospital services and community health services were the highest per person expenditure areas for Aboriginal and Torres Strait Islander people (Table 2.1), reflecting a greater reliance on these services by Indigenous Australians. Expenditure per person in public hospitals was more than double that for non-Indigenous Australians, while expenditure per person on community health services was more than 8 times that for non-Indigenous Australians (Table 2.1).

Table 2.1: Expenditure on health for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

Area of expenditure	Expenditure ($ million)			Indigenous share (per cent)	Expenditure ($) per person		Ratio (Indigenous to non-Indigenous)	
	Indigenous	Non-Indigenous	Total		Indigenous	Non-Indigenous	2010–11	2008–09
Total hospitals	**2,178.0**	**47,527.6**	**49,705.7**	**4.4**	**3,825.6**	**2,169.4**	**1.76**	**1.82**
Public hospital services[(a)]	2,067.4	36,870.4	38,937.8	5.3	3,631.3	1,683.0	2.16	2.25
Admitted patient services[(b)]	1,748.7	31,106.6	32,855.4	5.3	3,071.6	1,419.9	2.16	2.27
Non-admitted patient services	333.0	5,749.4	6,082.4	5.5	584.9	262.4	2.23	2.17
Private hospitals[(c)]	110.7	10,657.3	10,767.9	1.0	194.4	486.5	0.40	0.19
Patient transport services	183.4	2,601.4	2,784.7	6.6	322.1	118.7	2.71	2.79
Medical services	376.3	22,148.2	22,524.5	1.7	660.9	1,011.0	0.65	0.53
MBS services	286.0	17,380.7	17,666.8	1.6	502.4	793.3	0.63	0.55
Other	90.2	4,767.5	4,857.7	1.9	158.5	217.6	0.73	0.46
Dental services	84.8	7,780.8	7,865.5	1.1	148.9	355.2	0.42	0.40
Community health services[(d)]	1,119.6	5,172.0	6,291.6	17.8	1,966.5	236.1	8.33	6.93
Other health practitioners	43.8	4,053.4	4,097.2	1.1	77.0	185.0	0.42	0.33
Public health[(d)]	185.7	1,810.3	1,996.1	9.3	326.2	82.6	3.95	2.54
Medications	209.9	18,215.2	18,425.0	1.1	368.7	831.4	0.44	0.44
Aids and appliances	15.2	3,616.6	3,631.8	0.4	26.7	165.1	0.16	0.23
Research	124.2	4,158.5	4,282.7	2.9	218.2	189.8	1.15	1.09
Health administration	31.1	2,020.1	2,051.2	1.5	54.6	92.2	0.59	0.72
Total health	**4,552.0**	**119,104.1**	**123,656.1**	**3.7**	**7,995.4**	**5,436.5**	**1.47**	**1.39**

(a) Excludes dental services, patient transport services, community health services, public health and health research undertaken by the hospital.

(b) Admitted patient expenditure estimates adjust for Aboriginal and Torres Strait Islander under-identification.

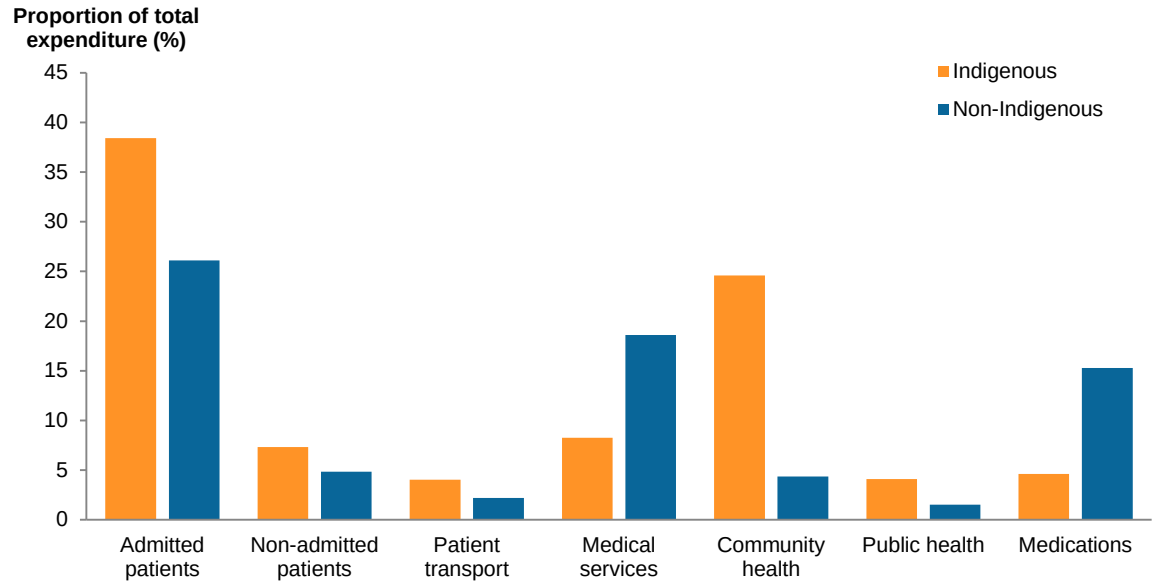
(c) Includes state/territory government expenditure for services provided for public patients in private hospitals. The estimates are not comparable to previous estimates due to improved methodology.

(d) Includes other recurrent expenditure on health not elsewhere classified, such as family planning previously reported under 'Other health services (n.e.c.)'. State and territory expenditure on Closing the Gap initiatives have been allocated to this category for the first time.

Source: AIHW health expenditure database.

The difference in average health expenditure between Indigenous and non-Indigenous Australians is likely to reflect, among other things, differences in the average costs of delivering goods and services to the two populations. For example, a higher proportion (23.3% in 2010–11) of Indigenous Australians live in *Remote* and *Very remote* areas of Australia where the cost of providing health goods and services is higher than for those who live in *Major cities* or *Inner regional* areas (Table 1.1).

In 2010–11, 38.4% of health expenditure for Aboriginal and Torres Strait Islander people was for admitted patient services, 24.6% for community health services and 8.3% for medical services. Admitted and non-admitted patient services, community health services, medical services, medications and patient transports combined accounted for 87.2% of the $4,552 million spent on health for Indigenous Australians, compared with 71.4% of the $119,104 million for non-Indigenous Australians (Table 2.1 and Figure 2.1). Figure 2.1 compares the proportion of total Indigenous and non-Indigenous expenditure on major health goods and services, highlighting the differences in health service use between the two populations.



Source: AIHW health expenditure database.

Figure 2.1: Contributions of selected areas to health expenditure for Indigenous and non-Indigenous Australians, 2010–11

2.2 Australian Government health expenditure

Australia's health care system is funded and administered by several levels of government (for example, Australian Government and state and territory governments) and is supported by non-government organisations, such as private health insurance funds. Responsibility for funding differs from responsibility for administering health services.

Health expenditure by the Australian Government refers to money spent on programs and services directly administered by the Australian Government, such as the MBS and PBS. This does not include grants from the Australian Government to the states and territories or private health insurance rebates as this is captured under Australian Government funding in Chapter 3.2 (see Appendix 1.1).

In 2010–11, the Australian Government's directly administered expenditure on health goods and services for Aboriginal and Torres Strait Islander people was estimated at $1,224 million (3.5% of total direct Australian Government health expenditure) (Table 2.2). This compares with $960 million in 2008–09 (2.9% of total, constant prices). Australian Government expenditure per person on health services in 2010–11 was higher for Indigenous Australians ($2,149 per person) than for non-Indigenous Australians ($1,558 per person), at a ratio of 1:1.38.

Table 2.2: Directly administered expenditure by the Australian Government on health for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

	Total expenditure ($ million)		Indigenous share	Expenditure per person ($)		
Area of expenditure	Indigenous	Non-Indigenous	(per cent)	Indigenous	Non-Indigenous	Ratio[(a)]
Total hospitals	47.1	1,924.0	2.4	82.8	87.8	0.94
Public hospital services	41.6	750.6	5.2	73.0	34.3	2.13
Private hospital services	5.5	1,173.4	0.5	9.7	53.6	0.18
Patient transport services	37.1	169.9	17.9	65.1	7.8	8.40
Medical services	335.1	16,769.0	2.0	588.7	765.4	0.77
MBS services	266.2	14,587.0	1.8	467.6	665.8	0.70
Other	68.9	2,182.1	3.1	121.1	99.6	1.22
Dental services	8.4	900.2	0.9	14.8	41.1	0.36
Other health practitioners	14.0	1,175.3	1.2	24.6	53.6	0.46
Community health services	444.4	558.6	44.3	780.6	25.5	30.62
Through ACCHSs	428.6	90.2	82.6	752.8	4.1	182.76
Other	15.9	468.4	3.3	27.9	21.4	1.30
Public health services	60.1	342.4	14.9	105.5	15.6	6.75
Medications	173.5	8,525.0	2.0	304.7	389.1	0.78
Benefit-paid pharmaceuticals	150.4	7,699.6	1.9	264.2	351.4	0.75
All other medications	23.1	825.4	2.7	40.5	37.7	1.07
Aids and appliances	7.1	394.4	1.8	12.5	18.0	0.69
Research	89.2	3,185.2	2.7	156.7	145.4	1.08
Health administration	7.6	192.2	3.8	13.4	8.8	1.53
Total health	**1,223.7**	**34,136.3**	**3.5**	**2,149.4**	**1,558.2**	**1.38**

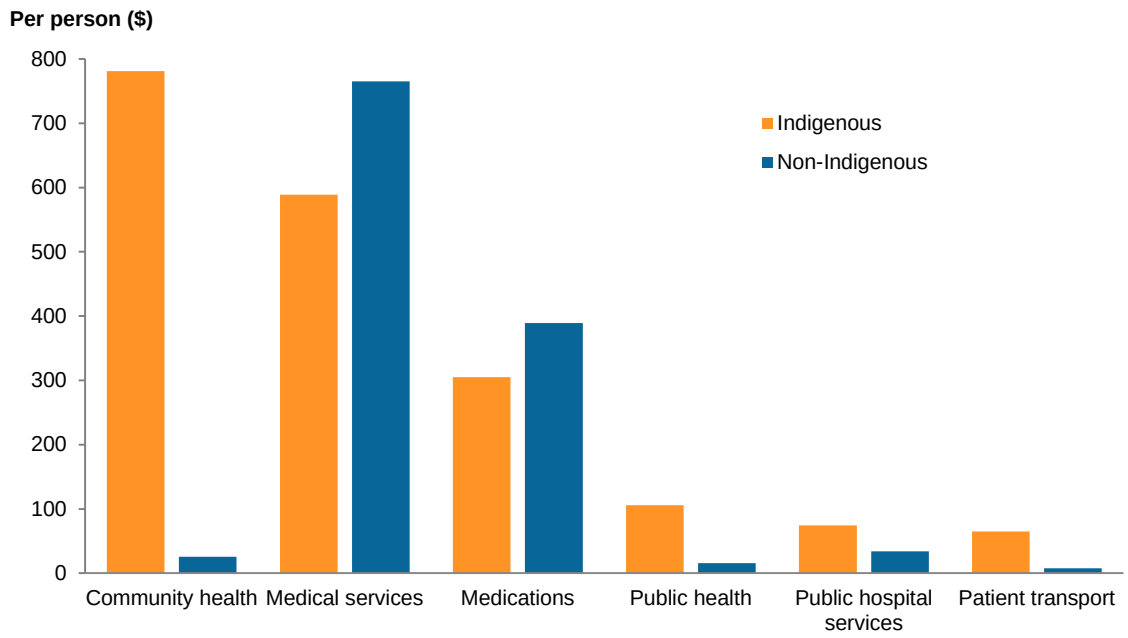
(a) Ratio of Indigenous to non-Indigenous per person expenditure.

Source: AIHW health expenditure database.

The largest areas of Australian Government health expenditure for Aboriginal and Torres Strait Islander people were (Table 2.2):

- community health services—$444 million (36.3% of Australian Government health expenditure)
- medical services—$335 million (27.4%)
- medications—$174 million (14.2%)
- health research—$89 million (7.3%).

Figure 2.2 compares direct Australian Government health expenditure per person on major health goods and services. Average expenditure per person on community health, public health, public hospital and patient transport services was higher for Indigenous Australians than for non-Indigenous Australians, but was lower for medical services and medications.



Source: AIHW health expenditure database.

Figure 2.2: Average directly administered expenditure per person by the Australian Government on selected areas of expenditure for Indigenous and non-Indigenous Australians, 2010–11

In 2010–11, an estimated $429 million of Indigenous health expenditure by the Australian Government was through Aboriginal Community Controlled Health Services (ACCHSs). ACCHSs are organisations funded by the Australian Government through the Department of Health and Ageing to provide various Indigenous-specific primary health care and substance misuse services, which are largely delivered in community-based settings (AIHW 2012a).

