

Background and summary

1.1 Background

This health expenditure report is similar in format to the health expenditure bulletins produced by the Institute since 1986. Its name has changed but it still reports on health expenditure in Australia by area of expenditure and source of funds from 1990–91 to 1999–00. It also provides estimates of recurrent, capital and total expenditure by source of funds for 2000–01. Expenditure is analysed in terms of who provides the funding for health care and the types of services that attract that funding.

The publication also provides individual health expenditure matrices for each of the States and Territories for the years 1996–97 to 1999–00.

The bulk of funding for health expenditure is provided by the Commonwealth and the State and Territory Governments. Therefore, as well as consideration of the whole period from 1990–91 to 2000–01, analyses of trends in expenditure have been linked to the periods covered by the major health care funding agreements between these two levels of government. These are:

- up to 1992–93;
- from 1993–94 to 1997–98; and
- from 1998–99.

Australia's health expenditure increased, as a proportion of gross domestic product (GDP), between 1990–91 and 2000–01.

Australia is compared with nine member countries of the Organisation for Economic Co-operation and Development (OECD). In that international context, Australia's health expenditure, in per person terms, was similar to that of France and, as a proportion of GDP, was similar to Canada.

The tables and figures in the publication detail expenditure in terms of current and constant prices. Constant price expenditure adjusts for the effects of inflation using, wherever possible, chain price indexes provided by the Australian Bureau of Statistics (ABS). Where such chain price indexes are not available, implicit price deflators (IPDs) are used. Because the reference year for both the chain price indexes and the IPDs is 1999–00, the constant price estimates indicate what expenditure would have been had 1999–00 prices applied in all years.

Some expenditure estimates for 1990–91 to 1998–99 have been revised since the publication of *Health Expenditure Bulletin No. 17*. These revisions, which are detailed in the 'Technical notes', related primarily to revisions to ABS data (see Section 6.4).

1.2 The structure of the health sector and its flow of funds

The flow of money around the Australian health care system is complex and is determined by the institutional frameworks in place, both government and non-government. Australia is a federation, governed by a national government (the Commonwealth) and eight State and Territory governments. Both levels of government play important roles in the provision and funding of health care. In some jurisdictions, local governments also play important roles. All of these levels of government collectively are called the public sector. What remains is the non-government sector, which in the case of expenditure on health care comprises the private health insurers, individuals and other non-government (principally workers' compensation and compulsory motor vehicle third-party insurers). Figure 1 shows the major flows of funding between the government and non-government sectors and the providers of health goods and services.

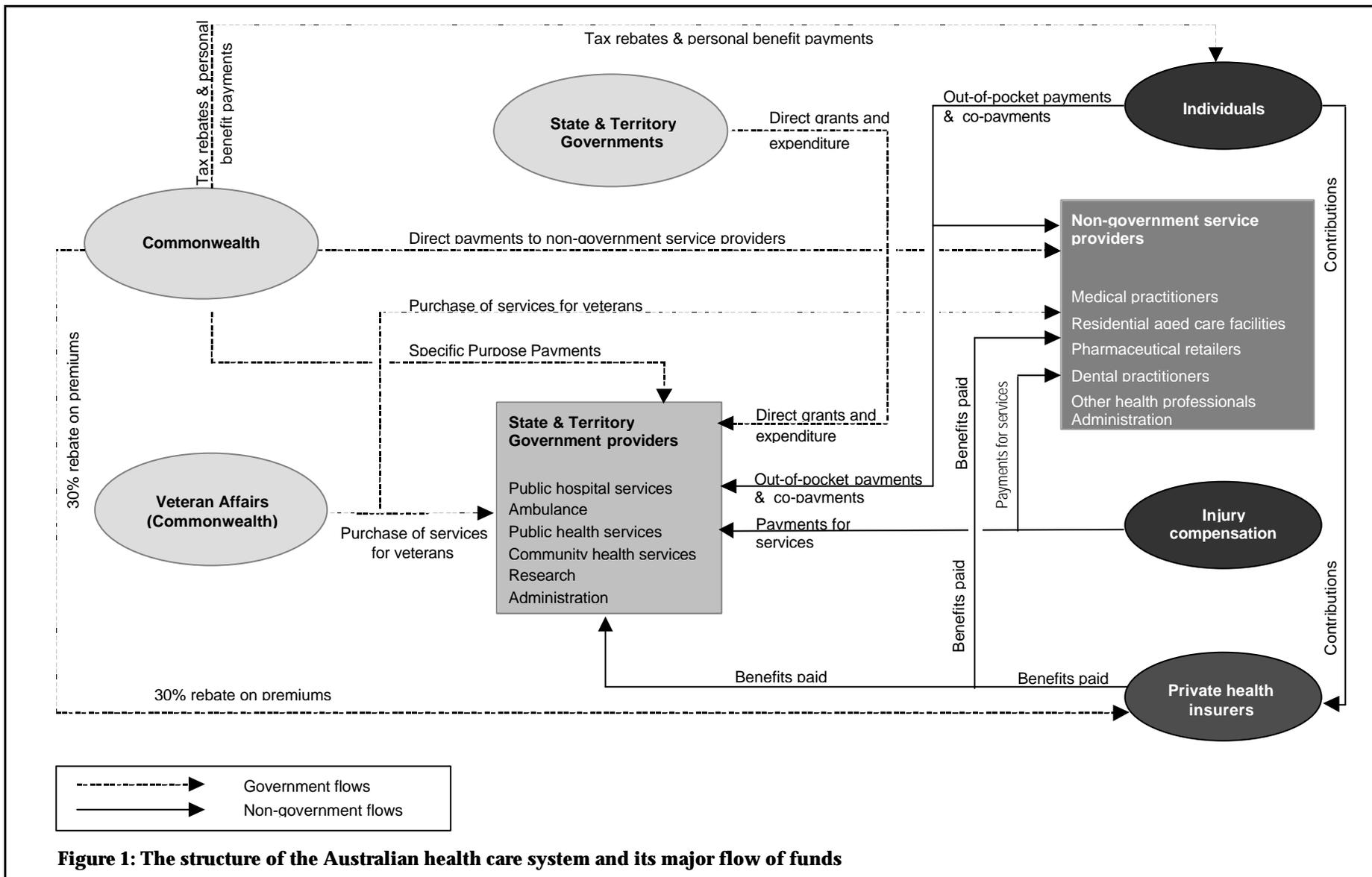
Most non-hospital health care in Australia is delivered by non-government providers. These include private medical and dental practitioners, other health professionals (such as physiotherapists and podiatrists) and pharmaceutical retailers. The delivery of health care can occur in a diverse range of settings. These include hospitals, high-level residential aged care, hospices and rehabilitation centres. Delivery can also occur in community health centres, health clinics, ambulatory care services, the private consulting rooms of health professionals, and patients' homes or workplaces.

