

2 Total health expenditure

Total expenditure on health goods and services, health-related services and capital formation in Australia in 2001-02 was estimated at \$66.6 billion (Table 1 and Table A4). This was an increase of \$5.7 billion over the previous year. Most of this increase between 2000-01 and 2001-02 was in four areas of expenditure:

- hospitals – \$2.0 billion;
- pharmaceuticals – \$0.9 billion;
- medical services – \$0.9 billion; and
- dental services – \$0.6 billion.

After allowing for inflation, real growth between 2000-01 and 2001-02 was estimated at 6.0%. This was 1.4 percentage points above the average since 1991-92, and more than half a point above the four-year average of 5.4% since 1997-98.

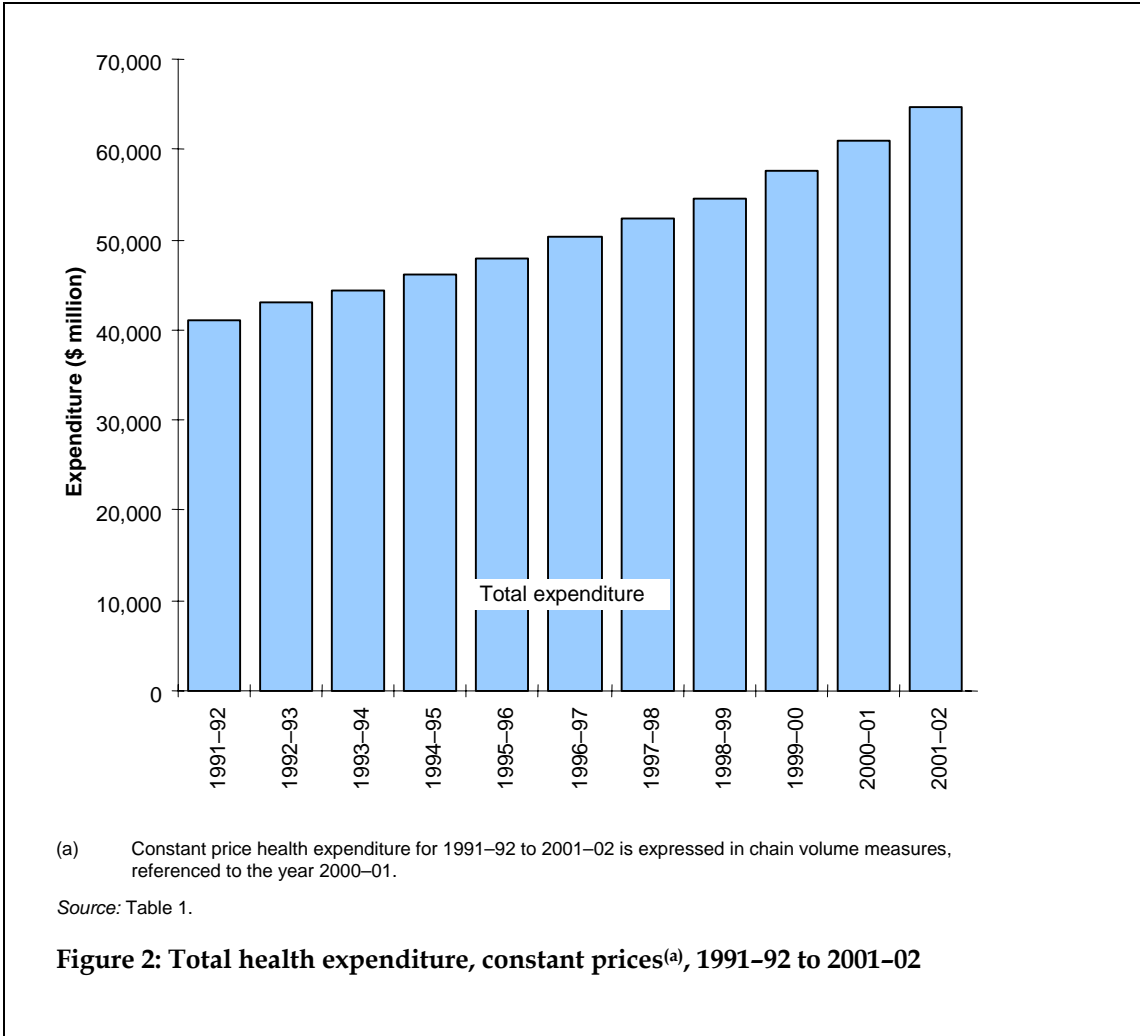


Table 1: Total health expenditure, current and constant prices^(a) and annual growth rates, 1991–92 to 2001–02