Medicare Benefits Schedule and the Pharmaceutical Benefits Scheme

Australia's national public health insurance scheme is funded and administered by the Australian Government. The scheme subsidises a wide range of health goods and services that are provided to consumers on a public and private basis. It consists of two main components—the Medicare Benefits Schedule (MBS) and the Pharmaceutical Benefits Scheme (PBS), which includes the Repatriation Pharmaceutical Benefits Scheme. Benefits paid under the MBS include medical services, such as visits to general practitioners and other health practitioners, and services delivered to patients receiving private hospital care. The MBS also subsidises both in-hospital and out-of-hospital care. In-hospital services covered by the MBS include such things as pathology and imaging for private patients in both private and public hospitals. Funding for in-hospital public patient services are generally through state and territory administration arrangements.

The PBS provides rebates for a wide range of prescription pharmaceuticals. Most of the medicines listed under the PBS are dispensed by pharmacists and are used by patients in their home. However, some medicines are accessible only through special arrangements and are supplied under Section 100 of the *National Health Act 1953*. In this report, PBS expenditure under Section 100 is restricted to medicines provided through the Remote Aboriginal Health Services Arrangement. This differs from the *Health expenditure Australia* report in which all medicines provided under the various Section 100 arrangements are included in the estimate.

In 2010–11, the Australian Government spent an estimated $281 million on MBS services and $166 million on PBS services for Indigenous Australians (Table 2.3). This represents an increase from 2008–09 when Indigenous expenditure was estimated at $217 million for MBS and $137 million for PBS.

Overall, per person expenditure for MBS services was lower for Indigenous Australians ($493) than for non-Indigenous Australians ($737) (Table 2.3). This represents an Indigenous to non-Indigenous per person expenditure ratio of 0.67. The expenditure ratio was higher for unreferred MBS services (0.99) than for referred MBS services (0.54). That is, Indigenous Australians had relatively higher expenditure on unreferred services.

As with MBS services, per person expenditure on PBS services was lower for Indigenous Australians ($291) than for non-Indigenous Australians ($366). This represents an Indigenous to non-Indigenous expenditure ratio of 0.80 in 2010–11, compared to 0.74 in 2008–09. The only PBS service with a high expenditure ratio was that under Section 100 on the *National Health Act 1953*. Section 100 arrangements allow patients attending an approved remote area Aboriginal and Torres Strait Islander health service to receive PBS medicines at no charge (Table 3.3).

The reliability of the MBS and PBS estimates continues to improve as the level of Indigenous identification rises. However, the increases in MBS and PBS expenditure should be interpreted with caution as the estimates have not been adjusted to exclude the effects of increasing Indigenous identification. For more information please refer to Appendix 1.3.

Table 2.3: Australian Government expenditure for the Medicare Benefits Schedule and Pharmaceutical Benefits Scheme services[a] for Indigenous and non-Indigenous Australians, by areas of expenditure, 2010–11

Type of health goods and services	Amount ($ million)		Indigenous share (per cent)	Expenditure per person ($)		Ratio (Indigenous to non-Indigenous)	
	Indigenous	Non-Indigenous		Indigenous	Non-Indigenous	2010–11	2008–09
MBS benefits[b]							
Unreferred services	134.3	5,208.2	2.5	235.9	237.8	0.99	0.90
General practitioners[c]	99.0	4,218.0	2.3	173.9	192.6	0.90	0.90
Other unreferred services[d]	35.3	990.3	3.4	62.0	45.2	1.37	0.90
Referred services	131.8	9,375.1	1.4	231.5	428.0	0.54	0.42
Specialist consultations	18.8	1,696.2	1.1	33.0	77.4	0.43	0.61
Pathology	38.9	2,065.8	1.8	68.3	94.3	0.72	0.45
Imaging	32.2	2,261.1	1.4	56.6	103.2	0.55	0.35
Operations	11.0	1,395.2	0.8	19.3	63.7	0.30	0.26
Other	30.9	1,956.8	1.6	54.3	89.3	0.61	0.40
All MBS medical services	**266.1**	**14,583.4**	**1.8**	**467.4**	**665.7**	**0.70**	**0.58**
Other services	14.5	1,550.8	0.9	25.5	70.8	0.36	0.34
Allied health services	6.1	500.1	1.2	10.7	22.8	0.47	0.28
Optometry services	4.4	311.7	1.4	7.8	14.2	0.55	0.34
Dental services	4.0	739.0	0.5	7.1	33.7	0.21	0.39
Total MBS benefits	**280.6**	**16,134.2**	**1.7**	**492.9**	**736.5**	**0.67**	**0.57**
Pharmaceutical benefits[e]							
Mainstream PBS	109.9	7,228.1	1.5	193.0	330.0	0.58	0.58
Section 100[f]	34.3	5.0	87.4	60.2	0.2	265.99	259.40
Other PBS special supply	21.7	774.1	2.7	38.2	35.3	1.08	0.55
Total PBS	**165.9**	**8,007.2**	**2.0**	**291.3**	**365.5**	**0.80**	**0.74**
Total PBS and MBS	**446.5**	**24,141.3**	**1.8**	**784.3**	**1,102.1**	**0.71**	**0.63**

(a) Includes Australian Government Department of Health and Ageing expenditure only.

(b) Includes in-hospital benefits and out-of-hospital benefits.

(c) Includes general practitioners and vocationally registered general practitioners.

(d) Includes practice nurses, Enhanced Primary Care Program and other unreferred services.

(e) Excludes highly specialised drugs dispensed from public and private hospitals.

(f) In this report the expenditure estimates for Section 100 are restricted to medicines provided through ACCHSs, whereas in HEA reports, expenditure for all medicines provided under Section 100 is included. For this reason, the total expenditure estimate for Section 100 in this report is lower than that reported in HEA.

Source: AIHW health expenditure database.

The availability of detailed MBS data enables the health expenditure estimates to be presented separately for in-hospital and out-of-hospital medical services (tables 2.4 and 2.5). MBS benefits for 'Other services', including dental, optometry and allied health services, can be claimed only for services provided in the community (that is, they are only provided as out-of-hospital services). Therefore, these categories have not been included in the table for in-hospital benefits (Table 2.4).

In 2010–11, the per person ratio of Indigenous to non-Indigenous MBS expenditure was considerably lower for in-hospital medical services (0.21) than for out-of-hospital medical services (0.74). The lower ratio for in-hospital medical services may reflect the different service use patterns of Indigenous and non-Indigenous Australians. Under the current structure of Medicare, a large proportion of in-hospital MBS benefits are paid to patients receiving private hospital care. Given that the Indigenous population has lower levels of private health insurance coverage (ABS & AIHW 2008), a lower ratio of in-hospital services is expected.

Table 2.4: Australian Government expenditure for in-hospital Medicare Benefits Schedule services for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

Type of in-hospital services	Amount ($ million)			Indigenous share (per cent)	Expenditure ($ per person)		Ratio [(a)]
	Indigenous	Non-Indigenous	Total		Indigenous	Non-Indigenous	
Unreferred services	0.1	19.5	19.6	0.5	0.2	0.9	0.19
General practitioners[(b)]	0.1	15.7	15.8	0.4	0.1	0.7	0.17
Other unreferred services[(c)]	—	3.8	3.8	0.7	—	0.2	0.27
Referred services	11.9	2,156.5	2,168.4	0.5	20.9	98.4	0.21
Specialist consultations	1.4	305.4	306.9	0.5	2.5	13.9	0.18
Pathology	1.1	231.6	232.7	0.5	1.9	10.6	0.18
Imaging	0.8	166.3	167.1	0.5	1.4	7.6	0.19
Operations	5.4	919.6	925.1	0.6	9.5	42.0	0.23
Other	3.1	533.5	536.7	0.6	5.5	24.4	0.23
Total	**12.0**	**2,176.1**	**2,188.0**	**0.5**	**21.1**	**99.3**	**0.21**

(a) Ratio of Indigenous to non-Indigenous per person expenditure.

(b) Includes general practitioners and vocationally registered general practitioners.

(c) Includes practice nurses, Enhanced Primary Care Program and other unreferred services.

Source: AIHW health expenditure database.

Table 2.5: Australian Government expenditure for out-of-hospital Medicare Benefits Schedule services for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

	Amount ($ million)			Indigenous share (per cent)	Expenditure ($ per person)		
Out-of-hospital services	Indigenous	Non-Indigenous	Total		Indigenous	Non-Indigenous	Ratio[(a)]
Unreferred services	134.2	5,188.7	5,322.9	2.5	235.7	236.9	1.00
General practitioners[(b)]	98.9	4,202.2	4,301.2	2.3	173.8	191.8	0.91
Other unreferred services[(c)]	35.3	986.5	1,021.8	3.5	61.9	45.0	1.38
Referred services	119.9	7,218.6	7,338.5	1.6	210.6	329.5	0.64
Specialist consultations	17.4	1,390.8	1,408.2	1.2	30.5	63.5	0.48
Pathology	37.8	1,834.2	1,872.0	2.0	66.4	83.7	0.79
Imaging	31.4	2,094.8	2,126.2	1.5	55.2	95.6	0.58
Operations	5.6	475.5	481.1	1.2	9.8	21.7	0.45
Other	27.8	1,423.3	1,451.1	1.9	48.8	65.0	0.75
All MBS medical services	**254.1**	**12,407.3**	**12,661.5**	**2.0**	**446.4**	**566.4**	**0.79**
Other services	14.5	1,550.8	1,565.3	0.9	25.5	70.8	0.36
Allied health services	6.1	500.1	506.2	1.2	10.7	22.8	0.47
Optometry services	4.4	311.7	316.1	1.4	7.8	14.2	0.55
Dental services	4.0	739.0	743.0	0.5	7.1	33.7	0.21
Total	**268.6**	**13,958.1**	**14,226.8**	**1.9**	**471.9**	**637.2**	**0.74**

(a) Ratio of Indigenous to non-Indigenous per person expenditure.

(b) Includes general practitioners and vocationally registered general practitioners.

(c) Includes practice nurses, Enhanced Primary Care Program and other unreferred services.

Source: AIHW health expenditure database.

2.3 State and territory governments health expenditure

State and territory government health expenditure refers to money spent on programs and services administered by the state and territory governments, such as hospital services and community and public health programs. This expenditure includes funds provided to the state or territory government from other sources including the Australian Government.

In 2010–11, the total health expenditure for Aboriginal and Torres Strait Islander people by the state and territory governments was estimated at $3,109 million, which represented 6.2% of state and territory government health expenditure (Table 2.6). This compares to $2,729 million (6.0%) in 2008–09.

Table 2.6: State and territory total and per person expenditure on health for Indigenous and non-Indigenous Australians, 2010–11

	Amount ($ million)			Indigenous share	Expenditure per person ($)		
State/territory	Indigenous	Non-Indigenous	Total	(per cent)	Indigenous	Non-Indigenous	Ratio[(a)]
NSW	664.4	14,696.4	15,360.8	4.3	3,977.4	2,068.4	1.92
Vic	180.7	11,261.9	11,442.6	1.6	4,855.8	2,029.8	2.39
Qld	778.6	9,391.9	10,170.5	7.7	4,784.0	2,141.4	2.23
WA	567.2	4,697.1	5,264.3	10.8	7,368.0	2,096.8	3.51
SA	238.6	4,032.5	4,271.1	5.6	7,766.1	2,489.7	3.12
Tas[(b)]	42.4	1,090.9	1,133.3	3.7	2,085.9	2,231.1	0.93
ACT[(c)]	48.3	1,034.4	1,082.8	4.7	n.a.	n.a.	n.a.
NT	588.5	426.9	1,015.4	58.0	8,497.6	2,657.9	3.20
Australia	**3,108.8**	**46,632.0**	**49,740.8**	**6.2**	**5,460.4**	**2,128.8**	**2.57**

(a) Ratio of Indigenous to non-Indigenous per person expenditure.

(b) Expenditure in Tasmania has increased significantly since 2008–09 as the under-identification of Indigenous persons in hospital has been taken into account in the 2010–11 calculations. This had led to an increase in Public hospital expenditure from $18.4m in 2008–09 to $28.1m in 2010–11. This result is not anomalous and represents an improvement in the methodology used.

(c) Australian Capital Territory per person expenditure estimates are not calculated, because estimates for the Australian Capital Territory include substantial expenditures for New South Wales residents. As a result, the Australian Capital Territory population is not an appropriate denominator.

Source: AIHW health expenditure database.

