

# Health Expenditure

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## Australia's health services expenditure to 1996–97

This bulletin is the fourteenth in the series of health expenditure bulletins produced by the Australian Institute of Health and Welfare since 1986. It provides estimates of total health services expenditure in Australia, at the aggregate level, on a per person basis and by source of funds, from 1984–85 to 1996–97. The bulletin also provides detailed information on particular areas of expenditure (e.g. hospitals, medical services, dental services and pharmaceuticals) from 1989–90 to 1995–96.

The tables and figures in the bulletin detail expenditure in current and constant price terms. The constant price estimates are expressed in average 1989–90 prices.

Health services expenditure in Australia reached \$43,204 million in 1996–97, an increase of \$1,896 million on the 1995–96 estimate of \$41,308 million (Table 1). The real rate of growth in 1996–97 was 2.9%, which was significantly lower than for any year since 1991–92 and lower than the average annual growth rate over the whole period 1984–85 to 1996–97 (4.0%).

Per person expenditure on health services was \$2,345 in 1996–97—an increase of \$74 since 1995–96. Again, the rate of increase in real per person expenditure during 1996–97 (1.7%) was much lower than had occurred since 1991–92 and was well below the average (2.7%) over the whole period since 1984–85.

Growth in health services expenditure was lower in 1990–91 and 1991–92 (2.2% and 2.7%, respectively) than had been experienced during the previous five years. However, that slowdown in growth was not as severe as the slowdown in overall economic growth, which was –0.7% and 0.4% in those years (Table 3).

As a result, during the recession affected years there was a noticeable jump in the health services expenditure to GDP ratio—to 8.2% in 1990–91 and 8.5% in 1991–92.

## Health services expenditure and GDP

For the third consecutive year, health services expenditure was 8.4% of GDP in 1996–97 (Table 2). This maintained the near stability in the health services expenditure to GDP ratio that has prevailed since 1991–92.

Real growth in health services expenditure between 1984–85 and 1996–97 averaged 4.0%. This was a higher rate of growth than that for GDP (3.2%) and resulted in the health services expenditure to GDP ratio being higher (8.4%) in 1996–97 than at the beginning of the period (7.6% in 1984–85).

The ratio peaked at 8.6% in 1992–93 before falling to 8.5% in 1993–94 and 8.4% in 1994–95. It remained at that level each year to 1996–97. During this period of relative stability health services expenditure grew at a slightly lower annual rate (4.0%) than GDP (4.2%). These health to GDP ratios differ slightly from those published in *Australia's Health 1998* because of changes in GDP estimates by the Australian Bureau of Statistics.



## Highlights

- Total health services expenditure in 1996–97 was 8.4% of Gross Domestic Product (GDP) for the third successive year.
- In current dollars Australians spent more than \$43 billion, at an average of \$2,345 per person, on health services in 1996–97.
- For the third successive year the rate of growth in expenditure by State and local governments exceeded the growth in combined expenditure by all sources of funds in 1996–97.
- Expenditure by health insurance funds accounted for 10.9% of total expenditure on health services in 1996–97.
- Australia's expenditure on health services continues to be in the middle range of the United States, France, Canada, New Zealand, Japan and the United Kingdom. In terms of the proportion of GDP allocated to health expenditure, Australia ranked fourth highest in 1996. It was also fourth in terms of per person expenditure on health care.

## Revisions

Health expenditure to GDP ratios in this publication have been revised since April 1998 due to revision of GDP estimates by the Australian Bureau of Statistics.

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**Table 1: Total health services expenditure, current and constant (average 1989–90) prices<sup>(a)</sup>, and annual growth rates, 1984–85 to 1996–97**

	Amount (\$ million)		Growth rate over previous year (%)	
	Current	Constant	Current	Constant
1984–85	16,546	22,862	..	..
1985–86	18,586	24,180	12.3	5.8
1986–87	21,115	25,341	13.6	4.8
1987–88	23,333	26,287	10.5	3.7
1988–89	26,127	27,719	12.0	5.4
1989–90	28,800	28,800	10.2	3.9
1990–91	31,270	29,422	8.6	2.2
1991–92	33,084	30,203	5.8	2.7
1992–93	34,892	31,393	5.5	3.9
1993–94	36,587	32,589	4.9	3.8
1994–95	38,701	33,957	5.8	4.2
1995–96	41,308	35,716	6.7	5.2
1996–97 <sup>(b)</sup>	43,204	36,768	4.6	2.9
<b>Average annual growth rates</b>				
1984–85 to 1987–88			12.1	4.8
1987–88 to 1992–93			8.4	3.6
1992–93 to 1996–97			5.5	4.0
1984–85 to 1996–97			8.3	4.0

(a) Health services expenditure for 1984–85 to 1996–97 is deflated to average 1989–90 prices using specific health deflators (see Table 25 for major deflators used).

(b) Based on preliminary Australian Institute of Health and Welfare (AIHW) and Australian Bureau of Statistics (ABS) estimates.

Source: AIHW health expenditure database.

**Table 2: Total health services expenditure and GDP, current prices, 1984–85 to 1996–97**

	Total health services expenditure	Gross domestic product	Health services expenditure to GDP ratio
	\$ million		%
1984–85	16,546	217,129	7.6
1985–86	18,586	240,471	7.7
1986–87	21,115	264,575	8.0
1987–88	23,333	299,642	7.8
1988–89	26,127	339,881	7.7
1989–90	28,800	371,471	7.8
1990–91	31,270	380,764	8.2
1991–92	33,084	389,469	8.5
1992–93	34,892	407,952	8.6
1993–94	36,587	432,436	8.5
1994–95	38,701	460,292	8.4
1995–96	41,308	491,934	8.4
1996–97	<sup>(a)</sup> 43,204	517,401	8.4

(a) Based on preliminary AIHW and ABS estimates.

Sources: AIHW health expenditure database; ABS *Australian National Accounts: National Income, Expenditure and Product* (Cat. No. 5206.0).

## Health services expenditure by source of funds

Responsibility for the funding of health services in Australia is shared between all levels of government and the non-government sector. In 1996–97 the government sector funding of health services was \$29,670 million (Table 4). This represented 68.7% of all funding for health services and was an increase

from 68.1% in 1995–96 and 67.2% in 1994–95 (Table 5). This trend is in contrast to the trend for 1984–85 to 1994–95 when the government sector's share decreased.

The fall in the non-government sector's share of total health funding between 1994–95 and 1996–97 was due to an apparent fall in the expenditure share funded by out-of-pocket payments combined with a fall in capital expenditure by the non-government sector. The proportion of total health services expenditure that was

**Table 3: Total health services expenditure and GDP, constant (average 1989–90) prices<sup>(a)</sup>, and annual growth rates, 1984–85 to 1996–97**

Year	Total health services expenditure		GDP	
	Amount (\$m)	Growth rate (%)	Amount (\$m)	Growth rate (%)
1984–85	22,862	..	307,506	..
1985–86	24,180	5.8	322,573	4.9
1986–87	25,341	4.8	330,339	2.4
1987–88	26,287	3.7	346,269	4.8
1988–89	27,719	5.4	360,123	4.0
1989–90	28,800	3.9	371,471	3.2
1990–91	29,422	2.2	368,739	-0.7
1991–92	30,203	2.7	370,248	0.4
1992–93	31,393	3.9	382,591	3.3
1993–94	32,589	3.8	401,451	4.9
1994–95	33,957	4.2	420,838	4.8
1995–96	35,716	5.2	437,264	3.9
1996–97	<sup>(b)</sup> 36,768	2.9	450,575	3.0
<b>Average annual growth rates</b>				
1984–85 to 1987–88		4.8		4.0
1987–88 to 1992–93		3.6		2.0
1992–93 to 1996–97		4.0		4.2
1984–85 to 1996–97		4.0		3.2

(a) Health services expenditure for 1984–85 to 1996–97 is deflated to average 1989–90 prices using specific health deflators (see Table 25 for major deflators used).

(b) Based on preliminary AIHW and ABS estimates.

Sources: AIHW health expenditure database; ABS *Australian National Accounts: National Income, Expenditure and Product* (Cat. No. 5206.0).

**Table 4: Total health services expenditure, current prices, by source of funds, 1984–85 to 1996–97 (\$ million)**

	Government sector			Non-government sector <sup>(a)</sup>	Total health services expenditure
	Commonwealth <sup>(a)</sup>	State & local	Total		
1984–85	7,625	4,267	11,892	4,654	16,546
1985–86	8,547	4,815	13,362	5,224	18,586
1986–87	9,362	5,577	14,939	6,176	21,115
1987–88	10,275	6,077	16,352	6,981	23,333
1988–89	11,129	6,788	17,918	8,209	26,127
1989–90	12,165	7,513	19,678	9,122	28,800
1990–91	13,200	7,958	21,158	10,112	31,270
1991–92	14,167	8,138	22,305	10,779	33,084
1992–93	15,273	8,268	23,541	11,351	34,892
1993–94	16,584	8,000	24,584	12,004	36,587
1994–95	17,413	8,606	26,019	12,682	38,701
1995–96	18,835	9,309	28,145	13,163	41,308
1996–97 <sup>(b)</sup>	19,651	10,019	29,670	13,535	43,204

(a) Expenditure by the Commonwealth Government and the non-government sector has been adjusted for tax expenditures (see Table 7 for health services tax expenditures).

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

**Table 5: Government and non-government sector expenditure, current prices, as a proportion of total health services expenditure, 1984–85 to 1996–97 (per cent)**

	Government sector			Non-government sector <sup>(a)</sup>	Total health services expenditure
	Commonwealth <sup>(a)</sup>	State & local	Total		
1984–85	46.1	25.8	71.9	28.1	100.0
1985–86	46.0	25.9	71.9	28.1	100.0
1986–87	44.3	26.4	70.8	29.2	100.0
1987–88	44.0	26.0	70.1	29.9	100.0
1988–89	42.6	26.0	68.6	31.4	100.0
1989–90	42.2	26.1	68.3	31.7	100.0
1990–91	42.2	25.5	67.7	32.3	100.0
1991–92	42.8	24.6	67.4	32.6	100.0
1992–93	43.8	23.7	67.5	32.5	100.0
1993–94	45.3	21.9	67.2	32.8	100.0
1994–95	45.0	22.2	67.2	32.8	100.0
1995–96	45.6	22.5	68.1	31.9	100.0
1996–97 <sup>(b)</sup>	45.5	23.2	68.7	31.3	100.0

(a) Expenditure by the Commonwealth Government and the non-government sector has been adjusted for tax expenditures (see Table 7 for health services tax expenditures).

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

**Table 6: Total health services expenditure, constant (average 1989–90) prices<sup>(a)</sup>, and annual growth rates, by source of funds, 1984–85 to 1996–97**

	Government sector				Non-government sector		All sectors	
	Commonwealth <sup>(b)</sup>		State & local		total <sup>(b)</sup>		total	
	Amount (\$m)	Rate of growth (%)	Amount (\$m)	Rate of growth (%)	Amount (\$m)	Rate of growth (%)	Amount (\$m)	Rate of growth (%)
1984–85	10,491	..	5,797	..	6,574	..	22,862	..
1985–86	11,067	5.5	6,147	6.0	6,966	6.0	24,180	5.8
1986–87	11,294	2.1	6,557	6.7	7,490	7.5	25,341	4.8
1987–88	11,582	2.6	6,788	3.5	7,917	5.7	26,287	3.7
1988–89	11,848	2.3	7,160	5.5	8,710	10.0	27,719	5.4
1989–90	12,165	2.7	7,513	4.9	9,122	4.7	28,800	3.9
1990–91	12,381	1.8	7,560	0.6	9,481	3.9	29,422	2.2
1991–92	12,916	4.3	7,540	-0.3	9,747	2.8	30,203	2.7
1992–93	13,741	6.4	7,563	0.3	10,089	3.5	31,393	3.9
1993–94	14,768	7.5	7,258	-4.0	10,562	4.7	32,589	3.8
1994–95	15,272	3.4	7,704	6.1	10,980	4.0	33,957	4.2
1995–96	16,266	6.5	8,218	6.7	11,232	2.3	35,716	5.2
1996–97 <sup>(c)</sup>	16,714	2.8	8,700	5.9	11,354	1.1	36,768	2.9
<b>Average annual growth rates</b>								
1984–85 to 1987–88		3.4		5.4		6.4		4.8
1987–88 to 1992–93		3.5		2.2		5.0		3.6
1992–93 to 1996–97		5.0		3.6		3.0		4.0
1984–85 to 1996–97		4.0		3.4		4.7		4.0

(a) Health services expenditure for 1984–85 to 1996–97 is deflated to average 1989–90 prices using specific health deflators (see Table 25 for major deflators used).

(b) Commonwealth Government and non-government sector expenditure has been adjusted for tax expenditures. Tax expenditures at constant (average 1989–90) prices were: 1984–85 \$37 million; 1985–86 \$37 million; 1986–87 \$41 million; 1987–88 \$42 million; 1988–89 \$47 million; 1989–90 \$61 million; 1990–91 \$79 million; 1991–92 \$74 million; 1992–93 \$80 million; 1993–94 \$82 million; 1994–95 \$76 million; 1995–96 \$115 million; 1996–97 \$116 million.

(c) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

funded from private health insurance funds was 10.9% in 1996–97, the same as in 1994–95.

Between 1988–89 and 1996–97, growth in expenditure by the non-government sector was below 5.0% in all years. Between 1984–85 and 1987–88 it had averaged 6.4% per year and from 1987–88 to 1992–93 the growth rate was 5.0% per year. However, from 1992–93 to 1996–97 the average

annual growth rate (3.0%) was much lower. This resulted in an overall growth rate of 4.7% between 1984–85 and 1996–97.