Year	Amount (\$ million)		Growth rate over previous year (%)	
	Current	Constant	Current	Constant
1991–92	33,123	41,002
1992–93	35,098	43,093	6.0	5.1
1993–94	36,990	44,417	5.4	3.1
1994–95	39,216	46,062	6.0	3.7
1995–96	42,082	48,021	7.3	4.3
1996–97	45,296	50,362	7.6	4.9
1997–98	48,273	52,280	6.6	3.8
1998–99	51,629	54,632	7.0	4.5
1999–00	55,809	57,810	8.1	5.8
2000–01	60,897	60,897	9.1	5.3
2001–02 ^(b)	66,582	64,529	9.3	6.0
Average annual growth rate				
1992–93 to 1997–98			6.6	3.9
1997–98 to 2001–02			8.4	5.4
1991–92 to 2001–02			7.2	4.6

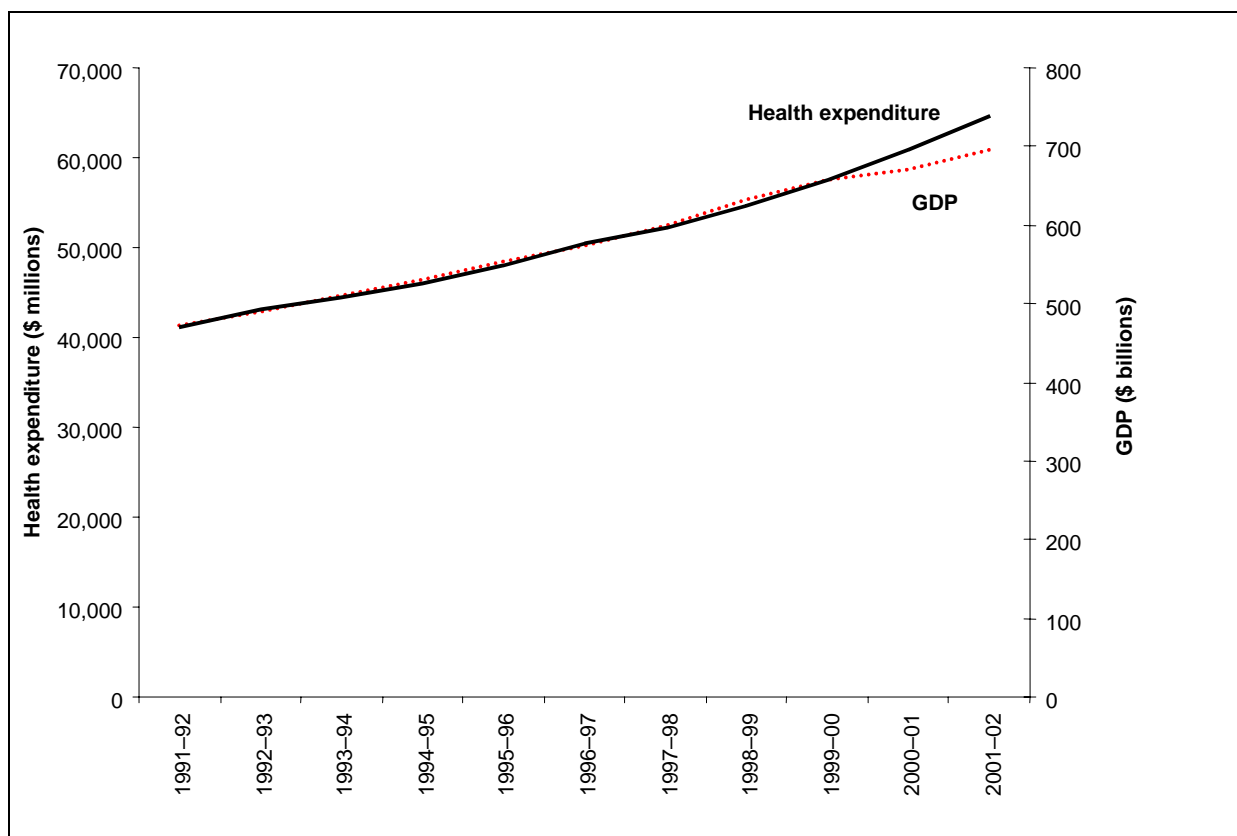
(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

2.1 Health expenditure and the general level of economic activity

Until 1999–00 real growth in health expenditure largely tracked growth in the economy. In the last three years, however, as economic growth has slowed, health expenditure has continued to grow, in real terms (Figure 3; Table 3).