Health expenditure for Aboriginal and Torres Strait Islander people varies considerably across the jurisdictions (tables 2.6 and 2.8; Figure 2.3). For example, in 2010–11, the Northern Territory spent on average $8,498 per person on Indigenous Australians, more than twice the amount spent in New South Wales ($3,977). However, a similar pattern was observed for non-Indigenous Australians, with the Northern Territory spending approximately 29% more per non-Indigenous person than New South Wales. This is likely to reflect, at least in part, the higher cost of delivering services in remote areas and the economies of scale in the more populous states.

(a) Australian Capital Territory per person expenditure estimates are not calculated, because estimates for the Australian Capital Territory include substantial expenditures for New South Wales residents. As a result, the Australian Capital Territory population is not an appropriate denominator.

Source: AIHW health expenditure database.

Figure 2.3: Average per person state and territory[(a)] health expenditure for Indigenous and non-Indigenous Australians, 2010–11

Table 2.7 shows state and territory health expenditure for Indigenous and non-Indigenous Australians by area of expenditure. The main areas of expenditure for Aboriginal and Torres Strait Islander people were:

- public hospital services—$2,012 million (64.7% of total Indigenous health expenditure by the state and territory governments)
- community health services—$673 million (21.6%)
- patient transport services—$136 million (4.4%)
- public health services—$126 million (4.0%)
- private hospital service -- $72 million (2.3%)
- dental services—$49 million (1.6%).

Overall, the average per person expenditure was higher for Indigenous Australians ($5,460) than for non-Indigenous Australians ($2,129), with a ratio of 2.57.

Table 2.7: State and territory government health expenditure for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

Area of expenditure	Amount ($ million)		Indigenous share (per cent)	Expenditure per person ($)		Ratio[a]
	Indigenous	Non-Indigenous		Indigenous	Non-Indigenous	
Total hospitals	**2,083.3**	**36,515.8**	**5.4**	**3,659.2**	**1,666.9**	**2.20**
Public hospital services[b]	2,011.6	36,138.6	5.3	3,533.3	1,649.7	2.14
Admitted patient services[c]	1,405.3	25,265.5	5.3	2,468.4	1,153.4	2.14
Non-admitted patient services	606.3	10,873.1	5.3	1,065.0	496.4	2.15
Private hospital services	71.6	377.2	16.0	125.8	17.2	7.31
Patient transport services	135.6	2,274.3	5.6	238.2	103.8	2.29
Dental services	49.4	701.5	6.6	86.8	31.2	2.78
Community health services[d]	672.8	4,604.7	13.4	1,240.7	208.7	5.95
Alcohol and drug treatment	63.0	274.7	18.7	110.7	12.5	8.83
Community mental health	89.8	1,147.4	7.3	157.8	52.4	3.01
Other community health[d]	519.9	3,182.6	14.9	972.2	143.8	6.76
Public health services[e]	125.8	1,467.3	7.9	220.9	67.0	3.30
Communicable disease control	28.1	223.6	11.2	49.3	10.2	4.83
Selected health promotion	23.4	337.1	6.5	41.2	15.4	2.68
Organised immunisation	28.9	380.6	7.1	50.8	17.4	2.93
Environmental health	5.2	68.2	7.1	9.2	3.1	2.95
Food standards and hygiene	1.3	33.1	3.7	2.2	1.5	1.47
Breast & cervical cancer screening programs[e]	8.3	218.9	—	14.5	10.0	1.45
Prevention of hazardous & harmful drug use	22.4	149.1	13.1	39.3	6.8	5.78
Public health research	6.2	44.5	12.2	10.8	2.0	5.33
Public health n.f.d.	2.5	11.8	17.3	4.3	0.5	8.06
Research	23.6	633.5	3.6	41.4	28.9	1.43
Health administration	18.4	435.0	4.0	32.2	19.9	1.62
Total health expenditure	**3,108.8**	**46,632.0**	**6.2**	**5,460.4**	**2,128.8**	**2.57**

(a) Ratio of Indigenous to non-Indigenous per person expenditure.

(b) Excludes any dental services, patient transport services, community health services, public health and health research done by the hospital.

(c) Admitted patient expenditure estimates adjust for Aboriginal and Torres Strait Islander under-identification.

(d) Includes other recurrent expenditure on health not elsewhere classified, such as family planning previously reported under 'Other health services (n.e.c.)'. State and territory expenditure on Closing the Gap initiatives have been allocated to this category for the first time.

(e) Includes bowel cancer screening.

Source: AIHW health expenditure database.

Table 2.8 presents the state and territory health expenditure estimates per person by area of expenditure and jurisdiction. Per person expenditure for Aboriginal and Torres Strait Islander people varied across areas of expenditure. For example, the total per person ratio of Indigenous to non-Indigenous expenditure was 2.14 for public hospital services compared to 5.95 for community health services. There was also considerable variation in average per person expenditure between the states and territories. For example, per person expenditure on public hospital services for Indigenous Australians was more than three times higher for Western Australia ($5,183) than for Tasmania ($1,382).

Table 2.8: State and territory[(a)] health expenditure per person for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

Area of expenditure	NSW	Vic	Qld	WA	SA	Tas	NT	Total
				$ per person				
Public hospital services								
Indigenous	2,741.9	2,918.5	3,048.0	5,183.4	4,957.4	1,382.4	4,826.7	3,533.3
Non-Indigenous	1,677.2	1,703.1	1,522.5	1,505.5	1,752.0	1,712.5	1,639.3	1,649.7
Ratio	1.63	1.71	2.00	3.44	2.83	0.81	2.94	2.14
Admitted patients[(b)]								
Indigenous	1,891.9	2,035.5	2,103.1	3,472.9	3,266.5	910.9	3,764.8	2,468.4
Non-Indigenous	1,192.1	1,175.0	1,083.3	1,008.7	1,193.4	1,165.7	1,278.6	1,153.4
Ratio	1.59	1.73	1.94	3.44	2.74	0.78	2.94	2.14
Non-admitted patients								
Indigenous	850.0	850.0	944.9	1,710.5	1,690.9	471.5	1,061.9	1,065.0
Non-Indigenous	485.1	528.1	439.3	496.8	558.7	546.8	360.6	496.4
Ratio	1.75	1.61	2.15	3.44	3.03	0.86	2.94	2.15
Private hospital services								
Indigenous	—	23.3	5.2	874.2	6.0	99.9	5.8	125.8
Non-Indigenous	—	14.0	5.8	115.5	2.8	18.0	5.8	17.2
Ratio	—	1.67	0.91	7.57	2.16	5.53	1.00	7.31
Patient transport services								
Indigenous	150.2	103.3	346.5	257.9	381.1	83.1	237.3	238.2
Non-Indigenous	98.3	103.2	130.6	57.8	120.2	130.7	71.4	103.8
Ratio	1.53	1.00	2.65	4.46	3.17	0.64	3.32	2.29
Dental services								
Indigenous	126.2	78.4	57.0	31.8	93.7	70.3	133.2	86.8
Non-Indigenous	25.9	27.4	42.3	33.3	38.6	50.4	44.6	32.0
Ratio	4.87	2.86	1.35	0.96	2.43	1.40	2.99	2.71
Community health services[(c)]								
Indigenous	847.3	2,200.0	1,138.3	878.3	1,900.7	364.4	2,210.1	1,240.7
Non-Indigenous	189.4	88.0	296.9	232.2	347.8	228.6	669.3	208.7
Ratio	4.47	25.01	3.83	3.78	5.46	1.59	3.30	5.95

(continued)

Table 2.8 (continued): State and territory[(a)] health expenditure per person for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

Area of expenditure	NSW	Vic	Qld	WA	SA	Tas	NT	Total
				$ per person				
Public health services								
Indigenous	94.2	353.3	77.3	75.0	200.8	72.3	1,016.8	220.9
Non-Indigenous	58.7	60.5	67.8	83.1	72.9	77.6	210.4	67.0
Ratio	1.61	5.84	1.14	0.90	2.75	0.93	4.83	3.30
Research								
Indigenous	16.1	81.7	48.5	30.1	64.7	13.4	67.6	41.4
Non-Indigenous	17.4	27.5	47.1	30.2	24.3	13.4	17.1	28.9
Ratio	0.92	2.97	1.03	1.00	2.66	1.00	3.95	1.43
Health administration[(d)]								
Indigenous	1.5	—	63.1	37.2	161.8	—	—	32.2
Non-Indigenous	1.5	—	28.3	39.1	131.1	—	—	19.9
Ratio	1.00	—	2.23	0.95	1.23	—	—	1.62
Total health expenditure								
Indigenous	**3,977.4**	**4,855.8**	**4,784.0**	**7,368.0**	**7,766.1**	**2,085.9**	**8,497.6**	**5,460.4**
Non-Indigenous	**2,068.4**	**2,029.8**	**2,141.4**	**2,096.8**	**2,489.7**	**2,231.1**	**2,657.9**	**2,128.8**
Ratio	**1.92**	**2.39**	**2.23**	**3.51**	**3.12**	**0.93**	**3.20**	**2.57**

(a) Australian Capital Territory per person expenditure estimates are not calculated because estimates for the Australian Capital Territory include substantial expenditures for New South Wales residents. As a result, the Australian Capital Territory population is not an appropriate denominator.

(b) Admitted patient expenditure adjusted for Aboriginal and Torres Strait Islander under-identification.

(c) Includes other recurrent expenditure on health not elsewhere classified, such as family planning previously reported under 'Other health services (n.e.c.)'. State and territory expenditure on Closing the Gap initiatives have been allocated to this category for the first time.

(d) Health administration costs, Victoria, Tasmania and the Northern Territory are zero, as these jurisdictions have allocated administrative expenses into the functional expenditure categories in the table.

Source: AIHW health expenditure database.

2.4 Non-government health expenditure

This section provides health expenditure estimates for Aboriginal and Torres Strait Islander people by the non-government sector. These estimates include out-of-pocket expenses for MBS services (for example, GP visits), co-payments for PBS pharmaceuticals, expenditure on privately provided health goods and services (for example, physiotherapy, acupuncture), and contributions from third party insurers (for example, private health insurance).

In 2010–11, total non-government expenditure on health services was estimated at $38,336 million. Of this amount, an estimated $220 million (or 0.6%) was expenditure on health services for Aboriginal and Torres Strait Islander people (Table 2.9). This compares to $204 million (0.6%) in 2008–09 (constant prices).

In terms of per person expenditure, non-government expenditure was $386 per Indigenous person compared with $1,750 per non-Indigenous person in 2010–11, a per person ratio of 0.22. This is primarily due to the low private health insurance membership of Aboriginal and Torres Strait Islander people, as the most recent estimates from 2004–05 showed that 17.0% of the Aboriginal and Torres Strait Islander population had private health insurance compared with 51.0% for the non-Indigenous population (ABS & AIHW 2008).

Table 2.9: Non-government expenditure on health for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

	Expenditure ($ million)		Indigenous share	Expenditure per person ($)		
Area of expenditure	Indigenous	Non-Indigenous	(per cent)	Indigenous	Non-Indigenous	Ratio[(a)]
Total hospitals[(b)]	47.7	9,087.9	0.5	83.7	414.9	0.20
Patient transport services	10.7	157.2	6.4	18.7	7.2	2.61
Medical services	41.1	5,379.2	0.8	72.2	245.6	0.29
MBS services	19.8	2,793.8	0.7	34.8	127.5	0.27
Other	21.3	2,585.4	0.8	37.4	118.0	0.32
Dental services	26.9	6,179.0	0.4	47.3	282.1	0.17
Other health practitioners	29.8	2,878.1	1.0	52.4	131.4	0.40
Community health services	2.4	8.8	21.2	4.2	0.4	10.37
Medications	36.4	9,690.2	0.4	63.9	442.4	0.14
Benefit-paid pharmaceuticals	5.8	1,568.1	0.4	10.1	71.6	0.14
All other medications	30.6	8,122.1	0.4	53.8	370.8	0.15
Aids and appliances	8.1	3,222.1	0.3	14.2	147.1	0.10
Research	11.4	339.8	3.3	20.1	15.5	1.29
Health administration	5.1	1,392.9	0.4	9.0	63.6	0.14
Total health[(c)]	**219.5**	**38,335.7**	**0.6**	**385.6**	**1,750.0**	**0.22**

(a) Ratio of Indigenous to non-Indigenous per person expenditure.

(b) Hospital expenditure for the non-government sector is not broken down at the public and private level.

(c) Includes public health regulatory expenditure and patient transport services funded by the private sector.