### Government sector funding of health services

During 1996–97 State and local government authorities spent a total of \$15,321 million on health services

Of that, \$5,302 million was funded by the Commonwealth Government through Specific Purpose Payments (SPPs). State and local government authorities provided just under two-thirds of the funding for that expenditure (\$10,019 million) from their own resources (Table 7).

The main area of expenditure that is affected by SPPs is the funding of public acute care hospitals. Between

**Table 7: Government sector funding of health services, current prices, by type of funding, 1989–90 to 1996–97 (\$ million)**

	Commonwealth Government			Net State and local government expenditure <sup>(b)</sup>	Total government sector
	Direct expenditure <sup>(a)</sup>	Taxation expenditure	SPPs to other levels of government		
1989–90	8,636	61	3,468	7,513	19,678
1990–91	9,373	85	3,742	7,958	21,158
1991–92	10,096	82	3,989	8,138	22,305
1992–93	10,975	91	4,207	8,268	23,541
1993–94	11,804	95	4,685	8,000	24,584
1994–95	12,346	91	4,976	8,607	26,020
1995–96	13,478	141	5,217	9,309	28,145
1996–97 <sup>(c)</sup>	14,212	137	5,302	10,019	29,670

(a) Direct expenditures by the Commonwealth refers to all types of payments made by the Commonwealth Government that are not SPPs to or for the States and Territories.

(b) Net expenditure is total outlays by State and Territory Governments and by local government authorities net of revenue and SPPs.

(c) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

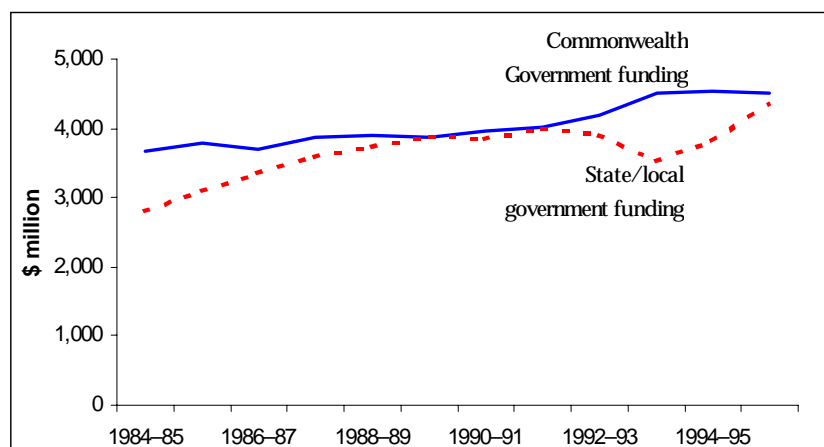
1984–85 and 1995–96 government sector funding of public acute care hospitals grew by 2.9% per year. The Commonwealth Government's funding grew by an average of 1.9%, while funding by State and Territory Governments increased at 4.1% per year (Figure 1 and Table 8).

The Commonwealth Government's funding of public acute care hospitals in 1995–96 was \$5,196 million. This represented a real decrease of 0.6% between 1994–95 and 1995–96. This decrease was the result of the reduction in the funding provided to public acute care hospitals by the Department of Veterans' Affairs in respect of eligible veterans and their dependants as emphasis shifted to private hospitals. In 1994–95, the Department of Veterans' Affairs provided a total of \$585 million to fund public acute care hospitals. In 1995–96 this had fallen to \$452 million. This, by itself, amounted to a real decrease of 2.8% in total Commonwealth Government funding of public acute care hospitals. However, that decrease was partly offset by a 2.2% increase in the funding of recognised public hospitals from other Commonwealth Government sources.

### Commonwealth Government

The Commonwealth Government's expenditure on health services takes a number of different forms. The main forms of expenditure include direct benefit payments to individuals; payments to non-government service providers and provider organisations; purchases of goods and services; and SPPs to State and Territory Governments. A further small amount of Commonwealth Government funding was in the form of taxation expenditures. The taxation expenditures included in the tables in this publication are taxation rebates for health-related expenditures above a particular threshold in any year (20 cents in each dollar for expenditures that exceed \$1,500 in 1996–97).

The main area of expenditure by the Commonwealth Government was medical services on which it spent \$6,497 million during 1995–96



Source: AIHW health expenditure database.

**Figure 1: Government sector expenditure on public acute care hospitals, constant (average 1989–90) prices, by source of funds, 1984–85 to 1995–96, \$ million**

(Table 9). This represented 34.9% of all recurrent expenditure on health services by the Commonwealth and is up from 33.0% in 1989–90. Its expenditure on public acute care hospitals in 1995–96 was \$5,196 million, or 27.9% of the Commonwealth's total recurrent health services expenditure, in 1995–96 and is down from 32.6% in 1989–90. Nursing homes (\$2,055 million in 1995–96) and pharmaceuticals (\$2,504 million) were the next highest areas of expenditure by the Commonwealth. Between 1989–90 and 1995–96 expenditure on nursing homes, as a proportion of the Commonwealth's recurrent expenditure, fell from 12.8% to 11.0%. Expenditure on pharmaceuticals grew from 10.6% to 13.4% over the same period.

SPPs are an important way in which the Commonwealth Government provides financial support for services that are provided by, or on behalf of, the State and Territory Governments. In 1996–97, they accounted for 27.0% of all health services expenditure by the Commonwealth Government. Within the period 1989–90 to 1996–97, the importance of SPPs as an element of Commonwealth expenditure on health services fluctuated between 27.0% and 28.6%. During the first three years (i.e. between 1989–90 and

1992–93), SPPs as a proportion of Commonwealth expenditure decreased from 28.5% to 27.5%. Over the next two years, their relative importance increased so that by 1994–95 they accounted for 28.6% of Commonwealth health expenditure. During the last two years to 1996–97 the importance of SPPs decreased so that in 1996–97 they accounted for 27.0% of Commonwealth health expenditure. Most funding provided by the Commonwealth to the States and Territories under SPPs is directed at meeting part of the operating costs of public hospital services. On the other hand, most of the Commonwealth's direct expenditure is in the form of payments and subsidies to individuals and non-government service providers (e.g. Medicare benefits, pharmaceutical benefits and nursing home benefits).

In recent years, the rate of growth for Commonwealth Government funding of both medical services and pharmaceuticals has been higher than for public hospitals. The notable exception was between 1992–93 and 1993–94 when growth in Commonwealth expenditure on public acute care hospitals was higher than for medical services (7.5% compared with 6.8%), although it was still lower than for pharmaceuticals (19.3%).

**Table 8: Government funding of public acute care hospitals, constant (average 1989–90) prices, by source of funds, 1984–85 to 1995–96 (\$ million)**

	Commonwealth		State and local		Total	
	\$ million	%	\$ million	%	\$ million	%
1984–85	3,675	..	2,792	..	6,467	..
1985–86	3,774	2.7	3,089	10.7	6,863	6.1
1986–87	3,711	-1.7	3,355	8.6	7,065	2.9
1987–88	3,873	4.4	3,576	6.6	7,449	5.4
1988–89	3,893	0.5	3,717	3.9	7,610	2.2
1989–90	3,884	-0.2	3,884	4.5	7,768	2.1
1990–91	3,964	2.1	3,834	-1.3	7,798	0.4
1991–92	4,010	1.1	3,985	3.9	7,995	2.5
1992–93	4,191	4.5	3,898	-2.2	8,089	1.2
1993–94	4,506	7.5	3,529	-9.5	8,035	-0.7
1994–95	4,524	0.4	3,821	8.3	8,346	3.9
1995–96	4,498	-0.6	4,365	14.2	8,863	6.2
<b>Average annual growth rate</b>						
1984–85 to 1987–88		1.1		5.2		2.9
1987–88 to 1992–93		1.0		1.0		1.0
1992–93 to 1995–96		2.4		3.8		3.1
1984–85 to 1995–96		1.9		4.1		2.9

Source: AIHW health expenditure database.

**Table 9: Commonwealth Government funding of recurrent expenditure on health services<sup>(a)</sup>, by area of expenditure, current prices, 1989–90 to 1995–96 (\$ million)**

	1989–90	1993–94	1994–95	1995–96
<i>Institutional</i>	5,587	7,117	7,403	7,735
Public acute care hospitals	3,884	5,014	5,126	5,196
Private hospitals	69	162	240	295
Public psychiatric hospitals	14	11	6	7
Nursing homes	1,530	1,773	1,860	2,055
Ambulance	35	37	43	41
Other institutional (nec)	57	119	128	140
<i>Non-institutional</i>	6,332	9,251	9,913	10,895
Medical	3,934	5,700	6,086	6,497
Dental	29	58	105	152
Other professionals	104	165	171	195
Community/public health <sup>(b)</sup>	284	489	493	521
Total pharmaceuticals	1,264	1,888	2,086	2,504
Aids and appliances	51	137	147	148
Research	289	371	340	395
Administration	377	444	486	484
<b>Total recurrent expenditure</b>	<b>11,920</b>	<b>16,368</b>	<b>17,316</b>	<b>18,630</b>

(a) Includes funding by the Department of Veterans' Affairs (see Table 10).

(b) Community/public health expenditure includes expenditure previously classified as 'other non-institutional (nec)'.  
Source: AIHW health expenditure database.

**Table 10: Recurrent expenditure on health services funded by the Department of Veterans' Affairs, by area of expenditure, current prices, 1989–90 to 1995–96 (\$ million)**

	1989–90	1993–94	1994–95	1995–96
<i>Institutional</i>	700	872	905	829
Public acute care hospitals	513	610	585	452
Private hospitals	68	159	238	294
Public psychiatric hospitals	14	11	6	7
Nursing homes	79	69	53	51
Ambulance	26	23	23	25
<i>Non-institutional</i>	377	539	583	677
Medical	158	277	317	368
Dental	27	35	35	38
Other professionals	20	41	41	53
Community/public health <sup>(a)</sup>	25	35	34	34
Total pharmaceuticals	84	89	95	123
Aids and appliances	21	5	6	4
Research		1	1	2
Administration	42	56	55	55
<b>Total recurrent expenditure</b>	<b>1,077</b>	<b>1,412</b>	<b>1,488</b>	<b>1,506</b>

(a) Community/public health expenditure includes expenditure previously classified as 'other non-institutional (nec)'.  
Source: AIHW health expenditure database.

## State and local governments

State and local governments fund the services that they provide or that are provided on their behalf through a mixture of funds allocated from their own revenue sources and through SPPs from the Commonwealth. A State's own source funding refers to funding provided out of the general consolidated funds of the State. It does not include revenues received by institutions and services within the health sector that have been counted as expenditure by individuals, other non-government sources or the Department of Veterans' Affairs. For example, State and local government funding of public hospitals does not include revenue received by public hospitals in respect of services they provide. It also excludes revenue received by hospitals from workers' compensation and compulsory motor vehicle third party insurers in respect of treatment provided to compensable patients or from the Department of Veterans' Affairs for the treatment, free of charge, of eligible veterans and their dependants. It does include funding out of general revenue grants that flow from the Commonwealth Government.

In each of the years 1994–95, 1995–96 and 1996–97, the growth in funding of health services expenditure by State and local governments exceeded that for the Commonwealth (6.1% compared

with 3.4%, 6.7% compared with 6.5% and 5.9% compared with 2.8%, respectively). During those years the funding provided by State and local governments increased, as a proportion of total health services funding, from 22.2% to 22.5% then to 23.2%.

As well as being important in terms of their contribution to the Commonwealth's expenditure on health, SPPs are very important as a source of funding for health services provided by, or on behalf of, State and local governments. In 1996–97, they made up 34.6% of total State and local government outlays on health services.

Between 1989–90 and 1993–94 the importance of SPPs to the funding of health services for which States and Territories had primary responsibility increased (from 31.6% of State and Territory outlays on health services during 1989–90 to 36.9% in 1993–94). For all years after 1993–94, however, SPPs have become of decreasing importance as a source of funding for State and local government health services.

The major area of State and local governments' expenditure where SPPs are a major source of funding is expenditure on public acute care hospitals. This is also the area of health expenditure where most State and local governments' own funding is directed.

Funding of public acute care hospitals by State and local governments during 1995–96 was

\$5,043 million. This represented 64.2% of all funding of recurrent health services by State and local government authorities in that year (Table 11). In 1989–90 funding of public acute care hospitals had accounted for 61.1% of recurrent expenditure by State and local governments.

Over the whole period from 1984–85 to 1995–96, State and local governments' funding of public acute care hospitals grew more rapidly than did funding by the Commonwealth. However, during the early 1990s, particularly in the two years 1992–93 and 1993–94, growth in the funding of public acute care hospitals by the Commonwealth was greater than that of State and local government funding. That differential was most noticeable between 1992–93 and 1993–94 when the Commonwealth's funding grew by 7.5% compared with a real decline in funding by State and local government of 9.5%. Public acute care hospitals and health research were the only major areas of expenditure that increased as a proportion of total recurrent expenditure by State and local government authorities (i.e. expenditure on all health services) between 1989–90 and 1995–96. In 1989–90 expenditure on public acute care hospitals accounted for 61.1% of recurrent expenditure on all health services by State and local governments and by 1995–96 it was

**Table 11: State and local governments' funding of recurrent expenditure on health services, by area of expenditure, current prices, 1989–90 to 1995–96 (\$ million)**

	1989–90	1993–94	1994–95	1995–96
<i>Institutional</i>	4,808	4,878	5,239	5,880
Public acute care hospitals	3,884	3,927	4,330	5,043
Public psychiatric hospitals	480	460	452	382
Nursing homes	241	267	243	223
Ambulance	203	223	214	232
<i>Non-institutional</i>	1,547	1,742	1,874	1,973
Other non-institutional <sup>(a)</sup>	1,480	1,607	1,697	1,775
Total pharmaceuticals	2	—	1	11
Research	66	134	176	187
<b>Total recurrent expenditure</b>	<b>6,355</b>	<b>6,620</b>	<b>7,112</b>	<b>7,853</b>

(a) Other non-institutional is aggregate expenditure on community and public health, dental health, administration and other non-institutional (nec).

