4 Data sources

Data sources used in the compilation of estimates of expenditure on health and welfare services are extensive. They include a mixture of data provided by government departments as a result of specific requests by AIHW, published data produced by departments and agencies involved in the provision and/or financing of health and welfare services, financial data collected by the ABS as part of its national accounts collections and data collected by the Commonwealth Grants Commission in its fiscal equalisation assessment processes.

Estimates of expenditure on health involve a much wider range of data sources than do the welfare services expenditure estimates. This is because of the more extensive involvement of the non-government sector in the provision and financing of health goods and services. Most expenditure on welfare services is undertaken and/or financed by governments, so most data used in the estimation of expenditure on welfare services come from the ABS's government financial statistics (GFS). The GFS is used to measure the financial transactions of governments comprising spending, lending, taxing and borrowing activities.

Framework for reporting health and welfare services expenditure

The AIHW's reporting of expenditure by governments on both health and welfare services in Australia broadly follows the classifications used in the GFS.

Transactions recorded in the GFS are classified using a variety of transaction classifications. The ones that are of relevance in estimating expenditure on health and welfare services are the government purpose classification (GPC) and the economic type framework.

The GPC is grouped according to type of government function or purpose and has a hierarchical structure (Table 6).

Table 6: Comparison of GPC and AIHW health services categories

GPC	AIHW expenditure classifications
GPC251—Acute care institutions[a]	Public (non-psychiatric) hospitals
	Repatriation hospitals[b]
	Private hospitals
GPC254—Community health services[c]	Medical services
	Dental services
	Other professional services
GPC2543—Patient transport	Ambulance
GPC2550—Public health services	Health promotion and illness prevention
GPC2560—Medicines, aids and appliances	Benefit-paid pharmaceuticals
	All other pharmaceuticals
	Aids and appliances
GPC2590—Administration, not elsewhere classified	Health administration
	Health insurance administration
GPC2621—Family and child welfare services	Family and child welfare services
GPC2622—Welfare services for the aged	Welfare services for the aged
GPC2623—Welfare services for people with disabilities	Welfare services for people with disabilities
GPC2629—Other welfare services	Other welfare services

(a) GPC data at the four-digit level further refine expenditure on acute care institutions.

(b) Expenditure on repatriation hospitals has not been compiled since 1998.

(c) Excludes GPC2543—Patient transport.

There are seven broad transaction types within the economic type framework. These are those recorded in the:

- operating statement
- cash flow statement
- reconciliation statement
- supplementary statement
- intra-unit transfers other than revaluations, and accrued transactions
- revaluations and other changes in the volume of assets, and
- balance sheet.

Transactions recorded within the operating statement are used by the AIHW in developing or verifying its estimates of recurrent expenditure by governments, particularly on welfare services. Capital expenditure is estimated and/or verified using data from the cash flow statement and the balance sheet.

Health expenditure data sources

The main sources of data used in developing estimates of expenditure on health by government and non-government funding sources are listed in Table 7.

Table 7: Data sources for estimating health services expenditure 1998–99

Area	Commonwealth Government	State/territory and local governments	Health insurance funds	Individuals	Other non-government sources
Public (non-psychiatric) hospitals	DHA annual report; DVA annual statistics	State and territory health departments and Australian hospital statistics	Data provided by Private Health Insurance Administration Council	Australian hospital statistics revenue data	Australian hospital statistics revenue data; data provided by workers' compensation and motor vehicle third party insurers
Private hospitals	DHA annual report; DVA annual report	. .	Data provided by Private Health Insurance Administration Council	Calculated from data provided by the ABS private health establishments survey	Data provided by workers' compensation and motor vehicle third party insurers
Public psychiatric hospitals	DHA and AIHW national mental health report; DVA annual statistics	State and territory health departments and Australian hospital statistics	. .	Australian hospital statistics revenue data	Australian hospital statistics revenue data
High-level residential aged care	DHA residential care data; DVA annual statistics	State and territory health departments and ABS public finance (local government expenditure)	. .	DHA residential care data	. .
Ambulance	ABS public finance; DVA annual statistics	State and territory health departments and ABS public finance	Data provided by Private Health Insurance Administration Council	State and territory health departments revenue data	Data provided by workers' compensation and motor vehicle third party insurers
Medical services	DHA Medicare statistics; DHA annual report; DVA annual statistics	. .	Data provided by Private Health Insurance Administration Council	DHA Medicare statistics; ABS household final consumption expenditure on doctors and other health professionals	Data provided by workers' compensation and motor vehicle third party insurers
Dental services	DVA annual report; DHA Medicare statistics	State and territory health departments	Data provided by Private Health Insurance Administration Council	DHA Medicare statistics (dental items); ABS household final consumption expenditure on dentists	Data provided by workers' compensation and motor vehicle third party insurers
Other professional	DVA annual report; DHA Medicare statistics (optometry items)	ABS public finance	Data provided by Private Health Insurance Administration Council	DHA Medicare statistics (optometry items); ABS household final consumption expenditure on doctors and other health professionals	Data provided by workers' compensation and motor vehicle third party insurers
Community health services	DVA annual report; DHA Medicare statistics	State and Territory health departments and ABS public finance	Data provided by Private Health Insurance Administration Council	State and territory health departments and ABS public finance	Data provided by workers' compensation and motor vehicle third party insurers

(continued)

Table 8 (continued): Data sources for estimating health services expenditure 1998–99

Area	Commonwealth Government	State/territory and local governments	Health insurance funds	Individuals	Other non-government sources
Health promotion and illness prevention	DHA annual report	State and territory health departments and ABS public finance	Data provided by Private Health Insurance Administration Council	State and territory health departments and ABS public finance	. .
Pharmaceutical: benefits paid items	DHA Analysis Section Pharmaceutical Benefits Branch; DVA annual statistics	. .	. .	DHA Analysis Section Pharmaceutical Benefits Branch; DVA annual statistics	. .
Pharmaceutical: all other items	DHA annual report	State and territory health departments and ABS public finance	Data provided by Private Health Insurance Administration Council	Estimated using *Pharmacy 2000* market survey data and ABS estimates of household final consumption expenditure on medicines, aids and appliances	Data provided by workers' compensation and motor vehicle third party insurers
Aids and appliances	DHA annual report; DVA annual statistics	State and territory health departments and ABS public finance	Data provided by Private Health Insurance Administration Council	Estimated using *Pharmacy 2000* market survey data and ABS estimates of household final consumption expenditure on medicines, aids and appliances	Data provided by workers' compensation and motor vehicle third party insurers
Administration	DHA annual report; DVA annual statistics	ABS public finance; state and territory health departments and ABS public finance	Data provided by Private Health Insurance Administration Council	. .	. .
Research	ABS research publications	ABS research publications	. .	. .	ABS research publications
Capital	ABS government finance statistics	ABS government finance statistics	. .	. .	ABS unpublished data; ABS private health establishments survey data
Capital consumption	Calculated from ABS government finance statistics (unpublished data)	Calculated from ABS government finance statistics (unpublished data)	. .	. .	. .