Source: AIHW health expenditure database

2.5 Expenditure by government and non-government sectors

Australia's health care system is funded and administered by several levels of government (for example, Australian Government and state and territory governments) and is supported by non-government organisations, such as private health insurance funds. This section summarises the health expenditure estimates according to the entity responsible for administering the service (that is, by the Australian Government, state and territory governments, or non-government organisations). Responsibility for funding differs from responsibility for administering health services. For example, the MBS and PBS are both funded and administered by the Australian Government. Public hospital services, on the other hand, are administered by state and territory governments, even though the Australian Government contributes part of the funding. In this context, the Australian Government subsidy of private health insurance is included in non-government expenditure (except where it is administered by state or territory governments). For more information on funding see *Chapter 3*.

In 2010–11, overall government health expenditure was $85,101 million, of which $4,333 million was spent on Aboriginal and Torres Strait Islander people (5.1%). The non-government sector contributed an additional $38,555 million to the overall expenditure, of which $220 million was Indigenous expenditure (0.6%) and $38,336 million was non-Indigenous expenditure (99.4%). Aboriginal and Torres Strait Islander people had proportionally less expenditure on non-government services (4.8% of total Indigenous expenditure) than non-Indigenous Australians (32.2% of total non-Indigenous expenditure).

Overall, government expenditure accounts for 95.2% of spending on Aboriginal and Torres Strait Islander health services, with state and territory governments managing the majority of this expenditure in 2010–11 (71.8%) (Table 2.10).

Table 2.10: Health expenditure for Indigenous and non-Indigenous Australians, by government and non-government sectors, 2010–11

	Indigenous		Non-Indigenous		Total	
Program management	**Amount ($million)**	**Proportion (per cent)**	**Amount ($million)**	**Proportion (per cent)**	**Amount ($million)**	**Proportion (per cent)**
Through state and territory government programs[(a)]	3,108.8	68.3	46,632.0	39.2	49,740.8	40.2
Through Australian Government programs[(b)]	1,223.7	26.9	34,136.3	28.7	35,360.0	28.6
Through all government programs	*4,332.5*	*95.2*	*80,768.4*	*67.8*	*85,100.8*	*68.8*
Through all non-government programs	219.5	4.8	38,335.7	32.2	38,555.2	31.2
Total health	**4,552.0**	**100.0**	**119,104.1**	**100.0**	**123,656.1**	**100.0**

(a) Includes state/territory government expenditure on private hospitals, shown elsewhere in this report as funding by state/territory governments.

(b) Includes patient co-payments under MBS and PBS, shown elsewhere in this report as expenditure incurred by the non-government sector.

Source: AIHW health expenditure database.

Table 2.11 shows average per person expenditure by government and non-government sectors. The per person expenditure ratios highlight the differences in service use between Indigenous and non-Indigenous Australians—particularly for state and territory government expenditure, where the per person expenditure ratio was 2.57. The Australian Government also spent more per person on Aboriginal and Torres Strait Islander health services, with an expenditure ratio of 1.38. On the other hand, non-government sources had lower expenditure on Aboriginal and Torres Strait Islander people, with a per person ratio of 0.22. Overall, the expenditure patterns show that Aboriginal and Torres Strait Islander people have a greater reliance on government-administered health care services than non-Indigenous Australians (Table 2.11).

Table 2.11: Health expenditure per person for Indigenous and non-Indigenous Australians, by government and non-government sectors, 2010–11

	Expenditure per person ($)		
Program management	**Indigenous**	**Non-Indigenous**	**Ratio[a]**
Through state and territory government programs[b]	5,460.4	2,128.5	2.57
Through Australian Government programs[c]	2,149.4	1,558.2	1.38
Through all government programs	*7,609.8*	*3,686.7*	*2.06*
Through non-government programs	385.6	1,749.8	0.22
Total health	**7,995.4**	**5,436.5**	**1.47**

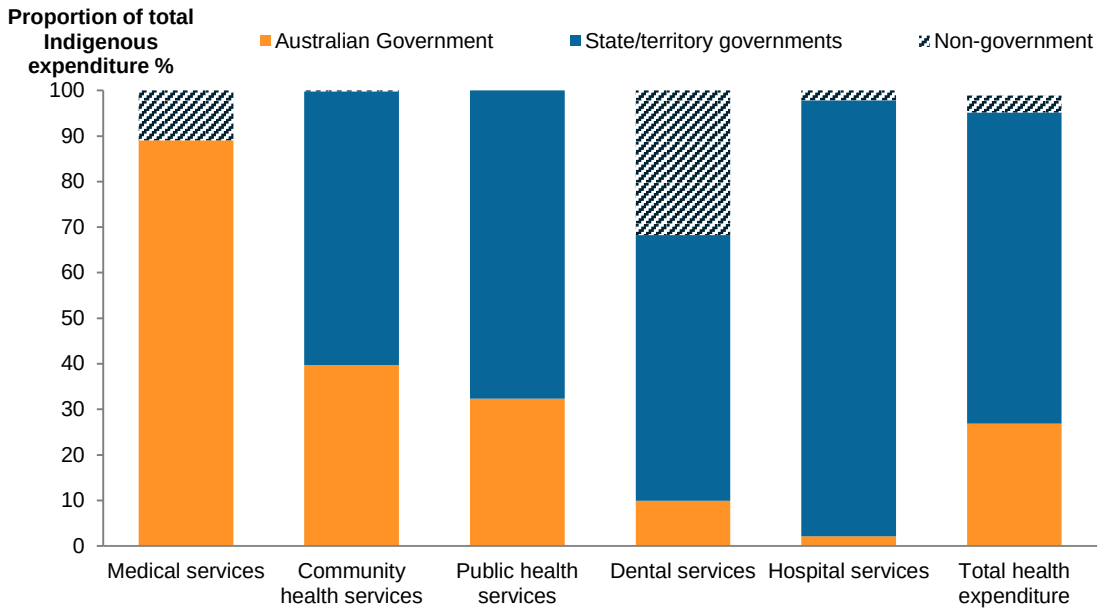
(a) Ratio of Indigenous to non-Indigenous per person expenditure.

(b) Includes state/territory government expenditure on private hospitals, shown elsewhere in this report as funding by state/territory governments.

(c) Includes patient co-payments under MBS and PBS, shown elsewhere in this report as expenditure incurred by non-government.

Source: AIHW health expenditure database.

Table 2.12 presents the Indigenous health expenditure estimates for Australian Government, state and territory governments, and the non-government sector by area of expenditure. As illustrated in Figure 2.4, the distribution of Indigenous expenditure between the government and non-government sectors varies considerably by area of expenditure. For example, for Aboriginal and Torres Strait Islander Australians, the state and territory governments spend the highest proportion on hospital services (95.6%), while the Australian Government spends the highest proportion on medical services (89.1%). This reflects the current institutional arrangements of the Australian health care system, whereby the state and territory governments have primary responsibility for delivering public hospital services and the Australian Government has primary responsibility for delivering medical services through the MBS.



Source: AIHW health expenditure database.

Figure 2.4: Proportion of health expenditure for Aboriginal and Torres Strait Islander people, selected areas of expenditure, by government and non-government sectors, 2010–11

Table 2.12: Expenditure on health for Indigenous and non-Indigenous Australians, by government and non-government sectors, 2010–11 ($ million)

	Australian Government		State/territory government		Non-government		Total expenditure	
Area of expenditure	**Indigenous**	**Non-Indigenous**	**Indigenous**	**Non-Indigenous**	**Indigenous**	**Non-Indigenous**	**Indigenous**	**Non-Indigenous**
Total hospitals[(a)]	47.1	1,924.0	2,083.3	36,515.8	47.7	9,087.9	2,178.0	47,527.6
Patient transport services	37.1	169.9	135.6	2,274.3	10.7	157.2	183.4	2,601.4
Medical services	335.1	16,769.0	—	—	41.1	5,379.2	376.3	22,148.2
Dental services	8.4	900.2	49.4	701.5	26.9	6,179.0	84.8	7,780.8
Other health practitioners	14.0	1,175.3	—	—	29.8	2,878.1	43.8	4,053.4
Community health services	444.4	558.6	672.8	4,604.7	2.4	8.8	1,119.6	5,172.0
Public health services	60.1	342.4	125.8	1,467.3	—	0.7	185.7	1,810.3
Medications	173.5	8,525.0	—	—	36.4	9,690.2	209.9	18,215.2
Aids and appliances	7.1	394.4	—	—	8.1	3,222.1	15.2	3,616.6
Research	89.2	3,185.2	23.6	633.5	11.4	339.8	124.2	4,158.5
Health administration	7.6	192.2	18.4	435.0	5.1	1,392.9	31.1	2,020.1
Total health	**1,223.7**	**34,136.3**	**3,108.8**	**46,632.0**	**219.5**	**38,335.7**	**4,552.0**	**119,104.1**

(a) Excludes any dental services, patient transport services, community health services, public health and health research done by the hospital.

Source: AIHW health expenditure database.

2.6 Comparison to Productivity Commission estimates

This AIHW report finds that per person government health expenditure on Aboriginal and Torres Strait Islander people was $2.06 for every $1.00 spent on non-Indigenous Australians in 2010–11 (Table 2.11). This is comparable to the Indigenous Expenditure Report (IER) released by the Productivity Commission in 2012, which found that per person government health expenditure on Aboriginal and Torres Strait Islander people was $2.02 for every $1.00 spent on non-Indigenous Australians in 2010–11.

A major difference between the two reports is that IER estimates only government health expenditure, whereas this report estimates both government and non-government health expenditure. Therefore, the total per person expenditure ratio of 1.47 presented in Table 2.11 (based on government and non-government expenditure) is not comparable to the IER total per person ratio of 2.02 (based on government expenditure only).

3 Health funding

This chapter presents estimates of total recurrent health funding for Aboriginal and Torres Strait Islander people. In this report, 'health funding' refers to money provided by an entity for a particular area of expenditure, regardless of who provides that service (see Appendix 1.1). The estimates are presented by Australian Government, state and territory governments, and non-government organisations and include funding for both mainstream and Indigenous-specific programs. Where 2008–09 estimates are provided these are in 2010–11 constant prices (see Appendix 1.6).

3.1 Total health funding

Table 3.1 shows total recurrent health funding in 2010–11, per person funding and Indigenous to non-Indigenous ratios by source of funds for Indigenous and non-Indigenous Australians.

In 2010–11, the Australian Government and state and territory governments provided the majority of funding (91.4%) for Aboriginal and Torres Strait Islander health services, as follows:

- Australian Government—44.8% ($2,041 million)
- states and territory governments—46.6%($2,119 million)
- non-government sources—8.6% ($392 million).

Health funding per person from the Australian and state and territory governments was much higher for Indigenous Australians ($7,307) than for non-Indigenous Australians ($3,704) in 2010–11 (Table 3.1).

The Australian Government funded 48% more per person for health services for Indigenous Australians ($3,584) than for non-Indigenous Australians ($2,418). Similarly, the state and territory governments' Indigenous health funding per person was nearly 3 times greater for Indigenous Australians ($3,722) than for non-Indigenous Australians ($1,286).

A summary of health funding by area of expenditure and sources of funds is presented in Table 3.2. Similarly, Figure 3.1 illustrates the distribution of health funding between government and non-government sectors for selected areas of expenditure.

Table 3.1 Health funding for Indigenous and non-Indigenous Australians, by source of funding, 2010–11

Source of funding	Amount ($ million)			Indigenous share (per cent)	Funding per person ($)		Ratio
	Indigenous	Non-Indigenous	Total		Indigenous	Non-Indigenous	
State and territory governments	2,119.2	28,172.0	30,291.2	7.0	3,722.3	1,285.9	2.89
Australian Government	2,040.7	52,967.2	55,007.8	3.7	3,584.4	2,417.7	1.48
Direct	1,245.0	33,078.3	34,323.3	3.6	2,186.7	1,509.9	1.45
Indirect through state/territory governments	746.1	13,493.9	14,240.0	5.2	1,310.5	615.9	2.13
Indirect through non-government[(a)]	49.6	6,394.9	6,444.5	0.8	87.1	291.9	0.30
All government	*4,159.9*	*81,139.2*	*85,299.0*	*4.9*	*7,306.6*	*3,703.6*	*1.97*
Non-government	392.1	37,964.9	38,357.1	1.0	688.8	1,732.9	0.40
Total health	**4,552.0**	**119,104.1**	**123,656.1**	**3.7**	**7,995.4**	**5,436.5**	**1.47**

(a) Includes private health insurance rebates for all Australians. Also includes Specific Purpose Payments covering highly specialised drugs in private hospitals and other payments.

