

# 5 International comparison

This section compares Australia's health expenditure with that of nine other members of the OECD. The countries included in this comparison are Canada, France, Germany, Japan, Netherlands, New Zealand, Sweden, the United Kingdom and the United States of America. The comparison, which looks at the period 1990 to 2000, provides an indication of the relative efforts being undertaken to meet the need for health goods and services and capital formation in countries with similar economic and social structures or with which Australia has important economic and social links. Differences between countries in terms of what is included as 'health expenditure' complicate the comparison to some extent, and caution is therefore necessary when making comparisons. It is also important to acknowledge that there is no definitive relationship between what a country spends on health and the health status of its population.

**Table 32: Health expenditure as a proportion of GDP,<sup>(a)</sup> Australia and other selected OECD countries, 1990 to 2000 (per cent)**

Year <sup>(b)</sup>	Aust	Can	Fra	Ger <sup>(c)</sup>	Jpn	Neth	NZ	Swe	UK	USA	Ten country mean <sup>(d)</sup>	Nine country mean <sup>(e)</sup>	Eight country mean <sup>(f)</sup>
1990	7.9	9.0	8.6	n.a.	5.9	8.0	6.9	8.5	6.0	11.9	<sup>(g)</sup> 9.5	<sup>(g)</sup> 7.0	<sup>(g)</sup> 7.8
1991	8.2	9.7	8.9	n.a.	5.9	8.2	7.4	8.4	6.5	12.6	<sup>(g)</sup> 10.0	<sup>(g)</sup> 7.2	<sup>(g)</sup> 8.2
1992	8.2	10.0	9.1	9.9	6.2	8.4	7.5	8.6	6.9	13.0	10.2	8.0	8.9
1993	8.3	9.8	9.5	9.9	6.4	8.5	7.2	8.6	6.9	13.3	10.5	8.1	9.0
1994	8.3	9.5	9.4	10.2	6.7	8.4	7.2	8.2	7.0	13.2	10.5	8.2	9.0
1995	8.4	9.1	9.6	10.6	7.0	8.4	7.2	8.1	7.0	13.3	10.6	8.4	9.1
1996	8.5	8.9	9.6	10.9	7.0	8.3	7.2	8.4	7.0	13.2	10.6	8.4	9.2
1997	8.6	8.9	9.4	10.7	7.2	8.2	7.5	8.1	6.8	13.0	10.5	8.4	9.0
1998	8.7	9.1	9.3	10.6	7.1	8.1	7.9	7.9	6.8	12.9	10.6	8.4	9.0
1999	8.8	9.2	9.4	10.7	7.4	8.2	7.9	n.a.	7.1	13.0	<sup>(h)</sup> 10.7	<sup>(h)</sup> 8.6	<sup>(h)</sup> 9.1
2000	9.0	9.1	9.5	10.6	7.8	8.1	8.0	n.a.	7.3	13.0	<sup>(h)</sup> 10.8	<sup>(h)</sup> 8.7	<sup>(h)</sup> 9.2
<b>Mean<sup>(i)</sup></b>	8.5	9.3	9.3	10.4	6.8	8.3	7.5	8.3	6.9	12.9	10.4	8.1	8.9

(a) Some of these ratios have changed since *Health Expenditure Bulletin no. 17* due to changes in the OECD estimates of gross domestic product (GDP).

(b) See definition of 'OECD financial year' in Chapter 6.

(c) Data for the unified Germany are not available prior to 1992.

(d) Mean weighted by GDP.

(e) Weighted mean excluding the USA.

(f) Weighted mean excluding the USA and Japan.

(g) Excludes Germany in 1990 and 1991.

(h) Excludes Sweden in 1999 and 2000.

(i) Unweighted means for Australia, Canada, France, Japan, Netherlands, New Zealand, the UK, USA and the group means are based on an eleven-year average; Germany and Sweden are based on a nine-year average.

Sources: AIHW health expenditure database; OECD Health Data 2002.