. . Not applicable.

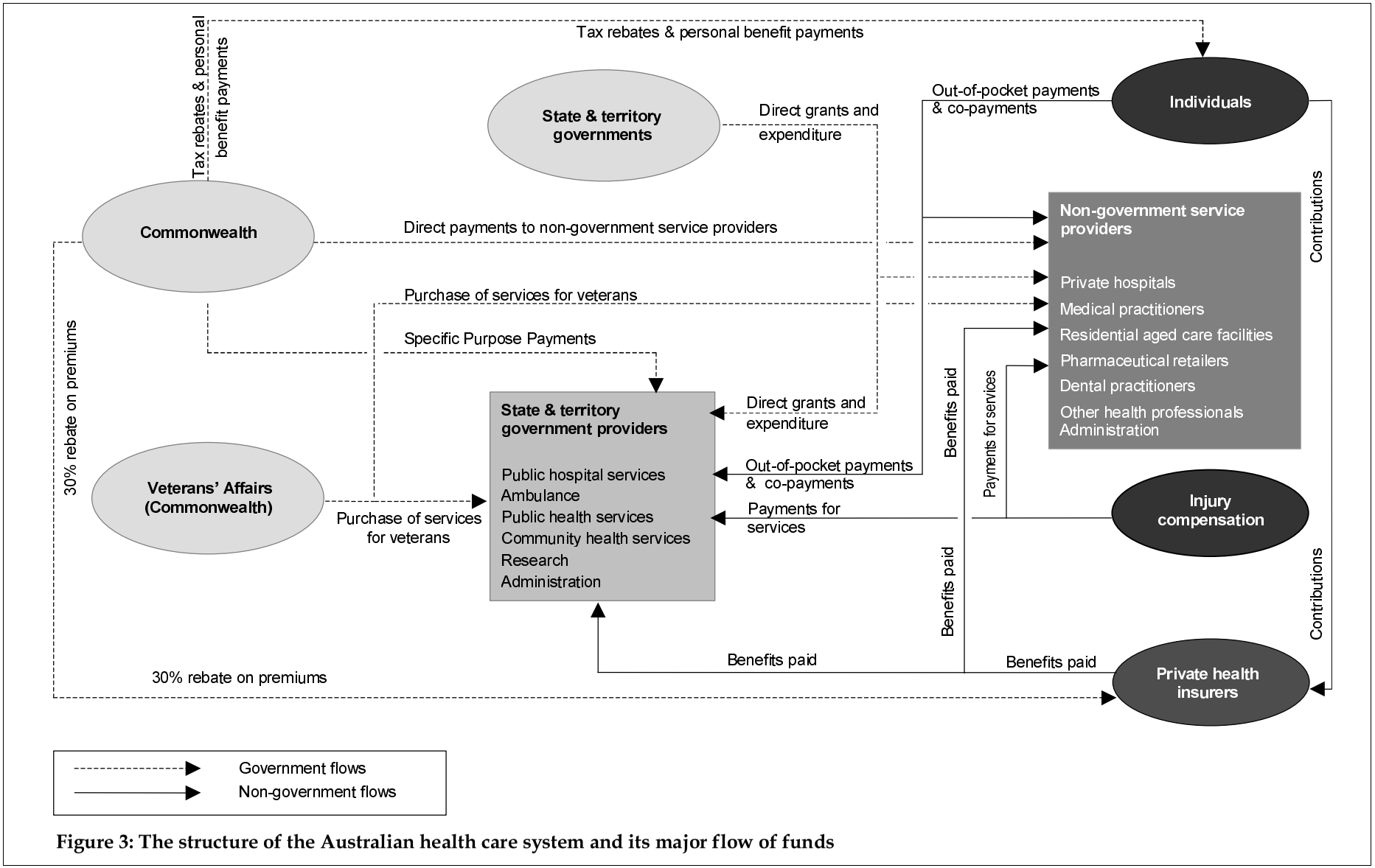

Figure 3: The structure of the Australian health care system and its major flow of funds

These data sources provide information about flows of funding in respect of the various types of health goods and services that make up the overall health system in Australia (Figure 3).

Government funding

Government funding of health services is made up of funding by the:

- Commonwealth
- state and territory governments and
- local governments.

Commonwealth Government

Much of the data supporting estimates of expenditure by the Commonwealth Government come from the annual reports of the major department responsible for health and from data supplied by the Department of Veterans' Affairs.

State and territory governments

Data sources to support estimates of expenditure by state and territory governments are a mixture of GFS data and information provided by the state and territory governments.

Prior to 1998–99, the AIHW used GFS data for some types of expenditure—in particular pharmaceuticals, aids and appliances, most dental services, health administration, patient transport (ambulance), public health and community health services. It used data provided by state and territory governments to estimate expenditure on nursing homes (high-level residential aged care) and some dental services. It used Australian hospital statistics data to support estimates of expenditure on public hospitals.

In 1998–99, state and territory departments responsible for health services provided very detailed data on expenditures and revenues for inclusion in the national study on expenditure on health services for Aboriginal and Torres Strait Islander people. That identified total expenditure on particular state/territory provided health services. These included:

- public health
- community health
- dental services
- health administration
- patient transport (ambulance) and
- nursing homes (high-level residential aged care).

In subsequent years, states and territories have been asked to supply similar break-downs of expenditure and revenue to those provided for the Aboriginal and Torres Strait Islander people health study. Most states and territories have been able to comply with those requests.

Local governments

The main source for estimates of expenditure on health services by local governments has been the GFS.

The 1998–99 study into expenditure on health services for Aboriginal and Torres Strait Islander people indicated quite serious deficiencies in the GFS estimates of expenditure by local governments, particularly in relation to the identification of particular types of health services. For example, in New South Wales all expenditure on health services by local governments has been classified to 'health administration', whereas the New South Wales State Grants Commission is able to identify expenditure on a number of different health services by local governments.

The AIHW is examining the possibility of going directly to the various states' grants commissions and departments of local government for more information on expenditure and revenue of local governments.

Non-government funding

Non-government funding for health services is provided by:

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

The non-government sector plays important roles as both funder and provider of health services. The sources for data on non-government funding of most health expenditure are similar.