Source: AIHW health expenditure database

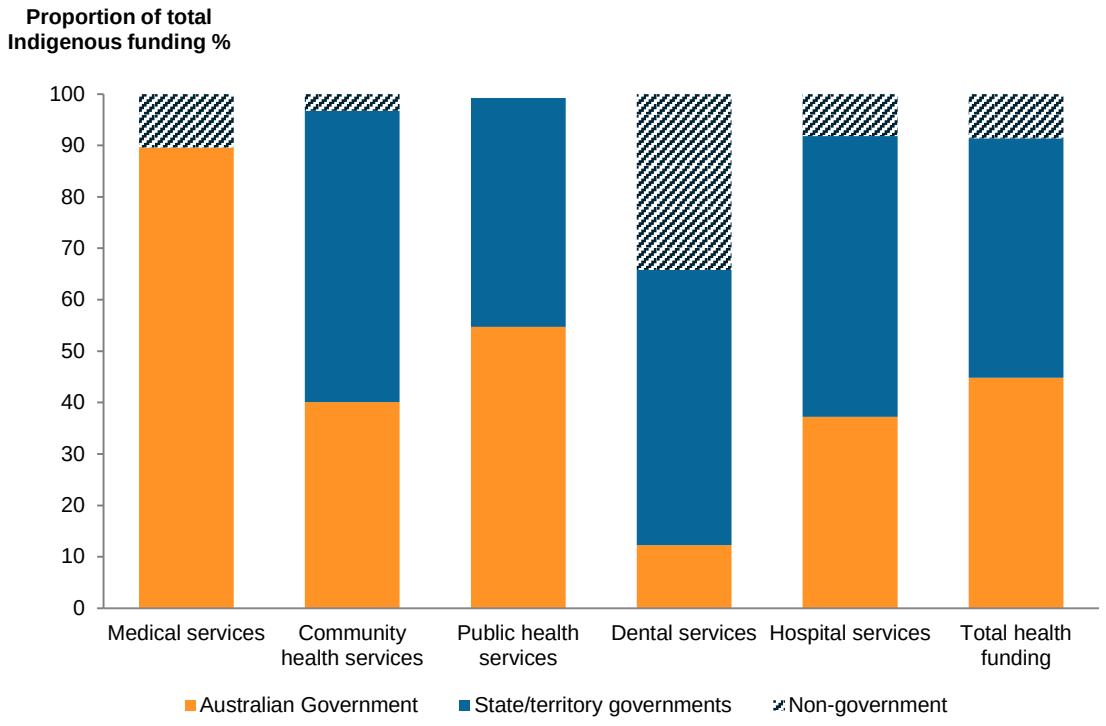
Table 3.2: Total health funding for Indigenous and non-Indigenous Australians, by area of expenditure and source of funds, 2010–11 ($ million)

	Australian Government		State/territory government		Non-government		Total funding	
Area of expenditure	**Indigenous**	**Non-Indigenous**	**Indigenous**	**Non-Indigenous**	**Indigenous**	**Non-Indigenous**	**Indigenous**	**Non-Indigenous**
Total hospitals	810.3	18,106.3	1,189.7	19,479.9	178.0	9,941.4	2,178.0	47,527.6
Public hospital services[(a)]	796.3	14,643.6	1,118.1	19,102.8	153.0	3,124.0	2,067.4	36,870.4
Private hospital services	14.0	3,462.7	71.6	377.2	25.1	6,817.4	110.7	10,657.3
Patient transport services	37.4	246.2	120.9	1,750.9	25.1	604.3	183.4	2,601.4
Medical services	337.0	17,262.6	—	—	39.3	4,885.6	376.3	22,148.2
Dental services	10.4	1,426.4	45.4	662.7	29.0	5,691.6	84.8	7,780.8
Other health practitioners	14.9	1,418.0	—	—	29.0	2,635.4	43.8	4,053.4
Community health services[(b)]	448.8	558.5	634.4	4,344.6	36.4	269.0	1,119.6	5,172.0
Public health services[(b)]	101.6	959.3	82.7	806.1	1.4	44.9	185.7	1,810.3
Medications	173.6	8,547.4	—	—	36.3	9,667.7	209.9	18,215.2
Aids and appliances	7.9	597.7	—	—	7.4	3,018.9	15.2	3,616.6
Research	89.8	3,206.7	27.9	699.1	6.6	252.7	124.2	4,158.5
Health administration	9.3	638.0	18.2	428.7	3.6	953.4	31.1	2,020.1
Total health	**2,040.7**	**52,967.2**	**2,119.2**	**28,172.0**	**392.1**	**37,964.9**	**4,552.0**	**119,104.1**

(a) Excludes any dental services, patient transport services, community health services, public health and health research done by the hospital.

(b) Includes other recurrent expenditure on health not elsewhere classified, such as family planning previously reported under ‘Other health services (n.e.c.)’. State and territory expenditure on Closing the Gap initiatives have been allocated to this category for the first time.

Source: AIHW health expenditure database



Source: AIHW health expenditure database.

Figure 3.1: Proportion of health funding for Aboriginal and Torres Strait Islander people, selected areas of funding, by government and non-government sectors, 2010–11

3.2 Australian Government health funding

Australian Government funding refers to money that is provided by the Australian Government for the delivery of health care services, regardless of who provides that service. The Australian Government provides health funding mostly through:

- Specific Purpose Payments (SPPs) associated with the National Healthcare Agreement and National Partnership Payments for health to states and territories
- MBS and PBS payments.

Since 2009–10, Australian Government health funding for Aboriginal and Torres Strait Islander people has included the Indigenous Chronic Disease Package (ICDP), under the Closing the Gap in Indigenous Health Outcomes National Partnership Agreement (NPA). The ICDP is the Australian Government's contribution to the NPA, and aims to reduce key risk factors for chronic disease by providing funding for preventive health, more coordinated and primary health care in both ACCHSs and mainstream general practice, and an expanded Indigenous health workforce (DoHA 2012). Funding for this initiative is reported under DoHA health programs.

In 2010–11, the total health funding for Aboriginal and Torres Strait Islander people from the Australian Government was estimated at $2,041 million, or 3.7% of the total Australian Government health funding (Table 3.3). This compares to $1,672 million (3.3%) in 2008–09 (constant prices). The average Australian Government health funding per Indigenous Australian was $3,584, compared with $2,418 per non-Indigenous Australian, a ratio of 1.48.

Table 3.3: Total and per person Australian Government health funding for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

	Funding ($ million)				Funding per person ($)		
Area of expenditure	Indigenous	Non-Indigenous	Total	Indigenous share (per cent)	Indigenous	Non-Indigenous	Ratio[(a)]
Total hospitals	810.3	18,106.3	18,916.6	4.3	1,423.2	826.5	1.72
Public hospital services	796.3	14,643.6	15,439.9	5.2	1,398.7	668.4	2.09
Private hospital services	14.0	3,462.7	3,476.7	0.4	24.5	158.1	0.16
Patient transport services	37.4	246.2	283.5	13.2	65.6	11.2	5.84
Medical services	337.0	17,262.6	17,599.6	1.9	591.9	788.0	0.75
Dental services	10.4	1,426.4	1,436.8	0.7	18.2	65.1	0.28
Other health practitioners	14.9	1,418.0	1,432.8	1.0	26.1	64.7	0.40
Community health services	448.8	558.5	1,007.3	44.6	788.2	25.5	30.92
Public health services	101.6	959.3	1,060.9	9.6	178.4	43.8	4.08
Medications	173.6	8,547.4	8,721.0	2.0	304.9	390.2	0.78
Aids and appliances	7.9	597.7	605.5	1.3	13.8	27.3	0.51
Research	89.8	3,206.7	3,296.5	2.7	157.7	146.4	1.08
Health administration	9.3	638.0	647.2	1.4	16.3	29.1	0.56
Total health	**2,040.7**	**52,967.2**	**55,007.8**	**3.7**	**3,584.4**	**2,417.7**	**1.48**

(a) Ratio of Indigenous to non-Indigenous per person expenditure.

Source: AIHW health expenditure database.

The majority of Australian Government health funding (58.9%) for Aboriginal and Torres Strait Islander people was delivered through DoHA and Department of Veterans' Affairs (DVA) combined. This was followed by Specific Purpose Payments to state and territory governments through which 36.6% of funding was contributed (Table 3.4).

Table 3.4: Total and per person Australian Government health funding for Indigenous and non-Indigenous Australians, by source of funds, 2010–11

	Funding ($ million)			Indigenous share (per cent)	Funding per person ($)		
Type of funds	Indigenous	Non-Indigenous	Total		Indigenous	Non-Indigenous	Ratio[(a)]
DoHA and DVA health	1,201.2	31,926.7	33,127.8	3.6	2,109.8	1,420.4	1.49
Specific Purpose Payments to states/territories	746.1	13,493.9	14,240.0	5.2	1,310.5	600.3	2.18
Rebates for private health insurance	17.0	4,614.4	4,631.3	0.4	29.8	205.3	0.15
Other Australian Government[(b)]	76.4	2,932.2	3,008.7	2.5	134.2	130.5	1.03
Total health	**2,040.7**	**52,967.2**	**55,007.8**	**3.7**	**3,584.4**	**2,417.7**	**1.48**

(a) Ratio of Indigenous to non-Indigenous per person expenditure.

(b) Includes capital consumption and research.

Source: AIHW health expenditure database.

3.3 State and territory government health funding

State and territory government health funding refers to money provided by the jurisdictions for health-related goods and services.

In 2010–11, total health funding for Aboriginal and Torres Strait Islander people from state and territory governments was estimated at $2,119 million. This represented 7.0% of total health funding from state and territory governments (Table 3.5). This compares to $1,870 million (6.6 %) in 2008–09 (constant prices).

Generally, funding by the state and territory governments for Aboriginal and Torres Strait Islander health was directed at services administered by the state and territory governments themselves. The largest two of these were public hospital services ($1,118 million) and community health services ($634 million).

Table 3.5: Total and per person state and territory government health funding for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

Area of expenditure	Funding ($ million)		Indigenous share (per cent)	Funding per person ($)		Ratio
	Indigenous	Non-Indigenous		Indigenous	Non-Indigenous	
Total hospitals	**1,189.7**	**19,479.9**	**6.1**	**2,089.7**	**866.6**	**2.41**
Public hospital services	1,118.1	19,102.8	5.5	1,963.9	849.9	2.31
Admitted patient services[(a)]	785.1	13,353.4	5.6	1,378.9	594.1	2.32
Non-admitted patient services	333.0	5,749.4	5.5	584.9	255.8	2.29
Private hospital services	71.6	377.2	16.0	125.8	16.8	7.50
Patient transport services	120.9	1,750.9	6.5	212.3	77.9	2.73
Dental services	45.4	662.7	6.4	79.7	29.5	2.70
Community health services	634.4	4,344.6	12.7	1,079.1	194.2	5.56
Public health services	82.7	806.1	9.3	141.6	32.5	4.36
Research	27.9	699.1	3.8	48.9	31.1	1.57
Health administration	18.2	428.7	4.1	32.0	19.1	1.68
Total funding	**2,119.2**	**28,172.0**	**7.0**	**3,683.4**	**1,250.8**	**2.94**

(a) Admitted patient expenditure adjusted for Aboriginal and Torres Strait Islander under-identification.

Source: AIHW health expenditure database.

3.4 Non-government health funding

Non-government health funding refers to money provided by private for-profit firms, non-government organisations, and individuals in the form of co-payments and out-of-pocket expenses. The funding provided by private health insurers for hospital and ancillary treatment is included under this category.

In 2010–11, total non-government health funding was estimated at $38,357 million. Of this, $392 million (1.0%) was spent on Indigenous Australians (Table 3.6). This compares to $350 million (1.0%) in 2008–09 (constant prices). In per person terms, non-government funding for Indigenous Australians was less than half (ratio of 0.41) that of non-Indigenous Australians in 2010–11.

There were several differences in the areas receiving non-government funding for Indigenous and non-Indigenous Australians. Medications comprised a much lower share of total non-government funding for Indigenous Australians (9.3%) compared with non-Indigenous Australians (25.5%), as did aids and appliances funding, which was 1.9% and 8.0%, respectively. Hospital service funding was the largest area of non-government funding for both groups; however, the proportion of total expenditure was higher for Indigenous Australians (45.4%) than for non-Indigenous Australians (26.2%). This compares with non-Indigenous Australians who received more non-government funding in other areas of expenditure, such as dental services and medications.