Source: AIHW health expenditure database.

64.2%. Expenditure on research grew as a proportion of total recurrent expenditure from 1.0% in 1989–90 to 2.4% in 1995–96. Pharmaceuticals also grew as a proportion of total recurrent expenditure. However, it still made up less than 0.2% of total State and local government outlays in 1995–96.

### Non-government sector funding of health services

Non-government sector sources of funding are quite diverse, depending on the type of health service concerned. They include funding through:

- health insurance funds;
- workers' compensation insurers;
- compulsory motor vehicle third party insurers;
- fees charged to individual service users ('out-of-pocket' payments); and
- funds raised by other non-government sector instrumentalities and institutions (including interest earned,

charges for non-health services, donations and bequests, etc.).

During 1995–96, outlays by non-government sector sources to fund health services totalled \$13,304 million. Of this, \$12,468 million was recurrent outlays and \$836 million was capital outlays. A portion of those recurrent outlays was subsequently recovered by the non-government sector through tax expenditures by the Commonwealth. This resulted in net recurrent expenditure by the non-government sector of \$12,327 million (Table 12). Health insurance funds provided just over one-third of recurrent non-government expenditure (\$4,425 million); payments by individuals (less tax expenditures) accounted for more than half (\$6,201 million); and other sources contributed 13.8% (\$1,701 million). These proportions have not changed much since 1989–90. For example, the contribution by health insurance funds rose from 36.8% in 1989–90 to 37.3% in 1992–93

and then fell to 35.9% in 1995–96. Growth in expenditure by individuals moved in the same general direction as health insurance funds. It rose from 52.0% of non-government sector funding in 1989–90 to 54.2% in 1991–92 and then fell gradually to 50.3% in 1995–96.

Funding of health services by non-government sector sources increased at an average of 5.0% between 1984–85 and 1995–96 (Table 13). The most rapid growth was during the 1980s when the annual growth rate consistently exceeded that overall average. Between 1984–85 and 1987–88 growth averaged 6.4%. Since then the average growth in funding by non-government sources declined. Between 1992–93 and 1995–96 the average growth rate was 3.6%, below the overall average of 4.7%. The preliminary estimate for 1996–97 shows a further slowdown in growth (see Table 6 for estimates by sector to 1996–97).

**Table 12: Non-government sector recurrent funding of health services, current prices, by source of funds, 1984–85 to 1996–97 (\$ million)**

	Health insurance funds	Other non-government sources		Total	Total non-government sector
		Payments by individuals <sup>(a)</sup>	Other non-government sources (nec)		
1984–85	1,456	2,296	571	2,867	4,322
1985–86	1,767	2,597	415	3,012	4,779
1986–87	2,178	2,978	521	3,499	5,677
1987–88	2,537	3,352	464	3,816	6,352
1988–89	2,783	3,943	809	4,752	7,536
1989–90	3,128	4,418	952	5,371	8,498
1990–91	3,512	5,097	1,010	6,107	9,619
1991–92	3,793	5,560	912	6,472	10,264
1992–93	3,979	5,717	967	6,684	10,663
1993–94	4,075	5,800	1,274	7,074	11,150
1994–95	4,201	6,119	1,547	7,666	11,867
1995–96	4,425	6,201	1,701	7,901	12,327
1996–97	4,700	n.a.	n.a.	<sup>(b)</sup> 8,115	12,816

(a) 'Payments by individuals' has been adjusted for tax expenditures (see Table 7 for health services tax expenditures).

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.



**Table 13: Non-government sector funding of health services, constant (average 1989–90) prices, and rate of growth, by source of funds, 1984–85 to 1995–96**

	Non-government sector							
	Health insurance funds		Individuals <sup>(a)</sup>		Other private		Total	
	Amount (\$ million)	Rate of growth (%)	Amount (\$ million)	Rate of growth (%)	Amount (\$ million)	Rate of growth (%)	Amount (\$ million)	Rate of growth (%)
1984–85	2,038	..	3,248	..	1,288	..	6,574	..
1985–86	2,323	14.0	3,503	7.8	1,140	-11.4	6,966	6.0
1986–87	2,621	12.8	3,643	4.0	1,226	7.6	7,490	7.5
1987–88	2,871	9.6	3,801	4.3	1,244	1.5	7,917	5.7
1988–89	2,953	2.9	4,185	10.1	1,572	26.3	8,710	10.0
1989–90	3,128	5.9	4,418	5.6	1,576	0.3	9,122	4.7
1990–91	3,300	5.5	4,753	7.6	1,428	-9.4	9,481	3.9
1991–92	3,443	4.3	4,959	4.3	1,345	-5.8	9,747	2.8
1992–93	3,552	3.2	4,968	0.2	1,569	16.7	10,089	3.5
1993–94	3,585	0.9	4,988	0.4	1,988	26.7	10,562	4.7
1994–95	3,634	1.4	5,202	4.3	2,144	7.9	10,980	4.0
1995–96	3,753	3.3	5,201	—	2,278	6.3	11,232	2.3
<b>Average annual growth rates</b>								
1984–85 to 1987–88		12.1		5.4		-1.1		6.4
1987–88 to 1992–93		4.3		5.5		4.7		5.0
1992–93 to 1995–96		1.8		1.5		13.2		3.6
1984–85 to 1995–96		5.7		4.4		5.3		5.0

(a) Expenditure by individuals has been adjusted for tax expenditures (see footnote (b), Table 6 for health services tax expenditures in constant (average 1989–90) prices).

Source: AIHW health expenditure database.

### Funding of health services by health insurance funds

Funding of health services by private health insurance funds was \$4,700 million in 1996–97. That was 10.9% of total funding of health services from all sources (government and non-government).

The major area of expenditure funded by health insurance funds is private hospitals. In 1996–97 funding of private hospitals by health insurance funds totalled \$2,437 million or 58.4% of all fund benefits paid, having risen from 45.1% in 1989–90 (Table 14). Expenditure from private health insurance funds on public hospitals, on the other hand, fell from 19.0% of total fund benefits paid in 1989–90 to 8.6% in 1996–97.

In terms of their contribution to the funding of expenditure on acute care hospitals, payments by private health insurance funds accounted for 70.1% of all funding for private hospitals in 1995–96—down from 72.6% in 1989–90. They accounted for 3.4% of the funding of public acute care hospitals, which was well below the proportion that existed in 1989–90 (6.0%) (see Tables 29–35 for a detailed breakdown by sources of funds).

The proportion of the total population with private health insurance cover has been falling steadily since Medicare was introduced in 1984. At the end of June 1984 approximately 50% of Australian residents had at least basic hospital insurance cover. By June 1989 that had fallen to 45.5% and by June 1997 had dropped below 32.0%.

During 1989–90 the mean level of coverage (i.e. the average proportion of the population that had at least basic hospital cover) was 44.9%, and by 1993–94 that had fallen to 38.1% (Table 15). Mean coverage continued to fall each year to an average of 32.8% in 1996–97.

Benefits and levies for health services paid by health insurance funds during 1996–97 averaged \$690 per person covered. When the average cost of administration is added, the average amount paid out was \$777 per person covered (Table 16). This was an increase of \$64 per person since 1995–96, of which \$58 was additional benefits and levies. Because of the combined effects of the increase in aggregate benefits paid and the fall in coverage, the nominal growth rate for per person benefits and levies paid between 1995–96 and

1996–97 (9.1%) was much higher than that for aggregate benefits paid (6.3%).

Real growth in expenditure on health services funded from health insurance funds averaged 5.7% per year from 1984–85 to 1995–96 (Table 17). The most rapid growth was during the 1980s when expenditure grew at an average of 8.9% per year. From 1989–90 to 1995–96 the growth rate was much lower (3.1% per year) than for the earlier period.

The difference in growth between expenditure per person covered and aggregate expenditure by health insurance funds reflects the impact of falling coverage. Because the growth rate for expenditure per person covered is higher than the aggregate rate, it would appear that the people who are leaving health insurance are, typically, those who do not draw heavily on the funds. This, by itself, would cause the expenditure per person covered to rise, simply because those left in the funds are, on average, higher users of services. The average annual growth in expenditure per person covered from 1984–85 to 1995–96 (7.8%) was much higher than for aggregate expenditure

funded from health insurance funds (5.7%). This differential was most marked during the 1990s. For example, from 1992–93 to 1995–96 expenditure per person covered grew at an average of 6.3% per year compared with 1.8% for aggregate expenditure by health insurance funds.

#### Individuals' out-of-pocket expenditure on health services

Expenditure on health services by individuals is largely comprised of

personal outlays on pharmaceuticals, dental treatment, medical services, other professional services and nursing home care. It also includes out-of-pocket payments in respect of patients in private hospitals, where the fees charged exceed benefits paid by third party payers (private health insurers, workers' compensation insurers, etc.).

During 1995–96 recurrent expenditure on health services by individuals totalled \$6,342 million (Table 18). This

was more than half (50.9%) of all funding for recurrent expenditure on health services by non-government sources (\$12,468 million) during that year.

Almost one-third of all health services expenditure by individuals in 1995–96 was for pharmaceuticals (\$2,063 million). Dental services accounted for \$1,149 million while expenditure on medical services and other professional services was \$757 million and \$758 million, respectively.

**Table 14: Expenditure on health services funded from health insurance funds, by area of expenditure, current prices, 1989–90 to 1996–97 (\$ million)**

	1989–90	1993–94	1994–95	1995–96	1996–97
	\$ million				
<b>Expenditure</b>					
<i>Institutional</i>	1,810	2,447	2,527	2,702	2,890
Public acute care hospitals	519	499	436	380	360
Private hospitals	1,235	1,866	2,004	2,231	2,437
Ambulance	55	82	87	91	93
<i>Non-institutional</i>	927	1,146	1,179	1,220	1,280
Medical	151	208	216	223	229
Dental	463	539	546	564	596
Other professionals	141	188	205	215	225
Community health services <sup>(a)</sup>	1	1	1	2	1
Pharmaceuticals	35	42	42	44	44
Aids and appliances	136	168	169	172	184
<i>Total benefits</i>	2,737	3,593	3,706	3,922	4,170
Administration	390	482	495	504	530
<b>Total benefits plus administration</b>	<b>3,128</b>	<b>4,075</b>	<b>4,201</b>	<b>4,426</b>	<b>4,700</b>
<b>Income</b>					
Total contributions receivable	4,072	4,154	4,137	4,226	4,404
Total non-contributions income <sup>(b)</sup>	146	131	161	193	240
<b>Total income, all sources</b>	<b>4,218</b>	<b>4,285</b>	<b>4,299</b>	<b>4,419</b>	<b>4,645</b>

(a) Community health services include home nursing, domiciliary care and infant and maternal health services.

(b) Non-contributions income includes income generated by investments (e.g. dividends received, interest earned, etc.)

Source: Private Health Insurance Administration Council unpublished data.

**Table 15: Mean coverage<sup>(a)</sup> by health insurance, 1989–90 to 1996–97 (per cent)**

	1989–90	1993–94	1994–95	1995–96	1996–97
New South Wales <sup>(b)</sup>	47.3	40.6	38.2	35.1	33.1
Victoria	50.5	38.4	35.4	33.6	32.4
Queensland	32.0	32.9	32.0	31.4	30.8
Western Australia	42.0	39.3	38.0	37.0	35.9
South Australia	48.4	37.4	35.3	34.2	33.5
Tasmania	48.0	40.0	38.0	37.1	36.0
Northern Territory	20.1	15.1	13.9	22.1	25.0
<b>Australia</b>	<b>44.9</b>	<b>38.1</b>	<b>35.9</b>	<b>34.1</b>	<b>32.8</b>
<b>Mean resident population<sup>(c)</sup></b>	<b>16,939</b>	<b>17,763</b>	<b>17,959</b>	<b>18,192</b>	<sup>(d)</sup> <b>18,422</b>

(a) Mean annual coverage is the average proportion of the resident population that is covered for at least basic hospital benefits by a health insurance fund operated by a Registered Health Benefits Organisation.

(b) Includes Australian Capital Territory.

(c) Mean resident population for financial year 1 July to 30 June.

(d) Preliminary estimate.

Source: Private Health Insurance Administration Council unpublished data.

**Table 16: Expenditure on health services funded from health insurance funds, per person covered<sup>(a)</sup>, by area of expenditure, current prices, 1989–90 to 1996–97 (\$)**

	1989–90	1993–94	1994–95	1995–96	1996–97
	\$				
<i>Institutional</i>	241	362	392	436	478
Public acute care hospitals	68	74	68	61	60
Private hospitals	165	276	311	360	403
Ambulance	7	12	13	15	15
<i>Non-institutional</i>	122	170	183	197	212
Medical	20	31	34	36	38
Dental	61	80	85	91	99
Other professionals	19	28	32	35	37
Community health	—	—	—	—	—
Pharmaceuticals	5	6	7	7	7
Aids and appliances	18	25	26	28	30
<i>Total benefits</i>	363	532	576	632	690
Administration	51	71	77	81	88
<b>Total benefits plus administration</b>	<b>414</b>	<b>603</b>	<b>652</b>	<b>713</b>	<b>777</b>

(a) Expenditure on health services per person covered is calculated by dividing the aggregate expenditure on benefits, levies and administration by the estimated mean number of persons covered for basic hospital benefits during the year.