Health insurance funds

Data on the funding by health insurance funds are obtained from the Private Health Insurance Administration Council. Since 1995–96, the Council has provided quarterly data on disk. This includes details of membership and coverage as well as benefits paid. The benefits paid data are allocated by area of expenditure, which closely matches the AIHW classifications.

Private health insurance funds are operated by health benefits organisations registered under the *National Health Act 1953*. At 30 June 2002 there were 44 registered health benefits organisations operating in Australia. Twenty-nine of these were organisations with membership available to the general public and 15 were restricted membership organisations. Thirty-eight of these organisations operated on a 'not-for-profit' basis.

Individuals

Expenditure by individuals refers to payments made by or on behalf of users of health services other than payments made by third party payers (for example, private health insurers or workers' compensation insurers). They include only those parts of expenditure that are actually borne by individuals.

Contributions by or on behalf of individuals in the form of premiums to health insurance funds or motor vehicle third party and workers' compensation insurers are not included as health services expenditure. They are regarded as having, primarily, an insurance purpose.[5]

Estimates of funding of expenditure by individuals for most types of health services are derived by subtraction. This involves subtracting aggregate expenditure by the government sector and other known non-government sources—such as health insurance funds and workers' compensation insurers—from estimates of the total operating costs of the services involved. The major exceptions to this rule are private hospitals and high-level residential aged care (see below for details).

Other

Workers' compensation and third party insurance providers

Data on expenditure by workers' compensation and compulsory motor vehicle third party insurers on health services are obtained from the coordinating body in each state and territory (Table 9).

The data from some providers are not disaggregated according to the AIHW classifications and hence estimates are made for the states concerned, assuming that they have similar breakdown of expenditure as states that provided a full breakdown by area. In the case of the Australian Capital Territory, there is only one organisation providing compulsory motor vehicle third party insurance cover. Therefore, an estimate is made for the that state, based on population and the level of expenditure throughout the rest of the states and the Northern Territory.

[5] The cost of health services purchased out of the contributions income is included in the estimates of health expenditure in the year in which the related benefits are paid by the fund(s).

Table 9: Major compulsory motor vehicle third party and workers' compensation insurance data providers

State	Third party insurers	Workers' compensation insurers
NSW	Motor Accidents Authority	WorkCover Authority
Vic	Transport Accident Commission	WorkCover Authority
Qld	SUNCORP	WorkCover Authority
WA	Insurance Commission of Western Australia	WorkCover Authority
SA	State Government Insurance Commission	WorkCover Authority
Tas	Motor Accidents Insurance Board	Workplace Standards Authority
NT	Territory Insurance Office	Work Health Authority
ACT	. .	Comcare

. . Not applicable.

Other non-government (nec)

The funding source 'other non-government (nec)' includes the funding of health services out of income sources, such as receipts from staff for meals and accommodation provided by both government and non-government health service providers, donations and bequests from private sources, as well as interest earned by non-government service providers.

Data sources for particular types of health expenditure

The present analyses of expenditure on health by 'areas of expenditure' combines two concepts:

- service provider type; and
- service type.

Expenditure on hospitals is typical of an example of expenditures classified according to the type of service provider. Public (non-psychiatric) hospitals, for example, provide a range of services including services for admitted patients, community health services, public health services and other non-admitted patient services. These are all included in the estimates of expenditure on public (non-psychiatric) hospitals.

Public (non-psychiatric) hospitals

The term 'Public (non-psychiatric) hospitals' is used to identify those hospitals—previously termed 'Recognised public hospitals'—operated by, or on behalf of, state and territory governments to provide general hospital services. This class of hospital does not include stand-alone public (psychiatric) hospitals, the primary purpose of which is to provide admitted patient services to patients suffering from mental illness.

'Recognised public hospitals' was the term used in 1975 to identify those hospitals whose approved operating costs would be shared between the Commonwealth and the states and territories. That term continued on after the introduction of Medicare, because the hospitals were recognised for the purposes of the Medicare funding agreements between the Commonwealth and the states and territories.

The Commonwealth and state/territory governments purchase most public (non-psychiatric) hospital services in Australia. The related expenditure is, therefore, regarded as government final consumption expenditure. Individuals and organisations who purchase services from public (non-psychiatric) hospitals (for example, workers' compensation and motor vehicle third party insurers and private patients) are charged subsidised fees at levels that have been agreed between the Commonwealth and state/territory governments. Those fees do not necessarily reflect the full cost of providing the hospital service. Therefore, whereas the revenue generated by the fees charged in private hospitals is considered to reflect total expenditure on private hospitals, in the case of recognised public hospitals, the sum of the expenditure on the inputs used to provide the services is counted as total expenditure.

Because the state and territory governments have the major responsibility for this type of facility, the key information used in calculating total expenditure on public (non-psychiatric) hospitals is the gross operating costs (GOC) of the institutions. Gross operating costs is considered to be expenditure that is initially incurred by the state and territory governments (subsequently parts of that expenditure are funded by other funding sources).

Commonwealth Government expenditure

While the state and territory governments have always had the major responsibility for the provision of public hospital services, since 1975 funding for public hospitals has been shared between the Commonwealth Government and the eight state and territory governments. This is because of the Commonwealth's requirement that 'free' access be provided to hospital care for all citizens who elect to be treated by public (non-psychiatric) hospitals.

Section 96 of the Australian Constitution provides that:

> During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit.

This provision has been used extensively in the funding of public hospital services since 1975 because the states and territories provide the services necessary for the Commonwealth to implement its 'universal access' policy.

Consequently, the majority of funding provided by the Commonwealth in respect of public (non-psychiatric) hospitals is in the form of specific purpose payments made under section 96.

Department of Veterans' Affairs

Another important form of Commonwealth funding for public hospitals is payments by the Department of Veterans' Affairs (DVA) for the purchase of services for eligible veterans and their dependants.

The DVA purchases public hospital accommodation and treatment for eligible veterans and their dependants.

There are three forms of outlays that are included under DVA expenditure on public (non-psychiatric) hospitals. These are:

- specific purpose payments for the transfer of repatriation general hospitals;
- payments made under agreements between the DVA and particular state health authorities with respect to the provision of 'free' accommodation and care to eligible veterans and their dependants in public hospitals; and
- payments made by the DVA through the Health Insurance Commission to individual public (non-psychiatric) hospitals to cover charges raised by those hospitals in respect of eligible veterans and their dependants.

The treatment of each of these DVA payment categories in estimating expenditure on public hospitals differs because of the way they pass from DVA to the states and territories concerned.