Table 3.6: Total and per person non-government health funding for Indigenous and non-Indigenous Australians, by area of expenditure, 2010–11

Area of expenditure	Funding ($ million)		Indigenous share (per cent)	Funding per person ($)		Ratio[(a)]
	Indigenous	Non-Indigenous		Indigenous	Non-Indigenous	
Total hospitals	178.0	9,941.4	1.8	312.7	442.3	0.71
Patient transport services	25.1	604.3	4.0	44.2	26.9	1.64
Medical services	39.3	4,885.6	0.8	69.0	217.4	0.32
MBS services	19.8	2,793.8	0.7	34.8	124.3	0.28
Other	19.5	2,091.8	0.9	34.2	93.1	0.37
Dental services	29.0	5,691.6	0.5	50.9	253.2	0.20
Other health practitioners	29.0	2,635.4	1.1	50.9	117.2	0.43
Community health services	36.4	269.0	11.9	64.0	12.0	5.35
Public health services	1.4	44.9	3.0	2.5	2.0	1.23
Medications	36.3	9,667.7	0.4	63.8	430.1	0.15
Benefit-paid pharmaceuticals	5.8	1,568.1	0.4	10.1	69.8	0.15
All other medications	30.5	8,099.6	0.4	53.7	360.3	0.15
Aids and appliances	7.4	3,018.9	0.2	12.9	134.3	0.10
Research	6.6	252.7	2.5	11.5	11.2	1.03
Health administration	3.6	953.4	0.4	6.4	42.4	0.15
Total health	**392.1**	**37,964.9**	**1.0**	**688.8**	**1,689.0**	**0.41**

(a) Ratio of Indigenous to non-Indigenous per person expenditure.

Source: AIHW Health expenditure database.

4 Expenditure on primary and secondary/tertiary health services

Aboriginal and Torres Strait Islander people tend to use mainstream services differently from the rest of the Australian population (AIHW 2008) and expenditure for primary and secondary/tertiary care for Aboriginal and Torres Strait Islander people is of considerable interest to policy makers. The estimates in this chapter underscore the different patterns of mainstream health service use between Indigenous and non-Indigenous Australians.

Box 4.1: Primary, secondary and tertiary health services

Primary care is defined as those services that are provided to the whole population (for example, public health and community health services), and services initiated by a patient such as those provided by general practitioners.

Secondary and tertiary services are defined as those generated within the health system through a referral, such as; specialist consultations; specialist procedures; diagnostic investigations/prescribed drugs ordered by specialists and all admitted patient treatment in hospitals.

More detailed information about how expenditure is allocated between primary and secondary and tertiary services is presented in Appendix 1.4.

Tables 4.1 and 4.2 show expenditure estimates on primary and secondary and tertiary health services (total and per person) for Indigenous and non-Indigenous Australians. In 2010–11, the Indigenous share of total expenditure on primary health services was 3.3%, and that of secondary and tertiary health services was 4.9% (Table 4.1).

For primary health services, community health services was the highest area of expenditure for Aboriginal and Torres Strait Islander people, representing 54.6% of expenditure, compared with 8.7% for non-Indigenous Australians. This expenditure includes funding provided by the Australian Government (through OATSIH) for ACCHSs, which provide access to primary health care services for Aboriginal and Torres Strait Islander people, as well as funding provided for the Closing the Gap in Indigenous Health Outcomes initiative under the NPA.

In terms of expenditure on secondary and tertiary health services in 2010–11, hospital services accounted for the highest area of expenditure for Aboriginal and Torres Strait Islander people, at 85.7% compared with 81.0% for non-Indigenous Australians (Table 4.1).

The Indigenous to non-Indigenous per person expenditure ratio was lower for primary health services (1.32) than for secondary and tertiary services (1.99) (Table 4.2).

Table 4.1: Health expenditure on primary and secondary/tertiary health services, 2010–11

Area of expenditure	Primary expenditure ($ million)		Indigenous share (per cent)	Secondary/tertiary expenditure ($ million)		Indigenous share (per cent)
	Indigenous	Non-Indigenous		Indigenous	Non-Indigenous	
Total hospitals	166.5	2,874.7	5.5	2,006.9	36,582.7	5.2
Admitted patient services	—	—	..	1,840.4	33,708.0	5.2
Non-admitted patient services	166.5	2,874.7	5.5	166.5	2,874.7	5.5
Patient transport services	91.7	520.3	15.0	91.7	2,081.1	4.2
Medical services	231.4	19,785.9	1.2	144.9	2,362.3	5.8
Dental services	84.8	7,780.8	1.1	—	—	—
Other health practitioners	21.9	2,026.7	1.1	21.9	2,026.7	1.1
Community health services	1,119.6	5,172.0	17.8	—	—	—
Public health services	185.7	1,810.3	9.3	—	—	—
Medications	139.0	16,442.8	0.8	70.8	1,772.3	3.8
Aids and appliances	10.1	3,264.7	0.3	5.1	351.9	1.4
Total health[(a)]	**2,050.7**	**59,678.2**	**3.3**	**2,341.4**	**45,177.0**	**4.9**

(a) Excludes expenditure on research and health administration.

Source: AIHW health expenditure database.

Table 4.2: Health expenditure per person on primary and secondary/tertiary health services for Indigenous and non-Indigenous Australians, 2010–11

Area of expenditure	Primary expenditure ($ per person)		Ratio	Secondary/tertiary expenditure ($ per person)		Ratio
	Indigenous	Non-Indigenous		Indigenous	Non-Indigenous	
Total hospitals	292.5	131.2	2.23	3,525.1	1,670.0	2.11
Admitted patient services	—	—	—	3,232.6	1,538.8	2.10
Non-admitted patient services	292.5	131.2	2.23	292.5	131.2	2.23
Patient transport services	161.0	23.8	6.78	161.0	95.0	1.70
Medical services	406.4	903.2	0.45	254.5	107.8	2.36
Dental services	148.9	355.2	0.42	—	—	—
Other health practitioners	38.5	92.5	0.42	38.5	92.5	0.42
Community health services	1,966.5	236.1	8.33	—	—	—
Public health services	326.2	82.6	3.95	—	—	—
Medications	244.2	750.6	0.33	124.4	80.9	1.54
Aids and appliances	17.7	149.0	0.12	9.0	16.1	0.56
Total health[(a)]	**3,601.9**	**2,724.3**	**1.32**	**4,112.5**	**2,062.3**	**1.99**

(a) Excludes expenditure on research and health administration.

Source: AIHW health expenditure database.

5 Changes over time 2001–02 to 2010–11

This chapter provides information about how selected components of health expenditure for Aboriginal and Torres Strait Islander people have changed over time. Expenditure for all years is presented in 2010–11 constant prices, which adjust for the effects of inflation by using either the annually re-weighted chain price indexes produced by the Australian Bureau of Statistics (ABS) or implicit price deflators derived by the ABS or AIHW (see Appendix 1.3). The reliability of the Indigenous expenditure estimates continues to improve as better data becomes available, therefore caution should be exercised when comparing the estimates over time.

Box 5.1: Time series estimate comparisons

The definition of health expenditure changed in 2007 to exclude high-care residential aged care, which was instead classified as welfare expenditure. For the purpose of comparison, high-care residential aged care expenditure has been omitted from all historical estimates in this chapter. This allows the health expenditure estimates to be compared over time, as well as providing estimates that are comparable to those in *Health expenditure Australia 2010–11* (AIHW 2012e).

Since 2006–07, the method for estimating MBS and PBS expenditure involves the use of Medicare VII data to estimate expenditure on medical services and prescription pharmaceuticals provided to Aboriginal and Torres Strait Islander people (see Appendix 1.3 for more details). The change in method may have contributed to the increase in MBS and PBS expenditure estimates in 2006–07, 2008–09 and 2010–11 reports compared with those in the 2001–02 and 2004–05 reports.

5.1 Change 2001–02 to 2010–11

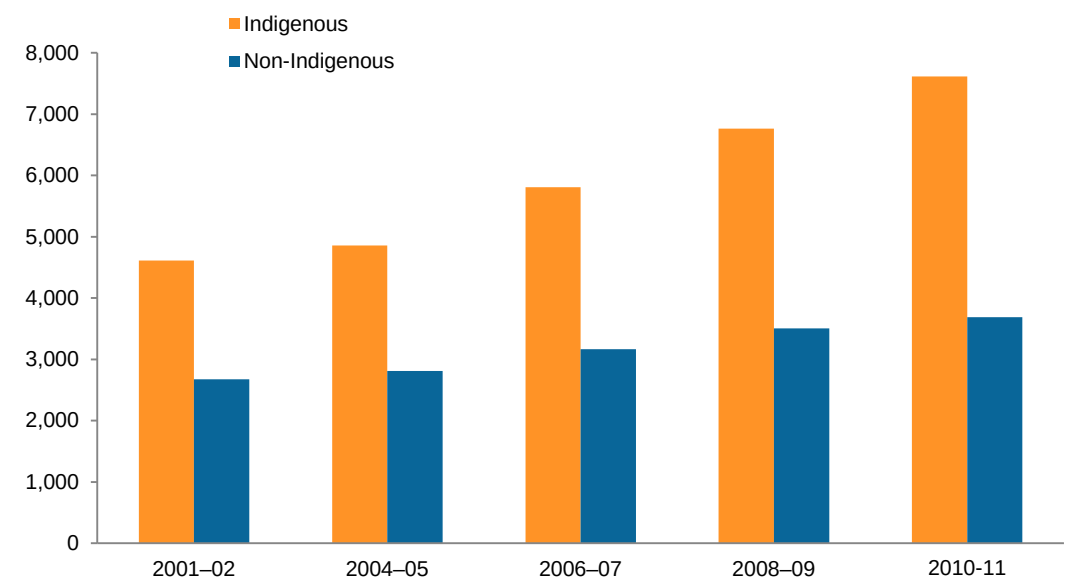
Figure 5.1 shows an increase in total health expenditure per person for Indigenous and non-Indigenous Australians from 2001–02 to 2010–11. The per person expenditure ratio between Indigenous and non-Indigenous Australians has generally increased over time. In 2010–11, the ratio was 1.47, compared to 1.20 in 2001–02, 1.21 in 2004–05, 1.31 in 2006–07 and 1.39 in 2008–09. This indicates that per person expenditure is rising at a faster rate for Indigenous Australians than for non-Indigenous Australians.

Government health expenditure, including Australian Government and state and territory government expenditure, has increased substantially for Indigenous Australians over the 9-year period, from $4,610 per person in 2001–02 to $7,612 per person in 2010–11 (in constant prices) (Table 5.1). This represents a total increase of 65.1%, with an average annual growth rate of 5.7%.

Per person health expenditure by the state and territory governments on Aboriginal and Torres Strait Islander people grew by 54.2% between 2001–02 and 2010–11, while Australian Government expenditure grew by 101.3% over the same period.

MBS and PBS benefits were a substantial component of the Australian Government growth in health expenditure for Aboriginal and Torres Strait Islander people, accounting for 50.9% of Australian government growth between 2001–02 and 2010–11 (calculated from Table 5.1).

Some of the increase in Indigenous health expenditure per person may have been due to improvements in data collection rather than actual change (see Box 5.1 and Appendix 1.3).



(a) Constant price expenditure for 2001–02 to 2010–11 is expressed in 2010–11 prices. See section A1.3 of the Appendix for more details. High-level residential aged care expenditure has been subtracted from the estimates published in the 2001–02 and 2004–05 reports in the series.

Source: AIHW health expenditure database.

Figure 5.1: Government health expenditure per person for Indigenous and non-Indigenous Australians, 2001–02 to 2010–11[(a)]

Table 5.1: Government health expenditure per person for Aboriginal and Torres Strait Islander people, constant prices[(a)] 2001–02 to 2010–11[(b)(c)]

	$ per person					Change 2001–02 to 2010–11		Change 2008–09 to 2010–11	
	2001–02	2004–05	2006–07	2008–09	2010–11	Growth 2001–02 to 2010–11 (per cent)	Average annual growth (per cent)	Growth 2008–09 to 2010–11 (per cent)	Average annual growth (per cent)
Australian Government	**1,068.7**	**1,350.0**	**1,509.1**	**1,760.1**	**2,151.2**	**101.3**	**8.1**	**22.2**	**10.6**
ACCHS grants	504.6	527.3	554.0	622.1	752.8	49.2	4.5	21.0	10.0
MBS and PBS	233.8	360.6	515.3	631.9	784.3	235.5	14.4	24.1	11.4
MBS	159.2	222.1	338.0	380.5	492.9	209.6	13.4	29.6	13.8
PBS	74.5	138.5	177.3	251.4	291.3	290.8	16.4	15.9	7.6
Other	330.4	462.1	439.8	506.1	614.1	85.9	7.1	21.3	10.2
State/territory governments	**3,541.7**	**3,508.4**	**4,299.7**	**5,004.7**	**5,460.4**	**54.2**	**4.9**	**9.1**	**4.5**
Admitted patient services in public hospitals	2,351.1	2,289.1	3,050.2	3,453.5	3,533.3	50.3	4.6	2.3	1.1
Community/public health	828.5	630.0	771.9	980.6	1,240.7	49.8	4.6	26.5	12.5
Other	362.2	589.3	477.7	570.6	686.4	89.5	7.4	20.3	9.7
Total governments	**4,610.4**	**4,858.4**	**5,808.8**	**6,764.7**	**7,611.6**	**65.1**	**5.7**	**12.5**	**6.1**

(a) Constant price health expenditure for 2001–02 to 2010–11 is expressed in terms of 2010–11 prices. Refer to the Appendix for further details.