Source: Private Health Insurance Administration Council unpublished data.

**Table 17: Recurrent health services expenditure from health insurance funds, aggregate and per person covered, constant (average 1989–90) prices, 1984–85 to 1995–96**

	Recurrent health expenditure			
	Aggregate		Per person covered	
	\$ million	Annual growth rate (%)	\$	Annual growth rate (%)
1984–85	2,038	..	266	..
1985–86	2,323	14.0	298	12.2
1986–87	2,621	12.8	333	11.6
1987–88	2,871	9.6	369	10.7
1988–89	2,953	2.9	384	4.0
1989–90	3,128	5.9	411	7.3
1990–91	3,300	5.5	433	5.1
1991–92	3,443	4.3	473	9.4
1992–93	3,552	3.2	503	6.3
1993–94	3,585	0.9	530	5.4
1994–95	3,634	1.4	564	6.4
1995–96	3,753	3.3	605	7.2
<b>Average annual growth rates</b>				
1984–85 to 1987–88		12.1		11.5
1987–88 to 1992–93		4.3		6.4
1992–93 to 1995–96		1.8		6.3
1984–85 to 1995–96		5.7		7.8

Source: AIHW health expenditure database.

### Other non-government sources of health services funding

Other non-government sources of funding include payments by compulsory motor vehicle third party and workers' compensation insurance organisations. It also includes non-patient revenue received by hospitals and similar

institutions. This often takes the form of payments received for the use of facilities, interest earned on investments and income from certain 'non-health' activities (e.g. provision of car parking facilities).

The major areas to benefit from other non-government funding are public acute care hospitals, private hospitals, medical services and other

professional services. During 1995–96 acute care hospitals accounted for \$1,009 million, or 59.3% of all recurrent health services funding by other non-government sources. Medical services were responsible for 23.2% (\$395 million) and other professional services for a further \$182 million, or 10.7% (Table 19).

**Table 18: Funding of health services by individuals' out-of-pocket expenditures<sup>(a)</sup>, by area of expenditure, current prices, 1989–90 to 1995–96 (\$ million)**

	Year			
	1989–90	1993–94	1994–95	1995–96
<i>Institutional</i>	857	1,018	994	1,053
Private hospitals	290	255	272	293
Public psychiatric hospitals	29	18	8	13
Nursing homes	456	627	640	677
Ambulance	81	118	74	71
<i>Non-institutional</i>	3,622	4,877	5,217	5,289
Medical	585	683	712	757
Dental	808	1,099	1,113	1,149
Other professionals	653	753	752	758
Total pharmaceuticals	1,172	1,847	2,091	2,063
Benefit items	185	396	461	493
Other items	987	1,452	1,630	1,569
Aids and appliances	360	433	438	438
Research	45	61	111	125
<b>Total recurrent expenditure</b>	<b>4,479</b>	<b>5,894</b>	<b>6,210</b>	<b>6,342</b>

(a) Payments by individuals have not been adjusted for tax expenditures.

Source: AIHW health expenditure database.

**Table 19: Funding of health services by other non-government sources<sup>(a)</sup>, by area of expenditure, current prices, 1989–90 to 1995–96 (\$ million)**

Area of expenditure	Year							
	1989–90		1993–94		1994–95		1995–96	
	Compensible <sup>(b)</sup>	Other	Compensible <sup>(b)</sup>	Other	Compensible <sup>(b)</sup>	Other	Compensible <sup>(b)</sup>	Other
<i>Institutional</i>	263	237	293	491	323	605	326	718
Public acute care hospitals	136	234	110	367	103	438	108	537
Private hospitals	107	—	162	124	185	156	183	181
Public psychiatric hospitals	1	—	2	—	2	10	3	—
Nursing homes	—	3	—	—	—	—	—	—
Ambulance	19	—	19	—	33	—	33	—
<i>Non-institutional</i>	453	—	491	—	617	—	656	—
Medical	275	—	296	—	369	—	395	—
Dental	3	—	6	—	8	—	10	—
Other professionals	103	—	138	—	185	—	182	—
Community/public health	43	—	2	—	3	—	3	—
Total pharmaceuticals	17	—	20	—	26	—	35	—
Aids and appliances	13	—	29	—	25	—	32	—
<b>Total recurrent expenditure</b>	<b>715</b>	<b>237</b>	<b>783</b>	<b>491</b>	<b>940</b>	<b>605</b>	<b>983</b>	<b>718</b>

(a) Other non-government sources are all non-government sources of funds other than private health insurance and individuals' out-of-pocket expenditures.

(b) Compensible refers to services funded by workers' compensation and compulsory motor vehicle third party insurance schemes.

Source: AIHW health expenditure database.

**Table 20: Proportion of recurrent health services expenditure, current prices, by area of expenditure, 1989–90 to 1995–96**

Area of expenditure	1989–90	1990–91	1991–92	1992–93	1993–94	1994–95	1995–96
	Per cent						
<i>Total institutional</i>	50.5	50.3	49.8	48.4	47.4	47.0	47.3
Public acute care hospitals	32.3	31.3	30.7	29.9	29.0	28.7	28.9
Recognised public hospitals	30.6	29.6	29.0	28.3	27.9	28.0	28.9
Repatriation hospitals	1.7	1.7	1.7	1.5	1.0	0.6	—
Private hospitals	6.3	6.9	7.2	7.3	7.5	7.9	8.2
Public psychiatric hospitals	2.0	1.9	1.8	1.6	1.4	1.3	1.0
Nursing homes	8.3	8.6	8.4	8.1	7.8	7.5	7.6
Ambulance	1.5	1.4	1.4	1.4	1.4	1.2	1.2
Other institutional (nec)	0.2	0.2	0.2	0.2	0.3	0.4	0.4
<i>Total non-institutional</i>	49.5	49.7	50.2	51.6	52.6	53.0	52.7
Medical services	18.4	18.7	19.0	19.6	20.1	20.3	20.2
Other professional services	3.7	3.9	3.7	3.7	3.6	3.6	3.5
Total pharmaceuticals	9.3	9.5	9.9	10.5	11.1	11.7	12.0
Benefit paid pharmaceuticals	5.4	5.0	5.2	6.0	6.7	7.0	7.7
All other pharmaceuticals	3.9	4.5	4.7	4.5	4.4	4.7	4.3
Aids and appliances	2.1	2.2	2.2	2.2	2.2	2.1	2.0
Other non-institutional services	14.4	13.8	13.8	14.0	13.8	13.6	13.3
Community and public health	5.6	4.7	4.4	4.9	5.2	n.a.	n.a.
Dental services	5.1	5.3	5.3	5.5	5.4	n.a.	n.a.
Administration	3.7	3.8	4.1	3.6	3.2	n.a.	n.a.
Research	1.5	1.5	1.5	1.5	1.7	1.7	1.8
<b>Total recurrent expenditure</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: AIHW health expenditure database.

## Health services expenditure by type of expenditure

The major division of health services expenditure is between recurrent expenditure and capital outlays. The former is made up largely of operational costs (e.g. salary and wages, provisions, maintenance and other operating costs) while the latter refers to investments in infrastructure (e.g. hospital buildings and plant and equipment).

### Recurrent health services expenditure

Since 1991–92 more than half of all recurrent health services expenditure has been directed to what are commonly classified as non-institutional health services. The more important of the non-institutional health services are medical services, pharmaceuticals, dental services and other professional services.

There was a trend during the early part of the 1990s, which was also evident during the 1980s, away from expenditure on institutional services towards services provided in a non-

institutional setting. For example, expenditure on hospitals as a proportion of all recurrent health services expenditure fell from 40.6% in 1989–90 to 38.1% in 1995–96 (Table 20). At the same time, expenditure on medical services and pharmaceuticals both rose as a proportion of recurrent expenditure from 18.4% to 20.2% and from 9.3% to 12.0%, respectively. In fact, all areas of institutional health care, apart from private acute care hospitals, have demonstrated similar downward trends over that period.

Real growth in recurrent health services averaged 3.7% between 1989–90 and 1995–96. However, growth in the latter half of this period (i.e. from 1992–93 to 1995–96) was much higher, at 4.5%, than the 2.9% that was experienced in the first three years from 1989–90 to 1992–93 (Table 21). Much of the reason for growth being higher during the second half of the period lies with the accelerated growth in expenditure that was experienced by both public acute care hospitals and pharmaceuticals. These two areas of expenditure had much higher levels of growth during the last three years of the period than in the first three. They also contribute significantly to the total recurrent

expenditure on all health services (in 1995–96 they accounted for 40.9% of all recurrent health services expenditure).

Despite its own average growth being three times higher during the last three years than it was in the first three years, expenditure on public hospitals was still below the average for all recurrent expenditure during both these periods. As such, it had a dampening effect on the overall growth in recurrent health expenditure. The main drivers of growth in recurrent health services expenditure continue to be private hospitals, medical services and pharmaceuticals. They grew at an average of 8.4%, 5.5% and 8.2%, respectively, between 1989–90 and 1995–96, compared with the 3.7% average for total recurrent expenditure.

### Outlays on capital

In the context of this analysis capital expenditure includes only changes in gross fixed capital and stocks. It does not include depreciation which, in the case of non-government funding, is included as a recurrent expense and, in the case of the government sector

**Table 21: Growth in recurrent health services expenditure, constant (average 1989–90) prices, by area of expenditure, 1989–90 to 1995–96**

Area of expenditure	Annual growth rates						Average annual growth rates		
	1989–90 to 1990–91	1990–91 to 1991–92	1991–92 to 1992–93	1992–93 to 1993–94	1993–94 to 1994–95	1994–95 to 1995–96	1989–90 to 1992–93	1992–93 to 1995–96	1989–90 to 1995–96
	Per cent								
<i>Total institutional</i>	2.6	2.5	1.1	1.3	3.3	5.8	2.0	3.4	2.7
Public acute care hospitals	-0.1	1.7	0.9	0.4	3.3	5.9	0.8	3.2	2.0
Recognised public hospitals	-0.4	1.8	1.3	2.0	4.8	8.2	0.9	4.9	2.9
Repatriation hospitals	5.7	0.1	-6.3	-29.1	-35.1	-93.4	-0.3	-68.8	-44.3
Private hospitals	11.3	8.3	5.6	6.6	9.3	9.3	8.4	8.4	8.4
Public psychiatric hospitals	1.3	-2.1	-10.4	-5.3	-4.3	-13.7	-3.9	-9.1	-6.5
Nursing homes	6.9	0.8	0.1	-0.4	1.0	5.6	2.6	2.1	2.3
Ambulance	-0.9	5.9	4.1	0.2	-7.6	1.8	3.0	-1.9	0.5
Other institutional (nec)	6.5	6.7	0.0	66.0	5.1	7.6	4.3	23.4	13.4
<i>Total non-institutional</i>	2.3	3.5	5.7	5.3	6.2	5.0	3.8	5.5	4.7
Medical services	3.1	5.6	7.9	5.3	5.8	5.2	5.5	5.4	5.5
Other professional services	7.9	-5.2	2.3	1.9	6.0	2.9	1.5	3.6	2.6
Total pharmaceuticals	4.0	6.0	6.6	11.9	11.6	9.1	5.5	10.9	8.2
Benefit paid	-5.6	5.3	16.0	17.8	11.3	17.4	4.9	15.5	10.0
All other	17.4	6.7	-3.8	4.0	12.0	-3.2	6.4	4.1	5.2
Aids and appliances	5.4	4.6	-0.5	7.9	1.1	1.2	3.1	3.3	3.2
Other non-institutional (nec)	-1.6	1.3	3.7	0.4	2.9	1.4	1.1	1.7	1.4
Community/public health	-13.6	-4.0	14.8	9.7	n.a.	n.a.	-1.6	n.a.	n.a.
Dental services	4.8	0.2	5.9	-3.3	n.a.	n.a.	3.6	n.a.	n.a.
Administration	7.9	9.1	-10.8	-6.8	n.a.	n.a.	1.6	2.7	2.2
Research	2.4	3.9	5.9	10.9	10.6	10.5	4.1	10.7	7.3
<b>Total recurrent expenditure</b>	<b>2.5</b>	<b>3.0</b>	<b>3.4</b>	<b>3.4</b>	<b>4.8</b>	<b>5.4</b>	<b>2.9</b>	<b>4.5</b>	<b>3.7</b>

Source: AIHW health expenditure database.

funding, is shown separately as 'capital consumption' in Tables 29–35. Total capital outlays during 1996–97 was \$1,919 million. Most of this was funded by either State and Territory Governments or non-government sources. State and Territory Governments provided \$1,142 million (59.5%) and the non-government sector provided \$719 million (37.5%). The Commonwealth Government's contribution was \$58 million (Table 22).

Capital expenditure increased between 1984–85 and 1996–97 at an average of 4.3% per year (Table 23). However, because they involve large outlays and the types of facilities concerned are large-scale structures and equipment with long useful lives, capital outlays do not display consistent trends over relatively short periods, such as the period covered by this analysis. This is exacerbated by the fact that, unlike recurrent expenditure, where the level of outlays in one year is somewhat

dependent on the level that existed in the previous period, capital outlays on particular projects in one year can be quite independent of what has happened in the past.