Hospital revenues are reported in the Australian hospital statistics (AHS) on an 'establishment' basis and in most jurisdictions the first two categories are not identified as hospital revenues in the statistics. This is because they flow directly from the DVA to the state/territory government and not to the establishment concerned. The first category, being a specific purpose payment, is separately identified so that a balance can be struck with the data in the annual budget paper final budget outcome. That funding is treated in the same way as other section 96 payments (that is, it is deducted from the GOC at the state/territory level when calculating the net expenditure by the states and territories).

The second category is related to the DVA's purchase of 'free' hospital accommodation and care for veterans and their dependants in public hospitals. While these payments, too, are made directly to the state health authorities and not to the institutions, some jurisdictions include them as hospital revenue in their AHS establishments data. Where they are not included as hospital revenue in the AHS, they are deducted from the GOC in the calculation of net expenditure by the states and territories. Where they are included in the AHS, they are deducted from the estimate of expenditure by 'Individuals'. These payments are subject to agreements between the Commonwealth and most States but are regarded by both the Department of Finance and the ABS as payments for the purchase of services.

The last category relates to payments made directly to the institutions and are included in the AHS revenue reported for the individual hospitals. They are deducted from the estimate of expenditure by 'Individuals' because they are payments made by the Commonwealth in respect of individual patients.

Commonwealth Government (non-DVA)

As mentioned earlier, most expenditure included in this category is in the form of specific purpose payments to the states and territories. These are administered under various programs by the Commonwealth department at the time responsible for health care and health services.

Since the introduction of Medicare, there have been substantial changes in the types of payments that have been included under this category of Commonwealth expenditure. These have at different times included:

- Medicare grants
- general revenue health grants
- hospital waiting lists
- hospital funding grants
- Medicare base grant
- other Medicare
- highly specialised drugs (section 100)
- medical specialty centres
- public hospital running costs
- Medicare-related payments
- health services funding grants.

It should be noted that specific purpose payments for highly specialised drugs are regarded by the ABS as grants in respect of 'Pharmaceuticals, medical aids and appliances' (GPC2560). The AIHW treats these specific purpose payments as expenditure on public hospitals.

Since 1997, additional Commonwealth expenditure, in the form of subsidies and rebates, has been allocated by the AIHW to expenditure on public (non-psychiatric) hospitals (see 'Private health insurance subsidies and rebates' on page 7 for details).

State and local government

State and local government expenditure on public (non-psychiatric) hospitals is essentially that part of the GOC that is funded by state and territory governments out of their own fiscal resources. This is calculated by deducting revenue from all sources, as well as grants and other payments from the Commonwealth Government, from the GOC.

Gross operating costs (GOC)

In most instances, expenditure data collected through the AHS collection provides the estimates of GOC of public (non-psychiatric) hospitals. The AIHW produces or uses other estimates of GOC only when reliable data from the AHS are not available. These must be updated or replaced when the AHS data become available or after discussion with the relevant states and/or territories. In such exceptional cases, the

estimating method(s) used will vary from state to state and from one year to another. These must always be fully documented.

The GOC of public (non-psychiatric) hospitals is total operating expenditure of the hospitals, irrespective of how it is funded.

Because of inconsistencies between the accounting methods undertaken by hospitals (some employ accrual accounting and others report on a cash basis) depreciation expenses have been consistently excluded from the estimates of GOC. (A broad estimate of capital consumption, covering all health services of governments, is later added using estimates produced by the ABS.)

Total revenue

This is usually the total amount receivable by public (non-psychiatric) hospitals reported in the AHS data. It does not include any payments and subsidies from state and territory governments. It includes:

- revenue from patients for accommodation and treatment provided in hospital including payments made by:
    1. individual patients
    2. health insurance funds
    3. the DVA (payments to individual hospitals made through the Health Insurance Commission only)
    4. workers' compensation insurers;
    5. compulsory motor vehicle third party insurers;
- revenue in respect of other (non-hospital) health services provided by hospitals;
- revenue in respect of non-health services provided by hospitals;
- interest and other revenues receivable by hospitals and associated organisations.

The data should equal the revenue data collected through the AHS collections in respect of hospitals classified as R1.1. Where, for some reason, the AHS data are not able to be used, clear documentation of the sources, magnitude of the differences and, where possible, reasons for the differences should be provided.

Private hospitals

Estimates of expenditure on private hospitals are derived from the ABS Private Health Establishments Survey, which is conducted each year and released after the end of the ensuing financial year. The ABS survey presents estimates of both revenue and expenditure. The revenue is broken down into patient fee revenue and other revenue and the expenditure data into various types of operating expenses and outlays on capital.

The AIHW's expenditure estimates aim to show total expenditure by all funding sources on health goods and services. Therefore, the data that are used to compile those estimates in respect of private hospitals may vary from one year to another depending on whether the survey shows an overall surplus or deficit of revenue over

expenditure. In a year when total revenue exceeds expenses and capital outlays, the revenue is used to represent total expenditure. In a year when the combined total of expenses and capital outlays is greater than total revenue, estimated expenditure is equal to expenses plus capital outlays.

Private hospitals are not split between psychiatric and non-psychiatric hospitals.

Government funding

The major expenditure by governments on private hospitals is by the Commonwealth Government and this is through the allocation of the private health insurance incentives scheme and 30% rebate under the *Private Health Insurance Incentives Act 1997*.

Non-government funding

Total funding for private hospitals is the total revenue identified by the ABS survey.

Private health insurance

Data on benefits paid in respect of private hospital treatment is obtained from the Private Health Insurance Administration Council.

Individuals

The patient fee revenue is initially all allocated to expenditure by individuals. The benefits paid by private health insurance (including the allocation of the rebate) and payments by workers' compensation and compulsory motor vehicle third party insurers are later deducted from the estimated expenditure by individuals. This results in net funding by individuals.

Other

This is the sum of payments by workers' compensation and compulsory motor vehicle third party insurers for private hospital services. It does not include any part of any elements to cover future health costs that might be included in any lumpsum payments awarded as a result of an injury arising from an incident covered by claims under workers' compensation or compulsory motor vehicle third party insurance.

Public (psychiatric) hospitals

Expenditure on public (psychiatric) hospitals refers to services provided in stand-alone psychiatric hospitals operated by or on behalf of state and territory governments.

Like the public (non-psychiatric) hospitals, public (psychiatric) hospitals are largely a responsibility of the state governments.

Between 1990–91 and 1994–95, most of the base data used in compiling expenditure in this area came from the various reports of the National Mental Health Strategy. This may be revised when the older AHS data have been further analysed. Since

1995–96 data collected for the AHS series were used. Expenditure and revenue in respect of establishments classified in the AHS as R2.1 are included.