(b) Indigenous population estimates used to estimate the expenditure figures are all derived from 2006 Census base.

(c) Estimates for 2001–02 and 2004–05 exclude depreciation, but those for 2006–07, 2008–09 and 2010–11 include depreciation. This reduces the 2004–05 state/territory government numbers by about 5%, but has minimal impact on the Australian Government numbers.

Source: AIHW health expenditure database.

5.2 Change 2008–09 to 2010–11

Between 2008–09 and 2010–11, per person government health expenditure on Aboriginal and Torres Strait Islander people increased by $847 (in constant prices). This represented an average annual growth rate of 6.1%. Expenditure per person was higher in all areas of government expenditure for 2010–11 compared with 2008–09 (Table 5.1). The corresponding figure for non-Indigenous Australians is a $182 per person expenditure increase, which equates to a 2.6% average annual growth rate.

State and territory government expenditure accounted for 53.8% of the per person increase in government expenditure on Aboriginal and Torres Strait Islander people between 2008–09 and 2010–11. Growth in community and public health services contributed to 30.7% of this increase and admitted patients in public hospitals contributed 9.4%.

Australian Government expenditure growth accounted for 46.2% of the growth in government expenditure for Aboriginal and Torres Strait Islander people between 2008–09 and 2010–11. Of this, MBS and PBS services accounted for 18.0% of the total growth and grants to ACCHSs accounted for 15.4%.

Appendix: Definitions, data quality and methods

A1.1 Health expenditure definition and concepts

Health expenditure is defined as expenditure on health goods and services and health–related investment. The definition closely follows the definitions and concepts provided by the Organisation for Economic Co–operation and Development, which defines health expenditure as 'expenditure on activities that – through the application of medical, paramedical and nursing knowledge and technology – has the goals of:

- Promoting health and preventing disease;
- Curing illness and reducing premature mortality;
- Caring for persons affected by chronic illness who require nursing care;
- Caring for persons with health-related impairment, disability, and handicaps who require nursing care;
- Assisting patients to die with dignity;
- Providing and administering public health;
- Providing and administering health programmes, health insurance and other funding arrangements ' (OECD 2012).

Health expenditure excludes:

- expenditure that may have a 'health' outcome but that is incurred outside the health sector (such as expenditure on building safer transport systems and removing lead from petrol)
- 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.

It should be noted that estimates in this report relate to the use of health services. Unmet health needs are not identified, though expenditure patterns point to possible gaps in service use. The expenditure estimates should be interpreted in light of assessments about how the 'need' for services varies between Indigenous and non-Indigenous Australians. This is beyond the scope of this report; however, analysis of expenditure data is an important step in enabling an in-depth analysis of need for services of Aboriginal and Torres Strait Islander people.

The use of the terms 'health expenditure' and 'health funding' in *Expenditure on health for Aboriginal and Torres Strait Islander people 2010–11* differ slightly from those used in the *Health expenditure Australia 2010–11* (AIHW 2012e). As described above, 'health expenditure' refers to the amount of money spent by the entity responsible for administering the program. As such, 'health expenditure' includes funding from multiple government and non-government sources. For example, state or territory government expenditure on public hospital services has multiple funding sources, including the Australian Government, private health insurance organisations, and the state or territory government itself.

On the other hand, 'health funding' refers to all funds provided by the entity for a particular area of expenditure, regardless of who provides that service. For example, the Australian Government is a major funder of public hospital services, but they are not directly responsible for administering these services.

The term 'health funding' in *Expenditure on health for Aboriginal and Torres Strait Islander people 2010–11* is comparable to 'health expenditure' used in the *Health expenditure Australia 2010–11* (AIHW 2012e). It should also be noted that in *Expenditure on health for Aboriginal and Torres Strait Islander people 2010–11*, health expenditure is estimated at the provider level, while in the *Health expenditure Australia* reports, health expenditure is reported from a whole-of-government perspective.

Consistent with *Health expenditure Australia 2010–11* (AIHW 2012e), this report does not present data on residential aged care expenditure. As a result, data contained in this report are not comparable with those published in this series for the years 1995–96, 1998–09, 2001–02 and 2004–05. In these reports, high-care residential aged care expenditure was classified as a health service because of its nursing care component. For the 2006–07 report, expenditure on high-level residential care was included in some estimates but excluded for others. Since 2008–09, expenditure on high-level residential care is not reported in this series.

The Indigenous health expenditure estimates are reported by 13 major areas of expenditure. The definitions for each area of expenditure are contained in Table A1.

Table A1: Major areas of health expenditure

Term	Definition
Public hospitals	Hospitals operated by, or on behalf of, state and territory governments, which provide various hospital services that may include services to patients with psychiatric disorder and are recognised under the Australian Health Care Agreements.
Public hospital services	Services provided to a patient treated by a public hospital (as defined above), but excludes, where possible, dental services, community health services, patient transport services, public health and health research done by the hospital. Can include services provided off the hospital site, such as hospital in the home dialysis or other services.
Private hospitals	Privately owned and operated institutions that provide various general hospital services. The term includes private freestanding day hospital facilities.
Patient transport	Public or registered non-profit organisations that provide patient transport (or ambulance) services associated with outpatient 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 of a type listed in the Medicare Benefits Schedule (MBS) 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 the MBS. Expenditure on medical services includes services provided to private patients in hospitals as well as some expenditure that is not based on fee-for-service (that is, alternative funding arrangements like Practice Grants). It also includes expenditure funded by injury compensation insurers. Expenditure on medical services provided to public patients in public hospitals and medical services provided to public patients at outpatient clinics in public hospitals is excluded.
Other health practitioner services	Services provided by registered health practitioners (other than doctors and dentists). These include chiropractors, optometrists, physiotherapists, speech therapists, audiologists, dieticians, podiatrists, homeopaths, naturopaths, practitioners of Chinese medicine and other forms of traditional medicine.
Medications	Comprises benefit-paid pharmaceuticals listed under the Pharmaceutical Benefits Scheme (PBS) and other medications for which no PBS benefits are paid, such as over-the-counter medications. Includes pharmaceuticals provided through the Repatriation Pharmaceutical Benefits Scheme.

Aids and appliances	Durable medical goods dispensed to outpatients, which are designed for use more than once, such as optical products, hearing aids, wheelchairs and orthopaedic appliances and prosthetics that are not implanted surgically. Excludes prostheses fitted as part of admitted patient care in a hospital.
Community health	Includes: - alcohol and other drug treatment - community mental health services - other community health services—such as domiciliary nursing services, well baby clinics and family planning services - services provided under the National Partnership Agreement on Closing the Gap (included for the first time).
Public health	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. The reporting categories are: - 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 - public health not further defined (n.f.d.).
Dental services	Services provided by registered dental practitioners. Includes maxiofacial surgery items listed in the MBS. Dental services provided by the state and territory governments.
Health administration	Activities related to formulating and administering government and non-government policy in health and in the setting and enforcement of standards for medical and paramedical personnel and for hospitals, clinics, and others. Includes the regulation and licensing of providers of health services.
Health research	Research funded by tertiary institutions, private non-profit organisations and government agencies that have a health objective.

A1.2 Health expenditure data sources

Estimates of overall health expenditure used in this report are from the AIHW health expenditure database. The AIHW compiles the AIHW health expenditure database annually from a wide range of government and non-government sources. As much as possible these data are on an accrual basis. Data sources include:

- the Department of Health and Ageing
- the Australian Bureau of Statistics
- the Department of Veterans' Affairs
- state and territory health departments
- the Private Health Insurance Administration Council

- Comcare
- the major workers compensation and compulsory third party motor vehicle insurers in each state and territory.

See the data quality statement available in *Health expenditure Australia 2010–11* (AIHW 2012e) and online <http://meteor.aihw.gov.au/content/index.phtml/itemId/489552> for further details about these data.

A1.3 Data and methods used to estimate in estimates on health for Aboriginal and Torres Strait Islander people

The methods used to allocate expenditure between Indigenous and non-Indigenous Australians for each expenditure category are outlined below.

Some of the expenditure patterns in this report may be influenced by variations in the completeness of Indigenous identification, despite the adjustments made for under-identification. The use of scaled-up MBS and PBS data based on the level of Voluntary Indigenous Identifier (VII) enrolment is one such example. It is possible that health expenditure estimates for Aboriginal and Torres Strait Islander people may slightly overestimate or underestimate the actual level of health expenditure. Estimating health expenditure for Indigenous Australians is an evolving field, and so conclusions about minor changes over time should be made with caution.

Hospital expenditure

Admitted patients

Hospital records indicate whether an admitted patient is Aboriginal and Torres Strait Islander or non-Indigenous based on a question on the forms completed on admission. However, the question is not always asked or answered, and there is therefore a degree of under-identification of Aboriginal and Torres Strait Islander people in hospital records.

In this report, admitted and non-admitted patient expenditure was calculated from data in the AIHW Hospital Morbidity Costing Model (HMCM). This model applies Australian-Refined Diagnosis Related Group weights and length of stay adjustment to both Indigenous and non-Indigenous cases for each hospital. The model takes into account differences not only in casemix but also in hospital operating costs across the regions. It also adjusts for under-identification in hospital admissions in each state and territory based on the study discussed below.

Indigenous identification in hospital separations data

Estimates of the level of Indigenous under-identification from *Indigenous identification in hospital separation data* (AIHW, forthcoming) were used to adjust admitted patient expenditure in public hospitals. In some states and territories, an average statewide under-identification factor was applied to all hospital separations. In others, different under-identification factors were used depending on the region in which particular service(s) were located.

As the AIHW study on Indigenous identification in hospitalisation data did not include private hospitals, an under-identification factor of 54% was applied to data for private hospitals. This factor was derived from the analysis of linked hospital morbidity data from New South Wales (AIHW: Deeble et al. 1998).

A loading of 5% is added to the Aboriginal and Torres Strait Islander patient costs to take into account known differences in comorbidity for similar Diagnosis Related Groups in Aboriginal and Torres Strait Islander patients. This has been done in each of the *Expenditure on health for Aboriginal and Torres Strait Islander people* reports since the one for the 1998–99 year (AIHW 2001, 2005a, AIHW: Deeble et al. 2008, AIHW 2009, AIHW 2011a).

Non-admitted patients

Estimates of the Aboriginal and Torres Strait Islander proportion of non-admitted patient expenditure were derived from the HMCM.

Patient transport

A variety of indicators was used to estimate the Indigenous proportion of patient transport expenditure. The percentage of Indigenous patients using the Royal Flying Doctor Service was one such indicator, as was the Indigenous proportion of non-admitted patients.

Medicare Benefits Schedule and Pharmaceutical Benefits Scheme

When Medicare was introduced in 1984 there was no provision for identifying a person's Indigenous status in Medicare records. Since 2002, Aboriginal and Torres Strait Islander people have been able to voluntarily identify themselves to Medicare as Indigenous. Voluntary identification has allowed information to be collated on the service use patterns of the Indigenous population, including the type of service used, benefit paid and fee charged, and type of pharmaceutical dispensed.

As at June 2010, about 294,453 (52%) of the Aboriginal and Torres Strait Islander population had identified as Indigenous through Medicare. This proportion varies by age group and sex as well as the state or territory and remoteness of the person's residence. Analysis of the VII and MBS data indicates that the benefits paid to those who identify as Indigenous are broadly representative of the benefits paid nationally for the Aboriginal and Torres Strait Islander population.

The levels of MBS and PBS expenditure by Aboriginal and Torres Strait Islander people who have voluntarily identified as Indigenous have been scaled up to estimate expenditure for all Aboriginal and Torres Strait Islander people. The fees charged and benefits paid for MBS services, PBS pharmaceuticals as well as out-of-pocket payments made by Aboriginal and Torres Strait Islander patients registered with the VII are multiplied by scale-up factors. These are calculated using the formula:

> Factor = 100 / percentage of VII enrolees to estimated Aboriginal and Torres Strait Islander resident population

VII data have been used in this way since the 2006–07 report. The use of VII data provides more precise estimates of MBS and PBS expenditure, and the reliability of the estimates continues to increase as the level of voluntary identification rises. Nonetheless, comparisons over time should be interpreted with caution as the effect of increasing coverage on the Indigenous expenditure estimates has not been isolated.