The Commonwealth Government's role in the funding of capital outlays is quite small, compared with that of State and local government authorities and the non-government sector. Most of its capital outlays are in the form of grants to other levels of government or to non-government investors, rather than in direct investment in facilities that are owned and operated by the Commonwealth. In most instances where capital expenditure by the Commonwealth is involved, it is at least matched by other investors. During the early 1990s Commonwealth capital outlays were distorted by the negative outlays that resulted from the disposal of the repatriation general hospitals in each of the States.

Capital outlays by State and local government authorities, on the other

hand, tend to be new and/or replacement facilities and equipment that are used in the provision of health services for which those levels of government have primary responsibility (e.g. public hospitals, community health facilities, etc.). Therefore, the year-to-year fluctuations in capital outlays by State and local governments are not nearly as pronounced as for Commonwealth outlays.

Typically, capital expenditure by the non-government sector accounts for between one-third and half of all capital outlays in any year. Its growth averaged 2.3% between 1984–85 and 1996–97. Capital expenditure for private hospitals is a large component on that non-government sector's capital expenditure. For example, in 1995–96 capital expenditure on private hospitals was \$399 million out of a total non-government capital expenditure of \$836 million and in 1996–97 capital expenditure on private hospitals was \$328 million out of a total of \$719 million.

**Table 22: Capital expenditure, current prices, by source of funds, 1984–85 to 1996–97 (\$ million)**

	Government sector			Non-government sector	Total
	Commonwealth	State & local	Total		
1984–85	35	403	437	332	769
1985–86	93	460	553	445	998
1986–87	117	518	635	499	1,133
1987–88	157	496	654	629	1,282
1988–89	92	599	691	674	1,365
1989–90	138	694	832	624	1,456
1990–91	181	775	956	493	1,449
1991–92	182	694	876	515	1,391
1992–93	144	811	955	688	1,643
1993–94	80	899	979	854	1,833
1994–95	23	504	527	813	1,340
1995–96	46	903	949	836	1,786
1996–97 <sup>(a)</sup>	58	1,142	1,200	719	1,919

(a) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

**Table 23: Capital expenditure, constant (average 1989–90) prices<sup>(a)</sup>, and annual growth rates, by source of funds, 1984–85 to 1996–97**

	Government sector						Non-government sector	All sectors total		
	Commonwealth		State & local		Total					
	Amount (\$m)	Rate of growth (%)	Amount (\$m)	Rate of growth (%)	Amount (\$m)	Rate of growth (%)				
1984–85	47	..	537	..	583	..	500	..	1,084	..
1985–86	114	144.9	563	4.8	677	16.0	598	19.4	1,274	17.6
1986–87	134	17.6	595	5.8	729	7.8	599	0.3	1,329	4.3
1987–88	172	28.2	542	-8.9	714	-2.0	719	20.0	1,434	7.9
1988–89	97	-43.7	630	16.2	727	1.8	712	-1.0	1,440	0.4
1989–90	138	42.8	694	10.0	832	14.4	624	-12.4	1,456	1.1
1990–91	177	28.3	760	9.5	937	12.6	482	-22.7	1,420	-2.5
1991–92	179	1.0	707	-6.9	887	-5.4	517	7.1	1,403	-1.2
1992–93	141	-21.6	792	12.0	933	5.2	701	35.6	1,633	16.4
1993–94	78	-44.5	879	10.9	957	2.6	859	22.6	1,816	11.2
1994–95	-16	-121.1	954	8.6	938	-2.0	804	-6.4	1,742	-4.1
1995–96	46	..	888	-6.9	934	-0.4	813	1.1	1,747	0.3
1996–97 <sup>(b)</sup>	56	21.9	1,090	22.7	1,145	22.6	661	-18.7	1,806	3.4
<b>Average annual growth rate</b>										
1984–85 to 1996–97	1.5		6.1		5.8		2.3		4.3	

(a) Health services expenditure for 1984–85 to 1996–97 is deflated to average 1989–90 prices using specific health deflators (see Table 25 for major deflators used).

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

## Health services expenditure per person

By examining health expenditure per person, the influence of changes in population is removed from the

analysis. During 1996–97 per person expenditure on health services averaged \$2,345 (Table 24). This was an increase of \$74 per person over the 1995–96 level of \$2,271.

Typically, the rate at which the Australian population has been growing has been declining since the

1980s. From 1985–86 to 1989–90 it averaged 1.5% per year and during the 1990s averaged 1.1% per year. Growth in per person real health expenditure between 1984–85 and 1996–97 averaged 2.7%, compared with 4.0% for health expenditure as a whole.

**Table 24: Health services expenditure per person, current and constant (average 1989–90) prices<sup>(a)</sup>, and annual growth rates 1984–85 to 1996–97**

	Amount (\$)		Growth rate over previous year (%)	
	Current	Constant	Current	Constant
1984–85	1,055	1,458	..	..
1985–86	1,169	1,521	10.8	4.3
1986–87	1,309	1,571	12.0	3.3
1987–88	1,423	1,603	8.7	2.1
1988–89	1,566	1,661	10.1	3.6
1989–90	1,700	1,700	8.6	2.3
1990–91	1,820	1,713	7.1	0.7
1991–92	1,902	1,736	4.5	1.4
1992–93	1,984	1,785	4.3	2.8
1993–94	2,060	1,835	3.8	2.8
1994–95	2,155	1,891	4.6	3.1
1995–96	2,271	1,963	5.4	3.8
1996–97 <sup>(b)</sup>	2,345	1,996	3.3	1.7
<b>Average annual growth rates</b>				
1984–85 to 1987–88			10.5	3.2
1987–88 to 1992–93			6.9	2.2
1992–93 to 1996–97			4.3	2.8
1984–85 to 1996–97			6.9	2.7

(a) Health services expenditure for 1984–85 to 1996–97 has been deflated to average 1989–90 prices using specific health deflators (see Table 25 for major deflators used).

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

## Health prices

Often a strong influence on health services expenditure growth is the relationship between movements in health prices and the general level of inflation in the economy as a whole. The general level of inflation is usually measured by reference to either the Consumer Price Index (CPI) or the Implicit Price Deflator (IPD) for GDP, while health inflation is indicated by reference to the IPD for health services (Table 25). In Australia, health inflation has tended to move in line with the general level of inflation.

Between 1989–90 and 1996–97 the average rate of general inflation, as measured by changes in the IPD for GDP, was 1.9% per year. Health inflation during that period averaged 2.3%.

The indexes for the health services subgroup of the CPI and the components of that subgroup illustrate changes in prices faced by households when purchasing health services and private health insurance cover. They do not reflect movements in overall prices as they exclude government subsidies, benefit payments and services provided directly by governments. Movements

in the overall health prices are reflected in the 'Total health services IPD'.

The average annual rate of increase in overall health prices (2.3%) was below the average for the total CPI (2.7%) between 1989–90. However, the rate of increase in prices that households actually faced when purchasing private health services and insurance cover (7.6%) was almost three times the rate of the increase in the CPI as a whole. This is largely due to increases in the price of private health insurance, which averaged 9.8% over the period.



**Table 25: Total health Implicit Price Deflator (IPD) and industry-wide indexes (base year 1989–90=100), 1989–90 to 1996–97<sup>(a)</sup>**

	1989–90	1990–91	1991–92	1992–93	1993–94	1994–95	1995–96	1996–97
Total health services IPD	100.0	106.3	109.5	111.1	112.3	114.0	115.7	<sup>(b)</sup> 117.5
<b>Government final consumption expenditure</b>								
Hospital and clinical	100.0	106.1	108.9	110.1	111.3	113.3	115.5	117.6
Total	100.0	105.2	109.5	112.0	113.3	113.5	115.9	117.1
<b>Private final consumption expenditure</b>								
Doctors	100.0	107.7	110.1	110.6	112.6	114.2	115.7	118.3
Dentists	100.0	108.1	114.5	118.8	124.5	130.1	136.2	140.7
Chemists	100.0	107.4	113.0	117.3	115.9	116.2	116.5	115.7
Other professionals	100.0	107.1	113.5	115.3	116.6	116.1	116.0	116.6
Total health	100.0	107.0	110.6	111.9	115.5	116.5	117.6	119.4
<b>Implicit price deflators</b>								
Public gross fixed capital	100.0	102.0	101.5	102.4	102.3	103.6	101.7	104.8
Private capital	100.0	102.2	99.7	98.2	99.4	101.1	102.9	108.8
GDP	100.0	103.1	105.1	106.4	107.5	109.1	112.3	114.4
<b>CPI</b>								
Total CPI	100.0	105.3	107.3	108.4	110.4	113.9	118.7	120.3
Health services sub group	100.0	111.8	128.8	132.3	139.0	147.7	156.2	166.6
Health insurance <sup>(c)</sup>	100.0	113.1	135.6	149.9	158.8	167.9	177.1	191.9
Hospital and medical	100.0	113.4	135.0	138.1	145.6	155.6	165.2	177.4
Pharmaceuticals	100.0	106.7	112.0	112.7	115.1	120.2	123.5	128.7

(a) Index numbers for previous years are shown in *Health Expenditure Bulletin No.12* — Tables 13 and 15.

(b) Total health services IPD derived from preliminary ABS and AIHW estimates.

(c) The health insurance index is a sub-component of the hospital and medical component of the health services sub group.

Source: See 'Technical notes'.

## International comparison of health services expenditure

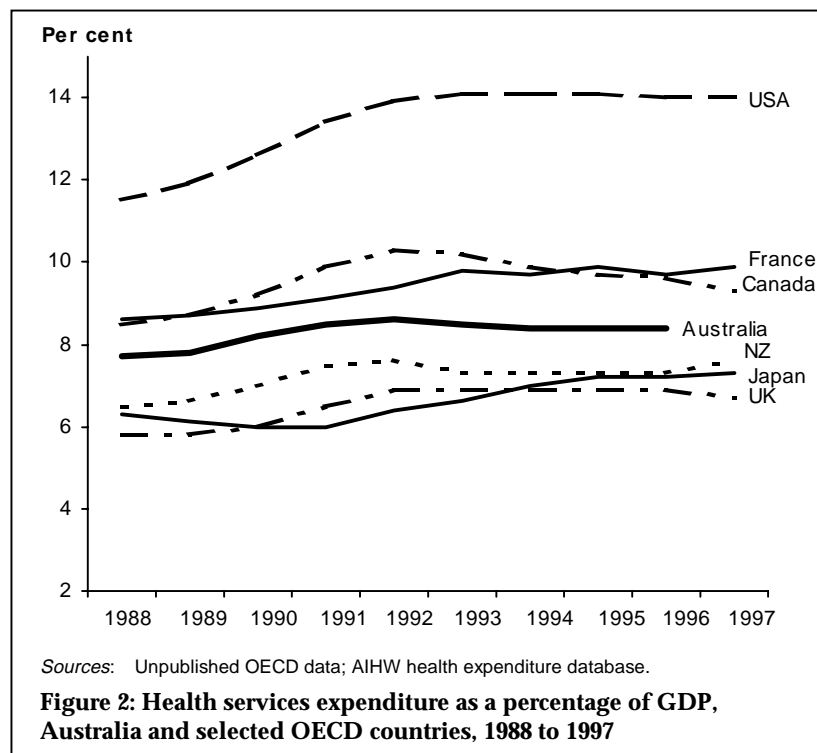
This section compares Australian health services expenditure with that of six other member countries of the Organisation for Economic Cooperation and Development (OECD). These are Canada, France, Japan, New Zealand, the United Kingdom and the United States of America. The comparison focuses on the ten-year period 1988 to 1997. The purpose of this comparison is to give an appreciation of the relative efforts being undertaken in countries with similar economic and social structures or with which Australia has important social and economic links. However, it must be borne in mind that there are inter-country differences in the scope of services that have been included as 'health services' and this complicates the comparability of the data to some extent.

### Health and GDP

Health services expenditure of different countries is best compared in terms of the percentage of GDP. Between 1988 and 1997, the United States consistently spent the most on health, measured as a proportion of

GDP (Table 26 and Figure 2). It spent 11.5% of its GDP on health in 1988, rising to 14.0% by 1997, an average of 13.4% across the period. Australia was ranked fourth among the seven listed countries every year from 1988 to 1996, and recorded a nine-year average health spending to GDP ratio of 8.3%. This was below the average for the seven selected OECD

nations, but slightly higher than the average if the United States is excluded. Canada, with a ten-year average of 9.5%, and France, with 9.4%, also had ratios that were consistently higher than Australia. The United Kingdom, with the lowest average health to GDP ratio of 6.5%, Japan (6.6%) and New Zealand (7.2%) all had ten-year



averages that were lower than Australia.

Because of the overall size of their economies, the United States and Japan dominate the averages for this group of OECD countries. In order to assess Australia's position relative to all the other countries in the group, it is useful to look at the weighted means of the countries both with the

United States and Japan included and excluded.

Health spending for the group as a whole increased substantially during the period. The average for the seven countries, weighted according to GDP, rose from 9.4% in 1988 to 11.2% in 1996, while the six country weighted average (excluding the United States) increased from 7.0%

to 8.0% in 1996. The five country weighted average (excluding both the United States and Japan) increased from 7.5% in 1988 to 8.5% in 1996. However, most of these increases were due to a general slowdown in economic activity throughout the OECD, and did not necessarily indicate high rates of growth in expenditure on health services.