Commonwealth Government

Department of Veterans' Affairs

Expenditure by the DVA relates to payments made to individual establishments for accommodation and treatment of eligible veterans and their dependants in public psychiatric hospitals. The information used is provided by the DVA as part of its summary spreadsheet each year.

Commonwealth Government (non-DVA)

There is no expenditure estimated for the Commonwealth, other than that provided by the DVA.

The funding provided under the National Mental Health Strategy is targeted at assisting states and territories in restructuring their services in a way that reduces the emphasis on stand-alone psychiatric institutions. The payments to the states under the National Mental Health Strategy are, therefore, counted as expenditure on community health services and not expenditure on public psychiatric hospitals.

State and local government

State and local government expenditure is, essentially, the net operating expenditure of public psychiatric hospitals. This is calculated by deducting all types of other revenue from the gross operating costs.

Gross operating costs (GOC)

The GOC is the total operating expenditure of stand-alone public psychiatric hospitals, irrespective of how that expenditure is funded. These data were previously collected as part of the National Mental Health Strategy. In recent years it has been possible to use the expenditure data from the AHS database that relate to stand-alone psychiatric hospitals (R2.1).

Total revenue

This is total amount receivable by public psychiatric hospitals from all sources, other than payments and subsidies from state and territory governments. Wherever possible, institution-level revenue data collected through the National Mental Health Strategy surveys or the AHS are used.

The institution-level revenue data includes:

- fees received for accommodation and treatment provided in stand-alone public psychiatric hospitals, including payments made by:
  - individual patients
  - the DVA, in the form of payments to individual hospitals made through the Health Insurance Commission

  - compulsory motor vehicle third party insurance payments;
- revenue that is directly receivable by the institutions in respect of other health services provided by public psychiatric hospitals;
- revenue that is directly receivable by the institutions in respect of non-health services provided by public psychiatric hospitals;
- interest or other revenues receivable by public psychiatric hospitals and associated organisations.

High-level residential aged care

Most expenditure on high-level residential aged care is funded by the Commonwealth Government, through the Department of Health and Ageing. It usually takes the form of benefits paid in respect of patients and subsidies and other payments made to institutions for the provision of care to patients.

Commonwealth Government

Department of Veterans' Affairs

Expenditure by the DVA relates to payments for accommodation and treatment of eligible veterans and their dependants in high-level residential aged care. The information used is provided by the DVA as part of its summary spreadsheet each year.

Commonwealth Government (non-DVA)

This is the largest single source of funding for high-level residential aged care in any year. The basic data used in the compilation of funding by this source are derived from annual data provided by the Department of Health and Ageing. Subsidies paid in respect of residents in resident classification scale categories 1–4 are regarded as being for a 'health' purpose; subsidies paid in respect of residents in categories 5–8 are considered to have a 'welfare services' purpose. Only the former are included in the estimates of health expenditure.

State and local government

The role of other government organisations (state and territory governments' nursing homes) has been diminishing since the early 1990s. The data used are, essentially, the net operating expenditures for nursing homes that are operated by, or on behalf of, state and territory governments.

Data for inclusion in the matrix are obtained from state and territory health authorities each year.

Ambulance services

Expenditure recorded under 'ambulance services' includes patient transport and treatment of an emergency or stabilising nature normally provided by ambulance

services. It also includes, in some years, payments made for the transport and accommodation of people accompanying patients who are hospitalised away from home—particularly people from remote rural areas.

Another service whose expenditure is recorded here is the Royal Flying Doctor Service (RFDS). However, the scope of the services provided by the RFDS is much wider than simply patient transport and emergency care. The RFDS provides medical services to people in isolated and remote areas as well as services of a 'non-health' nature (for example, radio telephony, education). It is assumed that the grant-in-aid provided by the Department of Health and Ageing is for the health services provided by the RFDS. Consequently, the total amount is allocated to ambulance services in the estimates.

Commonwealth Government

Department of Veterans' Affairs

These are expenditures that have been classified by the DVA as 'Travel for treatment'. They are provided by the department in its annual report to the Institute.

Commonwealth Government (Non-DVA)

The only expenditures that are recorded here are the grants-in-aid to the RFDS and the allocation of that part of the subsidies and rebates under the *Private Health Insurance Subsidy Act 1997* that is estimated to relate to benefits in respect of ambulance services.

State and local government

The data used here prior to 1998–99 were the ABS estimates of gross recurrent expenditure on ambulance services. Because there are no specific purpose payments or Commonwealth Government outlays identified that relate to ambulance services, the gross recurrent expenditure by the state/territory on patient transport and the net recurrent expenditure were identical.

Since 1998–99, most state and territory health departments have provided expenditure and revenue data directly to the AIHW for entry into the health expenditure database.

Medical services

Most medical services in Australia are funded under Medicare. The only private medical services not covered by Medicare are those provided to non-eligible persons and services that are subject to claims under motor vehicle third party insurance and workers' compensation insurance. Also excluded are services of a medical nature that are provided for reasons other than the treatment of a medical condition (for example, examinations for the purpose of establishing eligibility for insurance cover).

Expenditure associated with any medical services provided to 'hospital patients'[6] in public (non-psychiatric) hospitals is included in the operating costs of the hospitals. These are not included as expenditure on medical services but as expenditure on hospital services. However, medical services provided to 'private patients'[7] in public (non-psychiatric) hospitals and which are claimable under Medicare are included as expenditure on medical services. The same applies to 'compensable patients'[8] in public (non-psychiatric) hospitals.

All medical services provided to patients in private hospitals are included as expenditure on medical services.

Commonwealth Government

Department of Veterans' Affairs

Expenditures included here relate to services classified by the DVA as local medical officer consultations, specialist consultations, local medical officer and specialist services and medical examinations.

Commonwealth Government (non-DVA)

The bulk of expenditure on medical services by the Commonwealth Government from sources other than the DVA (over 96%) is in the form of Medicare benefits. The data supporting the state and territory dissections of these estimates come directly from the Medicare statistics published by the Department of Health and Ageing.

The types of services covered by Medicare medical expenditure estimates include all services for which Medicare benefits are payable, except optimetrical services and certain dental procedures in hospitals. They include all diagnostic services (radiology and pathology) for which Medicare benefits are payable.

The balance of the medical expenditure by the Commonwealth (non-DVA) is in the form of grants and other payments by the Department of Health and Ageing. These include:

- Aboriginal and Torres Strait Islander Health Service specialist services
- grants to services providers—Health Program Grants
- grants for provision of health services
- support for training and evaluation
- alternative general practice funding arrangements
- financial assistance for life saving medical treatment.

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[6] 'Hospital patient' refers to an admitted patient who elects to be treated by medical practitioners engaged by the hospital.