Health expenditure by different countries can be compared as a proportion of GDP. This measure gives an indication of the proportion of a nation's productive effort that is spent on funding its health goods, services and capital investment. However, fluctuations in the health expenditure-to-GDP ratio can be misleading because they may indicate movements in GDP as much as health expenditure.

When making international comparisons of health expenditure, it is useful to consider the weighted means for the group in order to see where Australia fits in comparison to the group average. The United States and Japan distort the averages for this group of countries due to the size of their economies and populations. For this reason, weighted means, including and excluding these two countries, are used in the international comparisons.

Australia's average of 8.5% over the period 1990-91 to 2000-01 was the fifth highest of the group (Table 32). This was mid-way between the nine-country mean (excluding the United States) and the eight-country mean (excluding the United States and Japan).

Of the ten selected OECD countries, the United States is by far the largest health spender, both in terms of the proportion of GDP and per person expenditure on health. As a proportion of GDP, its expenditure increased from 11.9% in 1990 to 13.0% in 1992, fluctuating around 13.2% and 13.3% between 1993 and 1996 (Table 32), before falling slightly to 12.9% in 1998 and rising to 13.0% in 2000. The average proportion of GDP spent on health by the United States over the whole eleven-year period was 12.9%. Germany, with 10.4%, had the second highest average proportion, followed by Canada and France with 9.3%. The United Kingdom and Japan devoted the smallest proportion of their GDP to health expenditure, averaging 6.9% and 6.8% respectively over the period.

**Table 33: Health expenditure per person, Australia and other selected OECD countries, current prices, 1990 to 2000 (A\$)**

Year <sup>(a)</sup>	Aust	Can	Fra	Ger <sup>(b)</sup>	Jpn	Neth	NZ	Swe	UK	USA	Ten country mean <sup>(c)</sup>	Nine country mean <sup>(d)</sup>	Eight country mean <sup>(e)</sup>
1990	1,820	2,330	2,109	n.a.	1,505	1,853	1,302	2,074	1,351	3,807	<sup>(f)</sup> 2,645	<sup>(f)</sup> 1,709	1,843 <sup>(f)</sup>
1991	1,904	2,482	2,262	n.a.	1,596	1,930	1,362	2,000	1,400	4,063	<sup>(f)</sup> 2,815	<sup>(f)</sup> 1,803	<sup>(f)</sup> 1,940
1992	1,996	2,602	2,418	2,562	1,747	2,085	1,462	2,056	1,610	4,362	2,978	2,081	2,236
1993	2,082	2,639	2,460	2,534	1,844	2,129	1,473	2,036	1,616	4,570	3,087	2,122	2,250
1994	2,183	2,669	2,483	2,743	1,955	2,192	1,558	2,019	1,686	4,741	3,220	2,223	2,346
1995	2,313	2,727	2,554	2,921	2,104	2,305	1,605	2,092	1,696	4,777	3,304	2,335	2,440
1996	2,453	2,718	2,596	3,043	2,209	2,363	1,647	2,231	1,849	5,010	3,459	2,433	2,535
1997	2,596	2,835	2,660	3,205	2,380	2,545	1,773	2,301	1,925	5,207	3,621	2,565	2,649
1998	2,743	2,971	2,742	3,276	2,256	2,652	1,885	2,272	1,985	5,431	3,725	2,583	2,732
1999	2,922	3,156	2,894	3,401	2,397	2,824	1,984	n.a.	2,166	5,685	<sup>(g)</sup> 3,941	<sup>(g)</sup> 2,741	<sup>(g)</sup> 2,902
2000	3,153	3,346	3,101	3,627	2,656	2,965	2,142	n.a.	2,327	6,113	<sup>(g)</sup> 4,248	<sup>(g)</sup> 2,958	<sup>(g)</sup> 3,100

(a) See definition of 'OECD financial year' in Chapter 6.

(b) Data for the unified Germany are not available prior to 1992.

(c) Mean weighted by population.

(d) Weighted mean excluding the USA.

(e) Weighted mean excluding the USA and Japan.

(f) Excludes Germany in 1990 and 1991.

(g) Excludes Sweden in 1999 and 2000.

Note: Expenditures converted to Australian dollar (A\$) values using GDP purchasing power parities.