**Table 26: Total health services expenditure as a proportion of GDP, Australia and selected OECD countries, current prices, 1988 to 1997<sup>(a)</sup> (per cent)**

Year <sup>(a)</sup>	OECD member countries							Weighted means <sup>(b)</sup>		
	Australia	Canada	France	Japan	NZ	UK	USA	Seven country mean	Six country mean <sup>(c)</sup>	Five country mean <sup>(d)</sup>
1988	7.7	8.5	8.6	6.3	6.5	5.8	11.5	9.4	7.0	7.5
1989	7.8	8.7	8.7	6.1	6.6	5.8	11.9	9.5	7.0	7.6
1990	8.2	9.2	8.9	6.0	7.0	6.0	12.6	9.9	7.0	7.9
1991	8.5	9.9	9.1	6.0	7.5	6.5	13.4	10.5	7.3	8.3
1992	8.6	10.3	9.4	6.4	7.6	6.9	13.9	10.9	7.6	8.6
1993	8.5	10.2	9.8	6.6	7.3	6.9	14.1	11.1	7.8	8.7
1994	8.4	9.9	9.7	7.0	7.3	6.9	14.1	11.2	7.9	8.6
1995	8.4	9.7	9.9	7.2	7.3	6.9	14.1	11.3	8.0	8.7
1996	8.4	9.6	9.7	7.2	7.3	6.9	14.0	11.2	8.0	8.5
1997	n.a.	9.3	9.9	7.3	7.6	6.7	14.0	n.a.	n.a.	n.a.
<b>Ten year average<sup>(e)</sup></b>	<b>8.3</b>	<b>9.5</b>	<b>9.4</b>	<b>6.6</b>	<b>7.2</b>	<b>6.5</b>	<b>13.4</b>	<b>10.5</b>	<b>7.5</b>	<b>8.3</b>

(a) See definition 'OECD financial year' in 'Technical notes'.

(b) Means are weighted by GDP.

(c) Excludes the United States.

(d) Excludes the United States and Japan.

(e) Unweighted means are based on a ten-year average, except for Australia and the group means, which are based on a nine-year average.

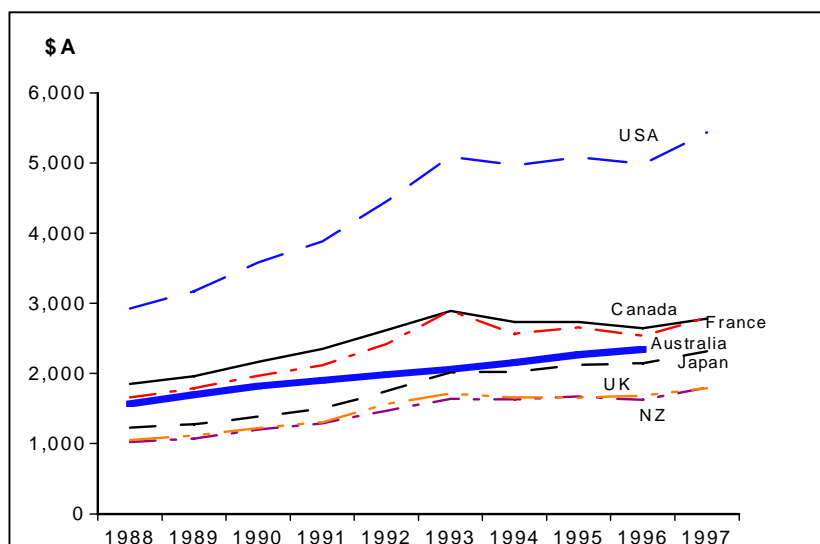
Sources: Australia — AIHW health expenditure database; other countries — OECD unpublished health expenditure data.

### Health expenditure per person

To compare health services expenditure in per person terms requires adjustment of the original OECD data using a common unit of value. This was done using purchasing power parities for the economy as a whole to convert all expenditures into Australian dollars (\$A). In terms of per person health expenditure, the rankings are similar to those for expenditure as a share of GDP. Australia had the fourth highest per person expenditure on health services throughout the whole period 1988 to 1996 (Table 27). The United States was consistently the highest spending country in terms of health expenditure per person. In 1988 its expenditure (\$A2,926) was 57.7% more than that of the next highest spending country, Canada (\$A1,855) and 86.8% higher than that of Australia (\$A1,566). In 1996, per capita expenditure by the United States was \$A4,989. This was

more than double that of Australia (\$A2,345) and 88.8% higher than Canada's expenditure. By 1997, per

capita expenditure in the United States reached \$A5,440 and France, which had previously been the third



Source: Unpublished OECD data; AIHW health expenditure database.

**Figure 3: Health services expenditure per person, Australia and selected OECD countries, 1988 to 1997**

**Table 27: Total health services expenditure per person, Australia and selected OECD countries, purchasing power parity conversion, current prices, 1988 to 1997<sup>(a)</sup> (\$A)**

Year <sup>(a)</sup>	OECD member countries						
	Australia	Canada	France	Japan	NZ	UK	USA
1988	1,566	1,855	1,659	1,231	1,023	1,054	2,926
1989	1,700	1,964	1,789	1,276	1,075	1,115	3,176
1990	1,820	2,170	1,969	1,385	1,199	1,222	3,582
1991	1,902	2,350	2,120	1,499	1,292	1,307	3,886
1992	1,984	2,620	2,424	1,748	1,471	1,565	4,454
1993	2,060	2,892	2,695	2,018	1,638	1,712	5,096
1994	2,155	2,739	2,567	2,025	1,630	1,662	4,970
1995	2,271	2,739	2,660	2,127	1,671	1,666	5,084
1996	2,345	2,643	2,538	2,146	1,625	1,686	4,989
1997	n.a.	2,786	2,797	2,316	1,798	1,792	5,440

See definition 'OECD financial year' in 'Technical notes'.

Sources: Australia — AIHW health expenditure database; other countries — OECD unpublished health expenditure data.

highest spending country, was now the second highest with \$A2,797, or 51.4% of the level of the United States.

The United States, Canada and France had levels of per person expenditure on health services that were consistently above that of Australia while Japan, New Zealand and the United Kingdom all had levels that were below Australia's. In all years except 1995 and 1997, when the United Kingdom spent slightly less, New Zealand's expenditure per person was the lowest of the seven countries.

### Factors affecting nominal growth in expenditure

The key factors affecting the nominal rate of growth in health services expenditure are:

- inflation;
- population growth; and
- changes in the level of services used.

There are two aspects of inflation

that are of interest in analysing changes in outlays on health services—the general rate of inflation prevailing within an economy and the rate of excess health inflation (see 'Technical notes' for definition).

The general rate of inflation is an indication of price pressures that apply throughout the economy whereas the excess health inflation rate indicates additional price pressures that are specific to the health services sector.

New Zealand had the highest excess health inflation rate, averaging 1.9% between 1975 and 1996, while France with a negative excess health inflation rate of -0.8% had the lowest rate (Table 28). The Australian data indicate that prices for inputs to its health services rose at about the same rate as prices in general, giving it an excess health inflation rate of 0.1%—the second lowest for the group and well below the average of 0.8%.

Australia, Canada and the United States had average rates of increase in population of 1.0% or more between 1975 and 1996. The other countries had much lower rates of population growth. New Zealand grew at 0.8%, Japan and France both grew at 0.5%, while the United Kingdom's population increased by an average of only 0.2% per year.

In order to compare the level of expenditure without the complication of different rates of population growth it is useful to look at real growth in per person health services expenditure. In this regard, Australia was ranked fourth behind France, Japan and the United States, in terms of average growth between 1975 and 1996. During the period, France experienced the highest growth of 4.1%, while New Zealand's per person health expenditure fell in real terms by 0.6%.

**Table 28: Health services expenditure growth, Australia and selected OECD countries, 1975 to 1996<sup>(a)</sup> (per cent)**

	Australia	Canada <sup>(b)</sup>	France	Japan <sup>(c)</sup>	NZ	UK	USA <sup>(d)</sup>
<b>Components of growth in health expenditure 1975 to 1996</b>							
Nominal growth in health services expenditure	10.1	9.4	10.0	5.4	11.2	10.9	11.0
Health services inflation	6.3	6.2	5.2	1.9	11.1	8.6	7.1
General inflation	6.2	4.9	6.1	1.4	9.0	7.4	5.1
Excess health inflation <sup>(e)</sup>	0.1	1.3	-0.8	0.5	1.9	1.1	1.8
Real growth in health services expenditure	3.5	3.0	4.6	3.4	0.1	2.2	3.6
Population growth	1.3	1.2	0.5	0.5	0.8	0.2	1.0
Per person real growth	2.2	1.8	4.1	2.9	-0.6	1.9	2.6

(a) See definition 'OECD financial year' in 'Technical notes'.

(b) Canada from 1975 to 1995.

(c) Japan from 1980 to 1996.

(d) USA from 1975 to 1994.

(e) See 'Technical notes'.

Sources: Australia — AIHW health expenditure database; other countries — OECD unpublished data.

## Technical notes

### Definitions, sources and notes

#### General

The Australian Institute of Health and Welfare collects information for estimates of health expenditure from a wide range of sources. The Australian Bureau of Statistics, the Commonwealth Department of Health and Family Services and State and Territory health authorities provided most of the basic data used in this bulletin. Other major data sources include the Commonwealth Department of Veterans' Affairs, the Private Health Insurance Administration Council, Comcare and the major workers' compensation and compulsory motor vehicle third party insurers in each State and Territory.

The term 'recognised public hospital' is used in this bulletin to refer to those acute care hospitals operated by, or on behalf of, State and Territory Governments that are recognised for the purposes of the Commonwealth and State Medicare agreements.

The 'Medical services' category in Tables 29–35 covers medical services provided on a fee-for-service basis, including medical services provided to private patients in hospitals. It does not include expenditure on medical salaries or visiting medical officers at public hospitals.

The 'Commonwealth' column in Tables 29–35 includes expenditure by the Department of Veterans' Affairs on behalf of eligible veterans and dependants. It also includes, until 1988–89, expenditure by ACT health services.

'Benefit paid pharmaceuticals' are pharmaceuticals in the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme for which the Commonwealth paid a benefit. Pharmaceutical Benefits Scheme listed pharmaceuticals for which a

#### Box 1: Periods relating to OECD year 1990

Country	Fiscal year
Australia	1 July 1990 to 30 June 1991
Canada	1 April 1990 to 31 March 1991
France	1 January 1990 to 31 December 1990
Japan	1 April 1990 to 31 March 1991
New Zealand	1 July 1990 to 30 June 1991
United Kingdom	1 April 1990 to 31 March 1991
United States	1 October 1989 to 30 September 1990

prescription is required, but where all the costs are met by the patient ('under \$20' pharmaceuticals), are included in 'all other pharmaceuticals'. Also included in 'all other pharmaceuticals' are over the counter medicines—such as aspirin, cough and cold medicines, vitamins and minerals, and herbal and other remedies. 'OECD financial year' refers to the calendar year in which the majority of the particular country's fiscal year falls. In the case of the seven countries listed in Tables 26–28 the OECD financial year 1990 refers to the periods listed in Box 1.

Health expenditure figures shown in Tables 29–35 do not include any parts of expenditure that are primarily of a welfare services nature, even where that expenditure has a health component. Also excluded are most costs associated with the training of health personnel in universities. However, in some cases, such as hospital-based nursing training, where the cost of training cannot be separated from the operational costs, training costs would be included as part of the operational costs. Further details of the sources and definitions used in this bulletin are contained in the AIHW publication *Australian Health Expenditure 1970–71 to 1984–85* (out of print).

Constant price values have been calculated using 'average prices' that applied in respect of each particular expenditure item in 1989–90. Expenditure values, generally, may be thought of as being derived by expressing the current price value of each

component transaction as the product of a price and a quantity. Constant price values, therefore, are derived by substituting for each current price the corresponding price in the base year (1989–90).

For the purposes of this analysis, the average prices in the base year in respect of each expenditure item have been used, i.e. the proportions and prices of the components of the expenditure item have been held constant. The term 'constant (average 1989–90) prices' is used to indicate that the price measures are averages and not the *actual* base year prices of the individual component transactions.

The average prices were based on the mix of component quantities that applied in the base year. In this way, changes in expenditure have been assumed to reflect changes in the quantum of outputs only (this assumes that any change in quality of an output is a component of the quantum change).

To the extent that changes in the mix of inputs to the items of expenditure occur over time, a method of estimating constant price expenditure using fixed weights (such as is adopted here) cannot accurately reflect quantum changes. This becomes increasingly so as the time between the analysis period and the base year increases.

'Excess health inflation' is a measure of the extent by which inflation that is specific to health services exceeds the general rate of inflation in the economy as a whole. If excess health inflation is positive, prices in the health sector are rising faster than prices in the

general economy. If excess health inflation is negative, health prices are rising at a slower rate than prices generally.

### Price indexes

An Implicit Price Deflator is an index obtained by dividing a current price value by its corresponding constant price value. Thus implicit price deflators are derived measures and are not normally the direct measures of price change by which current price estimates are converted to estimates in constant prices.

However, in the absence of readily available specific price deflators for particular areas of expenditure, it is sometimes necessary to use Implicit Price Deflators to derive approximates of constant price expenditure on particular areas. Notably, the Implicit Price Deflator for:

- general government public gross fixed capital expenditure is used to deflate government capital health expenditure and government consumption of health-related capital stock;
- private capital expenditure on non-dwelling construction is used to deflate private capital health expenditure; and
- GDP is the broadest measure of price change available in the national accounts. It provides an indication of the overall changes in the prices of goods and services produced in Australia, whether for use in the domestic economy or for export.