[7] 'Private patient' refers to an admitted patient who elects to be treated by particular medical practitioners chosen by the patient or a person acting on his/her behalf.

[8] 'Compensable patient' refers to an admitted patient whose hospital treatment costs are eligible to be met by an award under workers' compensation or compulsory motor vehicle third party insurance.

Dental services

Commonwealth Government

Department of Veterans' Affairs

Expenditure data shown here are for services classified by the DVA as dental services.

Commonwealth Government (non-DVA)

The majority of this expenditure in the late 1990s was for specific purpose payments under the Commonwealth dental scheme. There are also benefits paid under Medicare for 'dental' services listed in the Medicare Benefits Schedule.

Since 1997 the major expenditure by the Commonwealth has been through the distribution of its payments under the private health insurance incentives scheme and the 30% rebate on premiums to holders of private health insurance cover.

State and local government

Up to and including 1994–95, estimates of gross state and local government expenditure on dental services were taken from the ABS public finance data. However, from 1995–96 the ABS no longer provides a separate estimate for dental services—it is amalgamated with community health services. In 1995–96 estimates were calculated for New South Wales, Victoria, Western Australia, South Australia and the Northern Territory. Data for Queensland ($90.7 million), Tasmania ($11.9 million) and the Australian Capital Territory ($3.0 million) were taken directly from Tables A4.16, A4.17 and A4.18, respectively, of the report *Expenditures on Health Services for Aboriginal and Torres Strait Islander People*. These data seem to be out of line with ABS expenditure data for previous years.

The calculation of estimates for the former group of states was based on expenditure and growth rates existing prior to 1995–96. If the same formulae had been applied to Queensland and Tasmania, the estimates for them would have been $16.8 million and $4.7 million, respectively.

Other professional services

This type of expenditure relates to services provided by optometrists, audiologists, physiotherapists, and other paramedical professionals.

Commonwealth Government

Department of Veterans' Affairs

Expenditure by the DVA refers to services classified by the department as 'Other allied health services'. Data are provided by the department on its summary spreadsheet.

Commonwealth Government (non-DVA)

Expenditure entered into this part of the matrix relates, essentially, to medical benefits paid for optimetrical services plus the cost of audiological services provided by Hearing Services Australia.

In 1998–99 states and territories were required to provide estimates of their total expenditure on designated health services (including community health services) to the AIHW for inclusion in its estimates of expenditure on health services for Aboriginal and Torres Strait Islander people. Those estimates were used in the 1998–99 expenditure estimates of the AIHW.

Health promotion and illness prevention

Expenditure on health promotion and illness prevention is also classified as expenditure on public health services. In many situations it is difficult to isolate health promotion and illness prevention aspects of particular health services from community health aspects. Therefore, in the published data these two matrix rows have usually been combined.

Commonwealth Government

Commonwealth Government (non-DVA)

The major expenditure programs of the Commonwealth Government on health promotion and illness prevention are in the form of specific purpose payments to the states and territories. These payments are for:

- youth health services
- magnetic resonance imaging (current only)
- other health
- BreastScreen Australia
- funds to combat AIDS
- drug and alcohol programs
- national childhood immunisation
- cervical cancer screening.

State and local government

This is, essentially, the ABS public finance estimate of gross state and local governments' expenditure on public health minus the payments to the states in the form of specific purpose payments mentioned above in respect of Commonwealth Government (non-DVA) expenditure.

Welfare services expenditure data sources

Most of the emphasis in the reporting of expenditure on welfare services concentrates on those services that are financed by governments. Therefore, the sources of data that report government funding form the major component of the data sources for welfare services expenditure.

Government funding

Estimates of expenditure according to the four welfare services categories are applied only for the Commonwealth Government and state and territory governments (Table 10).

Table 10: Data sources estimating government welfare services expenditure

Area	Commonwealth Government	State and territory governments	Local governments
Family and child	FaCS annual report; DIMA unpublished data; Department of Finance	Commonwealth Grants Commission; ABS public finance; Department of Finance; state/territory departments	ABS public finance; Department of Finance
Welfare services for the aged	DHA annual report and unpublished data; Department of Finance	Commonwealth Grants Commission; ABS public finance; Department of Finance; state/territory departments	ABS public finance; Department of Finance
Welfare services for people with a disability	FaCS annual report and unpublished data; DHA annual report and unpublished data; Department of Finance	Commonwealth Grants Commission; ABS public finance; Department of Finance; state/territory departments	ABS public finance; Department of Finance
Other welfare services	FaCS annual report; DVA unpublished data; DIMA unpublished data; Department of Finance	Commonwealth Grants Commission; ABS public finance; Department of Finance; state/territory departments	ABS public finance; Department of Finance

The only identified data source for expenditure on welfare services by local governments is the ABS public finance section's government finance statistics. To date these data have been problematic because of inconsistencies in the way local government expenditures have been coded to government purpose classifications (GPCs). The major emphasis of the ABS has been to address problems of reliability at the economic type framework level. Consequently, coding of local government expenditure to GPCs is unreliable.

While the ABS is reasonably content with the reliability of the GPC coding at the two-digit level for both Commonwealth and state/territory expenditures, it is aware of substantial problems, particularly at the four-digit level. Unfortunately, it is at the four-digit level that welfare services expenditure is separated from other social welfare expenditure. In the case of the coding of expenditures by local governments, even the two-digit coding has problems. In some jurisdictions, most local government expenditure is coded to 'administration', even though that expenditure might involve significant outlays on both health and welfare services.

Data on state and territory government funding are mainly based on data compiled by the Commonwealth Grants Commission. Data on concession expenditure classified to welfare services by state and territory governments are obtained directly from state and territory departments that provide the concessions.

Family and child services

The Commonwealth Government is mainly responsible for 'child care' services while the state and territory governments are responsible for 'child welfare' services. Expenditure on Supported Accommodation Assistance Program (SAAP) for families, children and youth is included in this category.

Commonwealth Government

The main data source for Commonwealth Government expenditure data is the Department of Family and Community Services (FaCS) annual report.

Reported expenditure on Output Group No. 1—'Stronger families'—is the primary source. This output group also includes some expenditures that are classified to the AIHW category 'Other welfare services' and others, which are in the form of social security payments and are not included in the estimates of expenditure on welfare services.

The expenditure items from Output Group No. 1 that are included as expenditure on family and child services include:

- child care cash rebates
- payment for delivery of child care subsidies
- child care assistance
- other services for families with children
- child care for sole parents undergoing training
- child care capital loans
- youth homelessness pilot.