Public, occupational and environmental health interventions may be delivered in several ways: through information in the media; regulation; screening and immunisation programs; and infectious disease identification and containment programs.

In summary, the major features of Australia's health system are:

- Universal cover for privately provided medical services under Medicare, which is largely funded by the Commonwealth (with co-payments by users where the services are patient-billed).
- Eligibility for public hospital services, free at the point of service, funded approximately equally by the States/Territories and the Commonwealth.
- Growing private hospital activity, largely funded by private health insurance which is, in turn, subsidised by the Commonwealth through its 30% rebate on contributions to private health insurance.
- The Commonwealth, through its Pharmaceutical Benefits Scheme (PBS), subsidises a wide range of drugs and medicinal preparations outside public hospitals.
- The Commonwealth provides most of the funding for high-level residential aged care and for health research.
- The Commonwealth also funds directly a wide range of services for eligible veterans.

- State and Territory health authorities are primarily responsible for mental health programs, patient transport, community health services; and for public health services (such as health promotion and disease prevention).
- Individuals primarily spend money on pharmaceuticals, dental services, medical services and other professional services.



1.3 Summary of findings

- Total health expenditure was estimated at \$60.8 billion in 2000–01. This is equivalent to \$3,153 per person.
- Health expenditure as a proportion of GDP was estimated at 9.0% in 2000–01, up from 8.8% in 1999–00 (\$55.7 billion).
- Government funded 70% of health expenditure in Australia in 2000–01.
- The Commonwealth Government spent \$2.2 billion on rebates to private health insurance members in 2000–01.
- Real growth in expenditure on health averaged 4.9% between 1992–93 and 2000–01, and has shown little year to year variation.
- Health prices increased, on average, 0.6% faster than the general inflation rate between 1990–91 and 2000–01.

1.4 Revisions to ABS estimates

There have been a number of revisions to health expenditure estimates since *Health Expenditure Bulletin No. 17 (HEB17)*, published in September 2001 (refer to Chapter 6 ‘Technical notes’). In some cases these have been brought about by changes to ABS data that provide an important input into the Institute’s estimates of health expenditure.

GDP estimates for this publication are sourced from the ABS (ABS 2002). The current price GDP estimates in that publication are lower than those which were published in *HEB17*. For instance, the 1999–00 current price estimate of GDP in the March quarter 2002 was revised down by \$3.2 billion, compared with the published number used in *HEB17*. This has raised the health expenditure-to-GDP ratio. The ABS revisions result from the recompilation of the annual supply and use tables which provided new benchmarks for national accounts series (ABS 2001a: 11). Also, chain volume measures have been revised by the ABS, resulting in revisions to the Institute’s constant price estimates. This means that figures reported in this publication for previous years differ from those reported in the same years in *HEB17*.

The ABS estimates of household final consumption expenditure (HFCE) for medicines, aids and appliances, in particular, has increased markedly since the publication of *HEB17*. The ABS advise that the previous HFCE series were based on an extrapolation of the old retail trade survey of 1991–92 using indicators based on subsequent monthly retail trade data between 1991–92 and 1998–99 which considerably understated actual total HFCE. New benchmarks for components of HFCE are now based on the 1998–99 retail industry survey, which has a wider scope and better coverage than the previous ABS survey.

Table 1: Comparison of published estimates of total health expenditure, current prices, 1990–91 to 1998–99, current estimates and previous estimates (\$ million)

Year	Previous estimates ^(a)	Current estimates ^(b)	Difference
1990–91	31,270	31,267	3
1991–92	33,087	33,123	36
1992–93	34,993	35,098	105
1993–94	36,787	36,990	203
1994–95	38,967	39,216	249
1995–96	41,783	42,082	299
1996–97	44,851	45,195	344
1997–98	47,648	48,360	712
1998–99	51,011	51,680	669

(a) As published in *Health Expenditure Bulletin No. 17*, September 2001, p. 4.

(b) As published in *Health Expenditure Australia 2000–01*, September 2002, p. 8.