The Hospital and Clinical Index from the Government final consumption expenditure deflators is derived from changes in wage costs, visiting medical officer payments and other costs in the hospital area. Other costs include drug costs, medical and surgery costs, food costs, domestic service costs as well as costs of repairs and maintenance, patient transport, fuel, light and power and other non-salary costs.

The private final consumption expenditure deflators measure

### Box 2: Sources of deflators used in this publication

<i>Implicit Price Deflator for general government public gross fixed capital</i>	ABS, Australian national accounts: national income, expenditure and product (Cat. No. 5206.0)
<i>Implicit Price Deflator for GDP</i>	ABS, Australian national accounts: national income, expenditure and product (Cat. No. 5206.0)
<i>Government final consumption for Hospital and Clinical index</i>	ABS unpublished data
<i>Private final consumption expenditure for doctors, dentists, chemists and other medical professional indices</i>	ABS unpublished data
<i>Implicit Price Deflator for private capital expenditure on non-dwelling construction</i>	ABS: Australian national accounts: national income, expenditure and product (Cat. No. 5206.0)

changes in the price of services of private doctors, dentists, chemists and other private health professionals.

The total health expenditure in constant prices is obtained by adding up individual expenditures in constant prices. The total health expenditure price index is the ratio of total health expenditure in current prices to total health expenditure in constant prices for its corresponding year.

The sources for the various deflators used are shown in Box 2. Table 22 in *Health Expenditure Bulletin No. 11* lists the cells within the health expenditure matrix where these deflators are applied.

### Revisions of definitions and estimates

Since the publication of *Health Expenditure Bulletin No. 13* there have been changes to the way some government sector expenditure data are collected and collated. As a result of these changes it is no longer possible to allocate State and local government expenditures to the separate categories 'community and public health', 'dental services' and 'administration'. Therefore, it has been decided to present the amalgamated data for that source of funds (State and local government). Where it is possible to present data for the various sub-categories (i.e. years up to and including 1993-94 for

State and local government and all years for other sources of funds), this has been done.

Revisions have been made to estimates of recurrent health expenditure since the publication of *Health Expenditure Bulletin No. 13*. The major revisions have related to the 1994-95 estimates for 'Recognised public hospitals', 'Private hospitals', 'Public psychiatric hospitals', 'Ambulance', 'Medical services', and 'Other professional services'.

### Recognised public hospitals

Total expenditure on recognised public hospitals for 1994-95 has been revised upwards by \$208 million since the publication of *Health Expenditure Bulletin No. 13*. Most of this revision resulted from the removal of an error in the way some New South Wales hospital expenditure had previously been treated. That had resulted in the gross operating costs being understated by \$174 million. In addition, there was a \$59 million overstatement in the source data, which when offset against the \$174 million understatement resulted in a net understatement of \$115 million in the New South Wales' hospital data used to construct the tables in *Health Expenditure Bulletin No. 13*. The balance results from adjustments to the estimates for Victoria (\$88 million); South Australia (-\$4 million); Tasmania (\$1 million); and Northern

Territory (\$8 million). These revisions have resulted from new source data provided in *Australian Hospital Statistics 1993–95: An Overview (AIHW)*.

### Private hospitals

There has been a slight revision to the 1994–95 estimate of expenditure on private hospitals (+\$11 million) since the release of *Health Expenditure Bulletin No. 13*. This revision is due, in part, to the inclusion of additional ‘non-patient’ revenues in the calculation of non-government sector expenditures.

### Public psychiatric hospitals

The 1994–95 estimate of total recurrent expenditure on public psychiatric hospitals has been revised upwards by \$16 million. This revision was necessary to ensure consistency with data reported as part of the monitoring of the National Mental Health Strategy. The revision is made up of a decrease of the estimate for expenditure by State and local governments of \$2 million and an increase of the estimate for non-government sources of \$18 million.

### Ambulance

The 1994–95 estimate for expenditure on ambulance services has been revised downwards by \$72 million because of changes to the ABS estimates for expenditure by State and local governments (–\$24 million) and private final consumption expenditure on ambulance (–\$47 million).

### Medical services

The estimate of expenditure by other non-government sources on medical services in 1994–95 has been revised upwards by \$12 million. This revision is comprised of an increase of \$5 million in the estimate for compulsory motor vehicle third party insurers and \$7 million in the estimate for expenditure by workers’ compensation insurers.

#### Box 3: Revisions to other non-institutional services, 1994–95

<i>Commonwealth</i>	
Community and public health	–\$14 million
Other non-institutional (nec)	–\$14 million
<i>State and local government</i>	
Other non-institutional	–\$194 million
<i>Individuals</i>	
Dental services	–\$30 million

### Other professional services

The estimates for total recurrent expenditure on other professional services were reduced for most years from 1989–90 to 1994–95.

These revisions resulted from changes to the ABS estimates of private final consumption expenditure. The revisions were:

1989–90	–\$75 million
1990–91	–\$45 million
1991–92	–\$129 million
1992–93	–\$190 million
1994–95	–\$130 million

### Other non-institutional services

The 1994–95 estimate for expenditure on ‘other non-institutional services’ has been revised downwards by \$250 million. The changes are detailed in Box 3.

The 1993–94 estimate for expenditure on dental services was revised upwards by \$10 million.

The 1992–93 estimate for expenditure on dental services was revised upwards by \$106 million.

### Capital expenditure

The 1994–95 estimate for State and local government expenditure on capital was revised upwards by \$10 million.

### Capital consumption

The estimate of capital consumption by the Commonwealth Government for 1994–95 was revised down by \$2 million.

### Abbreviations and symbols used in tables

n.a.	not available
nec	not elsewhere classified

—	nil or rounded down to zero
..	not applicable

### Other notes

Figures in the tables in this bulletin may not add exactly due to rounding.

Average annual growth rates are calculated as an exponential mean.

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## Annual health expenditure matrices

Table 29: Total health services expenditure, current prices, by area of expenditure and source of funds, 1989–90<sup>(a)</sup>

Area of expenditure	Government sector			Non-government sector			Total expenditure	
	Common-wealth	State and local	Total	Health insurance funds \$ million	Individuals	Other <sup>(b)</sup>		
Total hospitals	3,966	4,364	8,330	1,755	320	478	2,553	10,882
Recognised public hospitals	3,438	3,884	7,323	512	—	366	878	8,201
Private hospitals	69	—	69	1,235	290	107	1,633	1,701
Repatriation hospitals	445	—	445	7	—	5	12	457
Public psychiatric hospitals	14	480	493	—	29	1	30	524
Nursing homes	1,530	241	1,771	—	456	3	459	2,230
Ambulance	35	203	238	55	81	19	155	393
Other institutional (nec)	57	—	57	—	—	—	—	57
<i>Total institutional</i>	<i>5,587</i>	<i>4,808</i>	<i>10,395</i>	<i>1,810</i>	<i>857</i>	<i>500</i>	<i>3,167</i>	<i>13,562</i>
Medical services	3,934	—	3,934	151	585	275	1,011	4,945
Other professional services	104	—	104	141	653	103	896	1,000
Total pharmaceuticals	1,264	2	1,266	35	1,172	17	1,224	2,490
Benefit paid pharmaceuticals	1,264	—	1,264	—	185	—	185	1,448
All other pharmaceuticals	—	2	2	35	987	17	1,039	1,041
Aids and appliances	51	—	51	136	360	13	509	560
Other non-institutional services	691	1,480	2,170	854	808	46	1,707	3,877
Community and public health <sup>(c)</sup>	284	1,182	1,466	1	—	43	44	1,510
Dental services	29	72	101	463	808	3	1,273	1,374
Administration	377	226	603	390	—	—	390	994
Research <sup>(d)</sup>	289	66	355	—	45	—	45	400
<i>Total non-institutional</i>	<i>6,332</i>	<i>1,547</i>	<i>7,880</i>	<i>1,318</i>	<i>3,622</i>	<i>453</i>	<i>5,392</i>	<i>13,272</i>
<b>Total recurrent expenditure</b>	<b>11,920</b>	<b>6,355</b>	<b>18,275</b>	<b>3,128</b>	<b>4,479</b>	<b>952</b>	<b>8,559</b>	<b>26,834</b>
Capital expenditure	138	694	832	n.a.	n.a.	n.a.	<sup>(e)</sup> 624	1,456
Capital consumption	46	464	510	..	..	..	<sup>(f)</sup> ..	510
<b>Total health expenditure</b>	<b>12,104</b>	<b>7,513</b>	<b>19,617</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>9,183</b>	<b>28,800</b>

(a) This table shows the funding provided by the Commonwealth Government, State and Territory Governments and local government authorities and by the major sources of non-government funding. It does not show gross outlays on health services by the different levels of government or by non-government service providers.

(b) 'Other' includes expenditure on health services by workers' compensation and compulsory motor vehicle third party insurers as well as other sources of income (e.g. interest earned) of service providers.

(c) Includes expenditure that was previously classified as 'other non-institutional' as well as expenditure on community and public health services.

(d) Health services research expenditure is allocated according to the level of government or the sector that actually undertakes the research activity, not according to the source of funds.

(e) Capital outlays for the non-government sector cannot be allocated according to source of funds.

(f) Non-government capital consumption (depreciation) expenditure is included as part of recurrent expenditure.



**Table 30: Total health services expenditure, current prices, by area of expenditure and source of funds, 1990–91<sup>(a)</sup>**

Area of expenditure	Government sector			Non-government sector				Total expenditure
	Common-wealth	State and local	Total	Health insurance funds \$ million	Individuals	Other <sup>(b)</sup>	Total	
Total hospitals	4,307	4,590	8,897	2,012	360	475	2,848	11,745
Recognised public hospitals	3,711	4,066	7,777	551	—	335	886	8,663
Private hospitals	86	—	86	1,451	339	132	1,922	2,008
Repatriation hospitals	494	—	494	10	—	8	18	512
Public psychiatric hospitals	17	524	540	—	21	1	22	562
Nursing homes	1,657	305	1,962	—	563	3	566	2,529
Ambulance	38	204	242	63	89	19	171	413
Other institutional (nec)	64	—	64	—	—	—	—	64
<i>Total institutional</i>	<i>6,066</i>	<i>5,100</i>	<i>11,166</i>	<i>2,075</i>	<i>1,013</i>	<i>497</i>	<i>3,585</i>	<i>14,751</i>
Medical services	4,384	—	4,384	173	636	297	1,107	5,491
Other professional services	138	—	138	156	703	159	1,018	1,157
Total pharmaceuticals	1,245	2	1,247	39	1,483	13	1,535	2,782
Benefit paid pharmaceuticals	1,245	—	1,245	—	224	—	224	1,468
All other pharmaceuticals	—	2	2	39	1,259	13	1,311	1,313
Aids and appliances	60	—	60	153	407	13	573	633
Other non-institutional services	714	1,510	2,224	916	887	30	1,832	4,056
Community and public health <sup>(c)</sup>	307	1,051	1,358	1	—	14	15	1,373
Dental services	33	117	149	503	887	16	1,406	1,556
Administration	374	342	716	411	—	—	411	1,128
Research <sup>(d)</sup>	279	98	378	—	53	—	53	431
<i>Total non-institutional</i>	<i>6,821</i>	<i>1,610</i>	<i>8,431</i>	<i>1,437</i>	<i>4,169</i>	<i>513</i>	<i>6,119</i>	<i>14,550</i>
<b>Total recurrent expenditure</b>	<b>12,887</b>	<b>6,709</b>	<b>19,597</b>	<b>3,512</b>	<b>5,182</b>	<b>1,010</b>	<b>9,704</b>	<b>29,300</b>
Capital expenditure	181	775	956	n.a.	n.a.	n.a.	<sup>(e)</sup> 493	1,449
Capital consumption	47	474	521	..	..	..	<sup>(f)</sup> ..	521
<b>Total health expenditure</b>	<b>13,115</b>	<b>7,958</b>	<b>21,074</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>10,197</b>	<b>31,270</b>

(a) This table shows the funding provided by the Commonwealth Government, State and Territory Governments and local government authorities and by the major sources of non-government funding. It does not show gross outlays on health services by the different levels of government or by non-government service providers.

(b) 'Other' includes expenditure on health services by workers' compensation and compulsory motor vehicle third party insurers as well as other sources of income (e.g. interest earned) of service providers.

(c) Includes expenditure that was previously classified as 'other non-institutional' as well as expenditure on community and public health services.

(d) Health services research expenditure is allocated according to the level of government or the sector that actually undertakes the research activity, not according to the source of funds.

(e) Capital outlays for the non-government sector cannot be allocated according to source of funds.

(f) Non-government capital consumption (depreciation) expenditure is included as part of recurrent expenditure.