In addition transfers to different levels of government are estimated using grants data from budget papers as follows:

- The final budget outcome statement is used to source direct grants from the Commonwealth to state and local governments. The grants concerned are for:
  1. Children's Service Program
  2. unattached humanitarian minors
  3. SAAP for family.[9]
- The AIHW estimates grants to local governments passed through state and territory governments. Because these are no longer identified in the final budget outcome statement, the AIHW uses historical splits to estimate the proportion of

[9] SAAP for family is estimated from unpublished AIHW SAAP client profiles.

the specific purpose payments to a particular state government that are on-passed to local governments.[10]

- The FaCS annual report provides data on total grants and on payments to individuals in the form of child care cash rebates. These data are used to estimate the value of grants to non-government organisations, which are, essentially, residuals.

Another transfer payment to state and territory governments is 'Extension of fringe benefits', which is also administered by FaCS. Under this arrangement, the Commonwealth Government agrees to pay states and territories for extending eligibility for core concessions to all pensioner concession card holders. The core concessions are:

- energy charges
- municipal and water rates
- public transport
- motor vehicle registration.

Extension of fringe benefits is allocated to the four AIHW welfare services categories based on the type of social security payment received by the person to whom the fringe benefit is extended. Some of these include payments to families with children and youth. Therefore, part of the extension of fringe benefits paid to families with children and youth is included in the estimate of expenditure on family and child services.

State and territory governments

The main source of data on recurrent expenditure by state and territory governments is the Commonwealth Grants Commission's reports on general revenue grant relativities.

The Commission has three assessment categories (ACAT) of welfare services:

- family and child welfare services—ACAT4535
- aged and disabled welfare services—ACAT4545
- other welfare services—ACAT4555.

Under ACAT4535 the Commission shows gross expenditures by the states and territories. The AIHW estimates net funding by the states and territories by subtracting its estimates of transfer payments by the Commonwealth.

Capital expenditure is obtained from ABS government finance statistics.

Welfare services for older people

Home and community care (HACC) is provided to older people as well as for younger people with disabilities. HACC expenditure is split into services for older

[10] The budget papers for 1992–93—the last year that on-passed grants were identified—are used to estimate these amounts.

people and services for people with disabilities based on users' characteristics, reported by the Department of Health and Ageing.

Commonwealth Government

Data on total funding by the Commonwealth come from the Department of Health and Ageing annual report. For 2000–01, expenses under Output Group 3—'Enhanced quality of life for older Australians'—are used to estimate expenditure on welfare services for older people.

Data on grants to state and territory governments and on direct grants to local governments are taken from the final budget outcome. Estimates of on-passed grants to local governments are derived by the AIHW in the same way as for the 'Family and child welfare services' category. The total grants data are obtained from the Department of Health and Ageing annual report and these are used to derive estimates of grants to non-government community services organisations by subtracting grants to state and territory governments, and grants to local governments.

Grants related to the extension of fringe benefits to older people are derived in the same manner as for family and child services.

State and territory governments

Again, the source of data is the Commonwealth Grants Commission. It publishes estimates of gross funding for the combined category 'Aged and disabled welfare services'. The AIHW splits these data into its two welfare services categories:

- welfare services for older people
- welfare services for people with disabilities (see below).

The HACC expenditure data by state and territory are from the Department of Health and Ageing.

Welfare services for people with disabilities

Commonwealth Government

Total program funding comes from the FaCS annual report. For 2000–01, it is Output Group 3.2—'Support for people with a disability'.[11]

Added to this is an estimate of HACC expenditure for the services provided to people with disabilities. The HACC expenditure data are from the Department of Health and Ageing Outcome 3.

Also included is an estimate of grants for the extension of fringe benefits to people with disabilities.

[11] That is, ex-gratia payments made in 2000–01 to young disability support pension recipients whose payments were unintentionally limited by the youth allowance legislation, because it is regarded as income support and not a welfare services payment.

State and territory governments

Net funding by state and territory governments is estimated by the AIHW using Commonwealth Grants Commission data for the ACAT4545 category (see above).

Other welfare services

Other welfare services include expenditure on:

- emergency relief
- supported accommodation for people other than family and youth
- Australian Institute of Family Studies
- marriage counselling
- welfare services for Aboriginal and Torres Strait Islander people and migrants
- funeral expenses.

Commonwealth Government

The main data sources are:

- FaCS (part of Output Group No. 1)
- Department of Immigration and Multicultural Affairs
- Department of Veterans' Affairs
- Department of Finance.

All data, except those published in the FaCS annual report, are unpublished. These are provided by these departments upon request. Each expenditure item is identified according to whether it is:

- direct expenditure by the department
- a grant to a state or territory government
- a grant to local governments
- a grant to non-government organisations.

Also included is part of the extension of fringe benefits paid to social security card holders who are in the 'Other welfare services' population target group.

State and territory governments

Data are based on the Commonwealth Grants Commission ACAT4555 (see 'Family and child services', page 57). Whereas all SAAP expenditure is classified to this category, the AIHW splits the items into SAAP for family and child welfare and SAAP for people other than family and child. Hence, expenditure on other welfare services estimated by the AIHW is lower than the estimates by the Commission.

Non-government funding

The non-government sector comprises:

- non-government community services organisations (both for-profit and not-for-profit), and
- households/clients of welfare services.

Comprehensive surveys of the community services industry were undertaken by the ABS in 1995–96 (ABS 1997) and in 1999–00 (ABS 2001). Prior to that, the Industry Commission had undertaken a study into charitable organisations covering two years, 1992–93 and 1993–94 (Industry Commission 1995).

The Industry Commission's study included only those not-for-profit organisations that received grants from governments. The ABS Community Services Industry Survey included both for-profit and not-for-profit organisations.

The ABS Survey had the following objectives:

- provide baseline data necessary to understand the nature of the community services industry;
- identify the relative contributions of the for-profit and not-for-profit sectors;
- identify the sources and application of funds by community services providers;
- enable comparison with other industries;
- provide benchmarks for measuring change over time.

The scope and coverage of the survey was all employing organisations, both public and private (for-profit and not-for-profit), mainly engaged in community services or undertaking significant community services activity. The Australia and New Zealand Standard Industrial Classification (ANZSIC) was used to identify the organisations to be covered in the survey (Table 11).

Table 11: ANZSIC classifications used for the Community Services Industry Survey, 1999–00

ANZSIC code	ANZSIC classification
ANZSIC subdivision 87	
8710	Child Care Services
8721	Accommodation for the Aged
8722	Residential Care Services—Other
8729	Non-residential Care Services—Other
ANZSIC subdivision 86	
8613	Nursing Homes
ANZSIC subdivision 84	
8410	Preschool Education
ANZSIC subdivision 78	
7861	Employment Placement Services—Part[(a)]
ANZSIC subdivision 96	
9629	Interest Groups not elsewhere classified[(b)]

(a) Only organisations supporting disabled persons.