Sources: AIHW health expenditure database; OECD Health Data 2002.

Expenditure per person allows for comparisons of health expenditure in different countries and within a country over time without the distorting effect of movements in GDP and population size differences. Health expenditure per person has been calculated allowing for the different purchasing powers of currencies in the different countries. This has been achieved by using purchasing power parities (PPPs) to convert expenditures in each of the countries first into United States dollars and then into Australian dollars. The PPPs used are for the whole of the GDP because of the poor reliability of health-specific ones, particularly in the early part of the period.

In each year since 1995 except for 2000, Australia had the fifth highest per person expenditure on health, above that of the Netherlands, Japan, Sweden, United Kingdom and New Zealand (Table 33). The average for this group of countries as a whole increased from A\$2,645 in 1990 to A\$3,725 in 1998, an average rate of increase of 4.4% per year. Australia's per person health expenditure in 1998 (that is, 1998–99) of A\$2,743 was below the ten-country mean (A\$3,725) but was marginally higher than the eight-country mean of A\$2,732 (which excludes the United States and Japan). Health expenditure per person by the United States was more than double that of Australia throughout the period 1990 to 1997. In 2000, Australia recorded the fourth highest per person expenditure (A\$3,153) compared with the United States (A\$6,113), followed by Germany (A\$3,627) and Canada with A\$3,346.

**Table 34: Components of growth in health expenditure, Australia and other selected OECD countries, 1990 to 2000<sup>(a)</sup> (per cent)**

	Aust	Can	Fra	Ger <sup>(b)</sup>	Jpn <sup>(c)</sup>	Neth <sup>(d)</sup>	NZ <sup>(e)</sup>	Swe <sup>(f)</sup>	UK <sup>(d)</sup>	USA
Nominal growth in health expenditure	6.9	5.3	4.9	5.2	8.1	6.0	7.6	2.4	6.9	6.4
Health inflation	2.4	1.9	1.4	n.a.	1.5	2.4	3.8	n.a.	4.9	3.6
General inflation	1.7	1.7	1.6	1.4	0.6	2.1	1.7	2.6	3.4	2.2
Excess health inflation	0.6	0.2	-0.1	n.a.	0.8	0.3	2.0	n.a.	1.4	1.5
Real growth in health expenditure	4.4	3.4	3.4	n.a.	6.5	3.5	3.7	n.a.	2.0	2.7
Population growth	1.2	1.0	0.4	0.2	0.3	0.6	1.7	0.4	0.4	1.0
Per person real growth	3.2	2.3	3.0	n.a.	6.2	2.8	2.0	n.a.	1.6	1.7

(a) See definition of 'OECD financial year' in Chapter 6.

(b) Germany from 1992.

(c) Japan to 1997.

(d) The Netherlands and the UK to 1996.

(e) New Zealand to 1995.

(f) Sweden to 1998.

Sources: AIHW health expenditure database; OECD Health Data 2002.

Factors contributing to the growth in the ratio of health expenditure to GDP are inflation (both general inflation and excess health inflation) and changes in the level of goods and services used, either from population growth or from more intensive per person use of goods and services. The general rate of inflation is an indication of price pressures that apply throughout the economy, and the rate of excess health inflation indicates additional price rises specific to the health sector. The ability of a nation's health financing system to influence health prices is an important factor in controlling growth in total expenditure on health.

Rates of excess health inflation ranged from a negative rate of -0.1% for France up to 2.0% for New Zealand. Australia had an excess health inflation rate of 0.6%, the fifth highest of the group (Table 34).

In order to compare the level of expenditure without the complication of different rates of population growth, it is useful to examine real growth in average per person expenditure on health. Australia had the second highest average real growth in per person expenditure (3.2%) double that of the United Kingdom and the United States. Australia's relatively modest average real growth in per person expenditure was the result of moderate real growth in total health expenditure (4.4%) coupled with relatively strong population growth (1.2%). In contrast, Japan's high average real growth in per person expenditure was the result of relatively high real growth in total health expenditure (6.5% per year) coupled with a low population growth (0.3% per year).