**Table 31: Total health services expenditure, current prices, by area of expenditure and source of funds, 1991–92<sup>(a)</sup>**

Area of expenditure	Government sector			Non-government sector			Total expenditure	
	Common-wealth	State and local	Total	Health insurance funds \$ million	Individuals	Other <sup>(b)</sup>		Total
Total hospitals	4,487	4,869	9,356	2,197	366	458	3,021	12,377
Recognised public hospitals	3,866	4,339	8,205	551	—	299	849	9,054
Private hospitals	107	—	107	1,635	346	143	2,124	2,232
Repatriation hospitals	499	—	499	11	—	16	27	526
Public psychiatric hospitals	15	530	545	—	20	1	21	565
Nursing homes	1,707	305	2,013	—	601	3	605	2,617
Ambulance	43	217	260	71	100	18	189	449
Other institutional (nec)	70	—	70	—	—	—	—	70
<i>Total institutional</i>	<i>6,308</i>	<i>5,391</i>	<i>11,699</i>	<i>2,268</i>	<i>1,067</i>	<i>480</i>	<i>3,815</i>	<i>15,514</i>
Medical services	4,781	—	4,781	190	693	263	1,146	5,928
Other professional services	151	—	151	168	711	132	1,011	1,162
Total pharmaceuticals	1,319	—	1,319	37	1,731	14	1,782	3,101
Benefit paid pharmaceuticals	1,319	—	1,319	—	308	—	308	1,627
All other pharmaceuticals	—	—	—	37	1,423	14	1,474	1,474
Aids and appliances	90	—	90	162	427	18	607	697
Other non-institutional services	899	1,475	2,374	968	957	5	1,931	4,305
Community and public health <sup>(c)</sup>	382	987	1,370	1	—	2	3	1,372
Dental services	37	127	164	528	957	4	1,488	1,652
Administration	480	360	841	439	—	—	439	1,280
Research <sup>(d)</sup>	310	101	411	—	55	—	55	466
<i>Total non-institutional</i>	<i>7,551</i>	<i>1,576</i>	<i>9,127</i>	<i>1,525</i>	<i>4,574</i>	<i>432</i>	<i>6,531</i>	<i>15,658</i>
<b>Total recurrent expenditure</b>	<b>13,859</b>	<b>6,967</b>	<b>20,826</b>	<b>3,793</b>	<b>5,642</b>	<b>912</b>	<b>10,346</b>	<b>31,172</b>
Capital expenditure	182	718	900	n.a.	n.a.	n.a.	<sup>(e)</sup> 515	1,415
Capital consumption	44	453	497	..	..	..	<sup>(f)</sup> ..	497
<b>Total health expenditure</b>	<b>14,085</b>	<b>8,138</b>	<b>22,223</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>10,861</b>	<b>33,084</b>

(a) This table shows the funding provided by the Commonwealth Government, State and Territory Governments and local government authorities and by the major sources of non-government funding. It does not show gross outlays on health services by the different levels of government or by non-government service providers.

(b) 'Other' includes expenditure on health services by workers' compensation and compulsory motor vehicle third party insurers as well as other sources of income (e.g. interest earned) of service providers.

(c) Includes expenditure that was previously classified as 'other non-institutional' as well as expenditure on community and public health services.

(d) Health services research expenditure is allocated according to the level of government or the sector that actually undertakes the research activity, not according to the source of funds.

(e) Capital outlays for the non-government sector cannot be allocated according to source of funds.

(f) Non-government capital consumption (depreciation) expenditure is included as part of recurrent expenditure.



**Table 33: Total health services expenditure, current prices, by area of expenditure and source of funds, 1993–94<sup>(a)</sup>**

Area of expenditure	Government sector			Non-government sector			Total expenditure	
	Common-wealth	State and local	Total	Health insurance funds \$ million	Individuals	Other <sup>(b)</sup>		Total
Total hospitals	5,187	4,387	9,575	2,365	273	764	3,403	12,977
Recognised public hospitals	4,663	3,927	8,590	494	—	477	971	9,561
Private hospitals	162	—	162	1,866	255	286	2,406	2,568
Repatriation hospitals	352	—	352	5	—	—	5	357
Public psychiatric hospitals	11	460	471	—	18	2	20	491
Nursing homes	1,773	267	2,041	—	627	—	627	2,667
Ambulance	37	223	260	82	118	19	219	479
Other institutional (nec)	119	—	119	—	—	—	—	119
<i>Total institutional</i>	<i>7,117</i>	<i>4,878</i>	<i>11,995</i>	<i>2,447</i>	<i>1,018</i>	<i>784</i>	<i>4,248</i>	<i>16,243</i>
Medical services	5,700	—	5,700	208	683	296	1,187	6,886
Other professional services	165	—	165	188	753	138	1,079	1,244
Total pharmaceuticals	1,888	—	1,888	42	1,847	20	1,909	3,797
Benefit paid pharmaceuticals	1,888	—	1,888	—	396	—	396	2,284
All other pharmaceuticals	—	—	—	42	1,452	20	1,513	1,513
Aids and appliances	137	—	137	168	433	29	630	768
Other non-institutional services	990	1,607	2,598	1,022	1,099	9	2,130	4,728
Community and public health <sup>(c)</sup>	489	1,295	1,784	1	—	2	3	1,787
Dental services	58	137	194	539	1,099	6	1,645	1,839
Administration	444	176	620	482	—	—	482	1,102
Research <sup>(d)</sup>	371	134	505	—	61	—	61	566
<i>Total non-institutional</i>	<i>9,251</i>	<i>1,742</i>	<i>10,993</i>	<i>1,628</i>	<i>4,877</i>	<i>491</i>	<i>6,996</i>	<i>17,989</i>
<b>Total recurrent expenditure</b>	<b>16,368</b>	<b>6,620</b>	<b>22,987</b>	<b>4,075</b>	<b>5,894</b>	<b>1,274</b>	<b>11,244</b>	<b>34,232</b>
Capital expenditure	80	899	979	n.a.	n.a.	n.a.	<sup>(e)</sup> 854	1,833
Capital consumption	42	481	523	..	..	..	<sup>(f)</sup> ..	523
<b>Total health expenditure</b>	<b>16,490</b>	<b>8,000</b>	<b>24,489</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>12,098</b>	<b>36,587</b>

(a) This table shows the funding provided by the Commonwealth Government, State and Territory Governments and local government authorities and by the major sources of non-government funding. It does not show gross outlays on health services by the different levels of government or by non-government service providers.

(b) 'Other' includes expenditure on health services by workers' compensation and compulsory motor vehicle third party insurers as well as other sources of income (e.g. interest earned) of service providers.

(c) Includes expenditure that was previously classified as 'other non-institutional' as well as expenditure on community and public health services.

(d) Health services research expenditure is allocated according to the level of government or the sector that actually undertakes the research activity, not according to the source of funds.

(e) Capital outlays for the non-government sector cannot be allocated according to source of funds.

(f) Non-government capital consumption (depreciation) expenditure is included as part of recurrent expenditure.

**Table 34: Total health services expenditure, current prices, by area of expenditure and source of funds, 1994–95<sup>(a)</sup>**

Area of expenditure	Government sector			Non-government sector			Total expenditure	
	Common-wealth	State and local	Total	Health insurance funds \$ million	Individuals	Other <sup>(b)</sup>		Total
Total hospitals	5,372	4,782	10,154	2,440	280	896	3,616	13,771
Recognised public hospitals	4,893	4,330	9,223	433	—	543	976	10,199
Private hospitals	240	—	240	2,004	272	341	2,617	2,857
Repatriation hospitals	233	—	233	3	—	—	3	236
Public psychiatric hospitals	6	452	459	—	8	12	20	478
Nursing homes	1,860	243	2,102	—	640	—	640	2,743
Ambulance	43	214	257	87	74	33	194	451
Other institutional (nec)	128	—	128	—	—	—	—	128
<i>Total institutional</i>	<i>7,403</i>	<i>5,239</i>	<i>12,641</i>	<i>2,527</i>	<i>994</i>	<i>930</i>	<i>4,450</i>	<i>17,091</i>
Medical services	6,086	—	6,086	216	712	369	1,297	7,383
Other professional services	171	—	171	205	752	185	1,142	1,313
Total pharmaceuticals	2,086	1	2,087	42	2,091	26	2,159	4,246
Benefit paid pharmaceuticals	2,086	—	2,086	—	461	—	461	2,547
All other pharmaceuticals	—	1	1	42	1,630	26	1,698	1,699
Aids and appliances	147	—	147	169	438	25	632	778
Other non-institutional services	1,083	<sup>(c)</sup> 1,697	2,780	1,043	1,113	11	2,167	4,947
Community and public health <sup>(d)</sup>	493	n.a.	n.a.	1	—	3	4	n.a.
Dental services	105	n.a.	n.a.	546	1,113	8	1,668	n.a.
Administration	486	n.a.	n.a.	495	—	—	495	n.a.
Research <sup>(e)</sup>	340	176	516	—	111	—	111	627
<i>Total non-institutional</i>	<i>9,913</i>	<i>1,874</i>	<i>11,787</i>	<i>1,674</i>	<i>5,217</i>	<i>617</i>	<i>7,508</i>	<i>19,295</i>
<b>Total recurrent expenditure</b>	<b>17,316</b>	<b>7,112</b>	<b>24,428</b>	<b>4,201</b>	<b>6,210</b>	<b>1,547</b>	<b>11,958</b>	<b>36,386</b>
Capital expenditure	-17	990	973	n.a.	n.a.	n.a.	<sup>(f)</sup> 813	1786
Capital consumption	23	506	529	..	..	..	<sup>(g)</sup> ..	529
<b>Total health expenditure</b>	<b>17,322</b>	<b>8,608</b>	<b>25,930</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>12,771</b>	<b>38,701</b>

- (a) This table shows the funding provided by the Commonwealth Government, State and Territory Governments and local government authorities and by the major sources of non-government funding. It does not show gross outlays on health services by the different levels of government or by non-government service providers.
- (b) 'Other' includes expenditure on health services by workers' compensation and compulsory motor vehicle third party insurers as well as other sources of income (e.g. interest earned) of service providers.
- (c) It is no longer possible to isolate expenditures by State and local governments into 'community and public health'; 'dental services'; 'administration'; and 'other non-institutional (nec)'.
- (d) Includes expenditure that was previously classified as 'other non-institutional' as well as expenditure on community and public health services.
- (e) Health services research expenditure is allocated according to the level of government or the sector that actually undertakes the research activity, not according to the source of funds.
- (f) Capital outlays for the non-government sector cannot be allocated according to source of funds.
- (g) Non-government capital consumption (depreciation) expenditure is included as part of recurrent expenditure.

**Table 35: Total health services expenditure, current prices, by area of expenditure and source of funds, 1995–96<sup>(a)</sup>**

Area of expenditure	Government sector			Non-government sector			Total	Total expenditure
	Common-wealth	State and local	Total	Health insurance funds \$ million	Individuals	Other <sup>(b)</sup>		
Total hospitals	5,498	5,425	10,924	2,611	306	1,012	3,929	14,852
Recognised public hospitals	5,181	5,043	10,224	380	—	645	1,025	11,249
Private hospitals	295	—	295	2,231	293	364	2,888	3,183
Repatriation hospitals	16	—	16	—	—	—	—	16
Public psychiatric hospitals	7	382	389	—	13	3	15	404
Nursing homes	2,055	223	2,277	—	677	—	677	2,954
Ambulance	41	232	274	91	71	33	194	468
Other institutional (nec)	140	—	140	—	—	—	—	140
<i>Total institutional</i>	<i>7,735</i>	<i>5,880</i>	<i>13,615</i>	<i>2,702</i>	<i>1,053</i>	<i>1,045</i>	<i>4,800</i>	<i>18,414</i>
Medical services	6,497	—	6,497	223	757	395	1,375	7,872
Other professional services	195	—	195	215	758	182	1,155	1,350
Total pharmaceuticals	2,504	11	2,515	44	2,063	35	2,142	4,657
Benefit paid pharmaceuticals	2,504	—	2,504	—	493	—	493	2,997
All other pharmaceuticals	—	11	11	44	1,569	35	1,649	1,660
Aids and appliances	148	—	148	172	438	32	642	789
Other non-institutional services	1,156	<sup>(c)</sup> 1,775	2,932	1,069	1,149	12	2,230	5,162
Community and public health <sup>(d)</sup>	521	n.a	n.a	2	—	3	4	n.a
Dental services	152	n.a	n.a	564	1,149	10	1,722	n.a
Administration	484	n.a	n.a	504	—	—	504	n.a
Research <sup>(e)</sup>	395	187	583	—	125	—	125	707
<i>Total non-institutional</i>	<i>10,895</i>	<i>1,973</i>	<i>12,868</i>	<i>1,724</i>	<i>5,289</i>	<i>656</i>	<i>7,668</i>	<i>20,537</i>
<b>Total recurrent expenditure</b>	<b>18,630</b>	<b>7,853</b>	<b>26,483</b>	<b>4,426</b>	<b>6,342</b>	<b>1,701</b>	<b>12,468</b>	<b>38,951</b>
Capital expenditure	46	903	949	n.a.	n.a.	n.a.	<sup>(f)</sup> 836	1786
Capital consumption	18	553	571	..	..	..	<sup>(g)</sup> ..	571
<b>Total health expenditure</b>	<b>18,694</b>	<b>9,309</b>	<b>28,004</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>13,304</b>	<b>41,308</b>

- (a) This table shows the funding provided by the Commonwealth Government, State and Territory Governments and local government authorities and by the major sources of non-government funding. It does not show gross outlays on health services by the different levels of government or by non-government service providers.
- (b) 'Other' includes expenditure on health services by workers' compensation and compulsory motor vehicle third party insurers as well as other sources of income (e.g. interest earned) of service providers.
- (c) It is no longer possible to isolate expenditures by State and local governments into 'community and public health'; 'dental services'; 'administration'; and 'other non-institutional (nec)'.  
(d) Includes expenditure that was previously classified as 'other non-institutional' as well as expenditure on community and public health services.
- (e) Health services research expenditure is allocated according to the level of government or the sector that actually undertakes the research activity, not according to the source of funds.
- (f) Capital outlays for the non-government sector cannot be allocated according to source of funds.
- (g) Non-government capital consumption (depreciation) expenditure is included as part of recurrent expenditure.