(b) Only organisations involved in the provision of community services advocacy services

Source: ABS 2001.

In addition, Commonwealth and state government departments and local government authorities were surveyed. The ABS's Australian Business Register was used as the framework for the survey and the statistical unit was the management unit.

Data collected were:

- employment
- gross income and expenses
- estimated value of goods and services received in kind
- assets and liabilities
- capital expenditure
- technology
- service activities.

Because the 1995–96 Community Services Industry Survey had included only employing businesses, it did not include child care services provided by family day care. However, in the 1999–00 survey the scope was expanded to include such services.

The Institute, in its estimation of expenditure, has generally adopted the methods that had been used by the Industry Commission for some areas of expenditure and applied the findings from the Survey in estimating the funding by clients and by non-government community services organisations (NGCSOs) for low-level residential care. The AIHW also uses the financial statements of some of these organisations to derive and verify its estimates of expenditure/contribution by the not-for-profit NGCSOs.

Beside the two ABS community services industry surveys and the Industry Commission study mentioned above, the AIHW also used the ABS publication *Child Care Australia* (Table 12) for developing estimates of income derived from client fees by child care service providers.

Table 12: Data sources for estimates of contribution by NGCSOs and clients

Area	Not-for-profit NGCSOs	For-profit NGCSOs	Clients
Child care	ABS cat. no. 4402.0		
ABS unpublished child care fees component of the Consumer Price Index	ABS cat. no. 4402.0		
ABS unpublished child care fees component of the Consumer Price Index	ABS cat. no. 4402.0		
FaCS fact sheet			
Hostel care	ABS cat. no. 8696.0	ABS cat. no. 8696.0	ABS cat. no. 8696.0
Multi-service organisations (large)	Organisations' financial statements		Organisations' financial statements
Disability services	Organisations' financial statements		Organisations' financial statements
Other multi-service organisation (medium and small)	Estimated by AIHW	ABS cat. no. 8696.0	Estimated by AIHW

Tax expenditures

Governments can use tax expenditures to allocate or induce resources to different activities in much the same way that they can use direct expenditure. However, it is easier to estimate the cost of spending programs than to estimate the revenue forgone as a result of concessional tax treatment. Many probable tax expenditures go uncosted due to lack of data and conceptual difficulties in choosing a suitable benchmark (see 'Tax expenditures' on page 22 for some discussion of conceptual issues).

The main source of data on tax expenditures is the annual Tax Expenditures Statement.

Although some tax expenditures are difficult to measure, failure to take account of them may understate the level of public sector support for particular health and community services. This is more the case in the community services sector where aggregate tax expenditures amount to 6.1% of total expenditure (Australian Institute of Health and Welfare (AIHW) 2002a). Furthermore, this figure is likely to be an understatement of the actual ratio as many tax expenditures with a welfare purpose are uncosted. In terms of health, the ratio is much lower at 1–2%, though recent changes in government support for private health insurance have increased this.

Tax expenditures with a health purpose

Data on tax expenditures with a health purpose are more readily available than data for community services. Treasury identifies 11 tax expenditure measures with a specific health purpose in its most recent Tax Expenditures Statement. While these are listed below, not all are used by the AIHW in developing its estimates of expenditure on health and welfare services. Following each item's description is the year in which it was introduced and its index allocated by Treasury.

- medical expenses rebate, pre-1985 (A27);
- exemption from Medicare levy for residents with a taxable income below a threshold, pre-1985 (A28);
- Medicare levy exemptions for non-residents, repatriation beneficiaries, foreign government representatives, and residents who meet certain criteria, 1985 (A29);
- income-tested tax offset for private health insurance, 1997 (A30);
- 30% rebate for expenditure on private health insurance, 1999 (A31);
- Medicare levy surcharge, 1998 (A32);
- exemption of income of public hospitals and hospitals operated by a society or association other than for gain or profit to its individual members, pre-1985 (D2);
- exemption of income of registered hospital, medical and health benefits funds provided they are not operated for the gain or profit of their individual members, pre-1985 (D1);
- fringe benefits tax exemption for benefits provided by public hospitals to employees, and benefits provided to employees of public hospitals if they are

employed by a state or territory health authority rather than the institution itself, 1986 (C8);

- fringe benefits tax exemption for travel costs of employees and their families in foreign countries to obtain medical treatment, 1986 (C9);
- penalty rate of excise levied on leaded petrol, 1994 (E1);
- penalty rate of excise levied on cigarettes with less than 0.8 grams of tobacco, 1999 (E2);
- capital gains tax exemption for payments under the General Practice Rural Incentives Program, 1994 (D33).

The only tax expenditures that have been used in calculating the redistribution of expenditures between the Commonwealth Government and individuals is the medical expense rebate (A27). Since 1997 the AIHW has also used the income-tested tax offset for private health insurance (A30) and the 30% rebate for expenditure on private health insurance (A31) to redistribute expenditure between the Commonwealth and health insurance funds.

Tax expenditures with a welfare services purpose

There are limited data on tax expenditures with a welfare services purpose. Data used in calculating expenditures draw upon the Tax Expenditures Statement and the Industry Commission's report on charitable organisations in Australia (Industry Commission 1995). Treasury identifies eight Commonwealth tax expenditure items applying to community services—three are income tax measures, the remainder are fringe benefits tax exemptions. The items are:

- deductibility of donations to charitable institutions;
- deductibility of expenses incurred for entertaining disadvantaged members of the public, 1985 (D92);
- income tax exemption for religious, scientific, charitable or public educational institutions, pre-1985 (D3);
- fringe benefits tax exemption for the provision of recreational or child care facilities on an employer's premises, 1986 (C11);
- fringe benefits tax exemption for employer contributions to guarantee places for employees' children in certain childcare centres, 1986 (C12);
- fringe benefits tax exemption for benefits provided by public benevolent institutions, excluding public hospitals, to employees, 1986 (C13);
- fringe benefits tax exemption for accommodation, fuel and meals for live-in employees caring for the elderly or disadvantaged, 1986 (C14);
- fringe benefits tax exemption for employer-provided property and facilities for immediate relief of employees and their families in times of emergency, 1986 (C15).

Of the eight identified tax expenditures, only one was costed by Treasury—fringe benefits tax exemption for benefits provided by public benevolent institutions to

employees. The Tax Expenditures Statement estimated the cost of this tax expenditure to be $70 million in 1993–94, rising to $210 million in 1999–00.