Community health services

The source of data used to estimate health expenditure for Indigenous and non-Indigenous Australians through ACCHSs is the OATSIH Service Report database reported in *Aboriginal and Torres Strait Islander health services report, 2010–11: OATSIH services reporting – key results* (AIHW 2012a). This database includes data previously collected under the Service Activity Report and Drug and Alcohol Service Report, and Bringing Them Home and Link Up counselling services data collections. Other services provided by ACCHSs, such as those billed to MBS or funded by states and territories, are reported as MBS or jurisdictional expenditure respectively.

Before the 2008–09 report in this series, information for Australian Government-funded Aboriginal and Torres Strait Islander primary health care service came from the Service Activity Report database. This joint project of OATSIH and the National Aboriginal Community Controlled Health Organisation was used to estimate the Indigenous proportions.

Estimates of health expenditure for Aboriginal and Torres Strait Islander people that have used OATSIH Service Report data should be interpreted with caution, as they may not be directly comparable with those in reports before 2008–09 that used Service Activity Report data.

It was more difficult to estimate the Aboriginal and Torres Strait Islander people's share of state and territory-funded mainstream community health services. The estimates were based on information from states and territories and the best indicators of Aboriginal and Torres Strait Islander use of services. Where there were no such indicators, the Aboriginal and Torres Strait Islander share was based on the Aboriginal and Torres Strait Islander proportion of the population in the geographic area that the programs were intended to serve. Use of the population proportion may underestimate expenditure, as it does not take into account the possible higher cost of delivery of services for Aboriginal and Torres Strait Islander people. While this is currently the best available methodology for estimating this expenditure, it is recognised that improvements may be possible in the future.

Public health services

The estimates presented here were based on information from the jurisdictions and the best indicators of Aboriginal and Torres Strait Islander use. The breast, cervical and bowel cancer screening proportions were derived from AIHW reports—*Cervical screening in Australia 2009–10* (AIHW 2012d), *Breast cancer in Australia: an overview* (AIHW 2012c) and *National Bowel Cancer Screening Program monitoring report: Phase 2, July 2008- June 2011*(AIHW 2012f).

Where there were no such indicators, the Aboriginal and Torres Strait Islander share was based on the Aboriginal and Torres Strait Islander proportion of the populations in the geographic area that the programs served. See note above about the use of the population proportion.

Dental, health research, health administration and 'other'

The Indigenous proportions of the dental, health research, health administration and 'other' categories of health expenditure were derived using various indicators from secondary sources and/or state-based data. These indicators included, but were not limited to, the overall MBS/PBS proportion, the private hospital public patient proportion (from the AIHW

HMCM) and the population proportion of the geographic area the programs served. See note above about the use of the population proportion.

Capital expenditure

For the 2006–07 and onwards reports, capital expenditure on health service infrastructure—such as hospitals and clinics—has not been distributed between Indigenous and non-Indigenous Australians. The expenditure figures do include capital consumption or depreciation. Before the 2006–07 report depreciation was excluded. This change is consistent with the recommendations of the OECD's System of Health Accounts whereby consumption of fixed capital is distributed across the health services categories.

A1.4 Primary and secondary/tertiary expenditure for Aboriginal and Torres Strait Islander people

Primary care is defined as those services that are provided to the whole population (for example, public health and community health services), and services initiated by a patient such as those provided by general practitioners. Secondary and tertiary services are defined as those generated within the health system through a referral, such as specialist consultations; specialist procedures; diagnostic investigations/prescribed drugs ordered by specialists; and all admitted patient treatment in hospitals. Specific inclusions are outlined below.

Primary care

Primary care includes:

- all expenditure on public health activities and community health services, including all expenditure on health services provided through the ACCHSs
- expenditure on general practitioners services for which benefits were paid under MBS to Aboriginal and Torres Strait Islander people, and the diagnostic services general practitioners ordered
- pharmaceuticals prescribed by general practitioners for which PBS benefits were paid
- pharmaceuticals provided through Section 100 arrangements in remote areas
- a proportion of aids and appliances, split along the same lines as PBS expenditure on pharmaceuticals.

The costs of patient transport services for Indigenous and non-Indigenous Australians have been estimated using the following methods:

- for Indigenous Australians, 50% of their total patient transport services were allocated to primary care.
- for non-Indigenous Australians, 20% of their total patient transport services were allocated to primary care.

Secondary and tertiary care

The remainder of services are classified as secondary and tertiary.

In principle, all emergency department attendances are primary, but not all hospitals record that component of expenditure consistently, and the allocation of 50:50 primary and secondary and tertiary is used as an approximation.

Secondary and tertiary patient transport services for Aboriginal and Torres Strait Islander people were allocated on the basis of these constituting 50% of their total patient transport services.

Overhead costs in administration and research cannot be separated into primary and secondary and tertiary expenditure.

A1.5 Aboriginal and Torres Strait Islander population

Population projections of Aboriginal and Torres Strait Islander people used in this report are derived by the AIHW from the ABS 2010 and 2011 *Series B—Experimental estimates and projections, Aborigi*nal and Torres Strait Islander Australians, 1991 to 2021 (ABS 2009). Projections of the Indigenous population by state or territory for December 2010 were calculated by applying proportions from the 2006 ABS experimental estimates (ABS 2008) to the total projected state or territory Series B population for 2010–11. This method is based on the assumptions that the distribution of Indigenous Australians by state or territory and by remoteness area has remained unchanged since 2006–07, and that population growth by remoteness categories will broadly follow ABS Series B remoteness growth rates.

Estimating expenditure per person

As with previous reports in the series, this report presents health expenditure estimates per person separately for Indigenous and non-Indigenous Australians. Using different denominators (populations) affects the per person health expenditure calculations and the corresponding Indigenous to non-Indigenous ratio, even when total expenditure is held constant.

For consistency, the per person estimates are calculated using the Australia-wide population for all expenditure areas, even in circumstances when only a small proportion of the population is eligible for that service. For example, women over the age of 50 years are eligible for breast cancer screening programs. The per person estimates should, therefore, be interpreted as the cost to society of providing the service, rather than the cost of delivering the service to each individual person.

Since the 2008–09 report, the 2006 Census-based population projections have been used as the denominators in estimating health expenditure per person. As reports before the 2008–09 report used different Census-based projections, caution should be exercised when comparing state and territory per person expenditure and ratios between reports in this series. For comparative purposes, estimates in Chapter 6 'Changes over time' are all based on the 2006 population projections. Indigenous population estimates and projections based on the 2011 Census results are expected to be released in 2014.

A1.6 Deflation and constant price expenditure

Expenditure estimates in this report for 2010–11 are expressed in current price terms—that is, not adjusted for inflation. Where comparisons are made with the 2008–09 report these are expressed in constant 2010–11 prices. The 2008–09 estimates are from *Expenditure on health for Aboriginal and Torres Strait Islander people 2008–09* (AIHW 2011a).

The transformation of a current price 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 is that the effects of price change have been removed to provide a measure of the volume of the goods, services or capital that enables valid comparisons between reporting periods.

For this report, only chain price indexes and implicit price deflators have been used. The chain price indexes used in this report are annually re-weighted Laspeyres (base period weighted) chain price indexes. In this report, the chain price indexes have been used for deflation of hospital services and facilities that are provided by or purchased through the public sector and capital consumption.

Constant price estimates have been derived using implicit price deflators when a directly constructed chain index was not available. An implicit price deflator is an index obtained by dividing a current price value by its corresponding chain volume estimate.

A1.7 Productivity Commission Indigenous Expenditure Report (IER)

While the IER and this report use similar approaches to estimating Indigenous health expenditure, several methodological differences explain the small difference between the results:

- The IER separates data for Indigenous-specific health programs and Indigenous use of mainstream programs in its calculation, whereas the AIHW's method does not make a distinction.
- The IER uses estimates for health service use from the AIHW. Because of timing, the IER estimates for both the 2008–09 and 2009–10 financial years use 2008–09 service use estimates. This report uses 2010–11 service use measures where available, and estimates for 2010–11 based on 2008–09 measures when these were not available.
- IER estimates are based on the ABS Government Finance Statistics framework. AIHW uses the Australian System of Health Accounts, which aligns with the international reporting framework, the System of Health Accounts.
- The IER Steering Committee collects data from the Australian Government Department of the Treasury, and state and territory treasury departments. The AIHW's health expenditure database collects from many data providers, including DoHA and DVA, state and territory health departments, and private sector health agencies.

Glossary

Aboriginal or Torres Strait Islander: A person of Aboriginal or Torres Strait Islander descent who identifies as an Aboriginal or Torres Strait Islander and is accepted as such by the community in which he or she lives.

admitted patient: A patient who undergoes a hospital's formal admission process.

allied health professionals: Professionals working in audiology, dietetics and nutrition, hospital pharmacy, occupational therapy, orthoptics, orthotics and prosthetics, physiotherapy, podiatry, psychology, radiography, speech pathology and social work.

Australian Government expenditure: Total expenditure actually incurred by the Australian Government on its own health programs. It excludes funding provided to states and territories through grants (Specific Purpose Payments), as well as rebates paid for people with private health insurance cover.

Australian Government funding: The sum of Australian Government expenditure and Section 96 grants to the states and territories, plus the estimated funding for health goods and services through rebate on private health insurance premiums.

capital consumption: The amount of fixed capital used up each year, otherwise known as depreciation.

capital expenditure: Expenditure on large-scale fixed assets (for example, new buildings and equipment with a useful life extending over a number of years).

constant prices: Dollar amounts for different years that are adjusted to reflect the prices in a chosen reference year. This provides a way of comparing expenditure over time on an equal value-for-value basis without the distorting effects of inflation. The comparison will reflect only the changes in the amount of goods and services purchased—changes in the 'buying power'—not the changes in prices of these goods and services caused by inflation.

health expenditure: All expenditure on goods and services with the main objective of improving or maintaining population health, or of reducing the effects of disease and injury among the population. It does not include expenditure on high-care residential aged care.

health funding: In this report, health funding refers to money provided by an entity for a particular area of expenditure, regardless of who provides that service.

Indigenous: A person of Aboriginal or Torres Strait Islander descent who identifies as an Aboriginal or Torres Strait Islander and is accepted as such by the community in which he or she lives.

non-admitted patient: A patient who receives care from a recognised non-admitted patient service/clinic of a hospital, including emergency departments and outpatient clinics.

non-Indigenous Australians: Australians who have declared they are not of Aboriginal or Torres Strait Islander descent.

private patient (in hospital): Person admitted to a private hospital, or person admitted to a public hospital who decides to choose the doctor(s) who will treat them or to have private ward accommodation. This means they will be charged for medical services and accommodation.

recurrent expenditure: Recurrent health expenditure is expenditure that does not result in the creation or acquisition of fixed assets (new or second-hand). It consists mainly of expenditure on wages, salaries and supplements, purchases of goods and services and consumption of fixed capital. It excludes expenditure on capital, which is included in total health expenditure.

Section 100 medicines: Medicines provided under Section 100 of the *National Health Act of 1953*. These arrangements allow patients who attend an approved remote area Aboriginal or Torres Strait Islander Health Service to receive medicines without charge and without the need for a prescription. Section 100 medicines are an important source of medicines for Australians living in remote areas, especially Indigenous Australians.

Specific Purpose Payments: 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.

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Related publications

This report, *Expenditure on health for Aboriginal and Torres Strait Islander people 2010–11*, is part of a biennial series. This and earlier editions can be downloaded free from the AIHW website <http://www.aihw.gov.au/publications>. The website also includes information on ordering printed copies.

Main tables relating to this report were published online as *Expenditure on health for Aboriginal and Torres Strait Islander people 2010–11*. See <http://www.aihw.gov.au/publications>.

The following AIHW publications relating to health for Indigenous Australians might also be of interest:

AIHW, forthcoming. Aboriginal and Torres Strait Islander Health Performance Framework 2012: detailed analyses.

AIHW 2012a. Aboriginal and Torres Strait Islander health services report, 2010–11: OATSIH services reporting—key results.

AIHW 2011b. The health and welfare of Australia's Aboriginal and Torres Strait Islander people: an overview 2011.

In 2010–11, health expenditure for Aboriginal and Torres Strait Islander people was estimated at $4.6 billion, or 3.7% of Australia's total recurrent health expenditure. The Aboriginal and Torres Strait Islander population comprised 2.5% of the Australian population at this time.

Expenditure equated to $7,995 per Indigenous person, which was 1.47 times greater than the $5,437 spent per non-Indigenous Australian in the same year. Governments funded 91.4% of health expenditure for Indigenous people, compared with 68.1% for non-Indigenous people.