(a) Constant price health expenditure for 1991-92 to 2001-02 is expressed in chain volume measures, referenced to the year 2000-01.

Source: Table 3.

Figure 3: Health expenditure and GDP, constant prices^(a), 1991-92 to 2001-02

At the national level, GDP is the main measure used to indicate the overall level of economic activity. It is also a principal measure used to make international comparisons and this is discussed in Chapter 5. The ratio of Australia's health expenditure to GDP provides an indication of the proportion of overall economic activity contributed by the health sector. It is estimated that spending on health accounted for 9.3% of GDP in 2001-02 – up from 9.1% in the previous year and from 8.1% in 1991-92 (Table 2).

The health expenditure - GDP ratio can increase during a period for one or both of the following reasons:

- the level of use of goods and services in health increased at a greater rate than the increase in the use of all goods and services in the economy (a quantity effect); and
- price rises in the health sector exceeded economy-wide price rises – excess health inflation (a price effect).

Table 2: Total health expenditure and GDP, current prices, and annual growth rates, 1991–92 to 2001–02

Year	Total health expenditure		GDP		Ratio of health expenditure to GDP (%)
	Amount (\$ million)	Nominal growth rate (%)	Amount (\$ million)	Nominal growth rate (%)	
1991–92	33,123	..	406,605	..	8.1
1992–93	35,098	6.0	426,231	4.8	8.2
1993–94	36,990	5.4	447,024	4.9	8.3
1994–95	39,216	6.0	471,349	5.4	8.3
1995–96	42,082	7.3	502,828	6.7	8.4
1996–97	45,296	7.6	529,885	5.4	8.5
1997–98	48,273	6.6	561,229	5.9	8.6
1998–99	51,629	7.0	591,916	5.5	8.7
1999–00	55,809	8.1	628,620	6.2	8.9
2000–01	60,897	9.1	669,307	6.5	9.1
2001–02 ^(b)	66,582	9.3	712,874	6.5	9.3
Average annual growth rate					
		6.6		5.7	
		8.4		6.2	
		7.2		5.8	

(a) Based on preliminary AIHW and ABS estimates.

Sources: AIHW health expenditure database and ABS 2003.

The general trend in the health expenditure – GDP ratio was a gradual increase over the eleven-year period. The most significant increase was after 1998–99, when the ratio grew by 0.2 percentage points each year, the increase being due to a combination of volume and price effects. From 1998–99 real health expenditures grew by an average of 5.7% per year, compared with a real GDP growth rate of 3.2% (calculated from Table 3), while average excess health inflation was in fact negative, at –0.1% (calculated from Table 4). This indicates a sharp rise in the use of health services.

Preliminary estimates for 2001–02 show a continued increase in the health expenditure – GDP ratio of 0.2 percentage points due to a large volume effect – with real health expenditure increasing by 6.0% compared with 3.9% for real GDP (Table 3). The two largest contributors to volume change in health expenditure have been hospitals and pharmaceuticals.

A positive (0.7%) excess health inflation figure contributed slightly to nominal growth (Table 4).

Table 3: Total health expenditure and GDP, constant prices^(a), and annual growth rates, 1991–92 to 2001–02

Year	Total health expenditure		GDP	
	Amount (\$m)	Growth rate (%)	Amount (\$m)	Growth rate (%)
1991–92	41,002	..	473,559	..
1992–93	43,093	5.1	490,901	3.7
1993–94	44,417	3.1	510,002	3.9
1994–95	46,062	3.7	531,577	4.2
1995–96	48,021	4.3	554,001	4.2
1996–97	50,362	4.9	574,989	3.8
1997–98	52,280	3.8	600,590	4.5
1998–99	54,632	4.5	632,488	5.3
1999–00	57,810	5.8	657,771	4.0
2000–01	60,897	5.3	669,307	1.8
2001–02 ^(b)	64,529	6.0	695,633	3.9
Average annual growth rate				
1992–93 to 1997–98		3.9		4.1
1997–98 to 2001–02		5.4		3.7
1991–92 to 2001–02		4.6		3.9

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Based on preliminary AIHW and ABS estimates.

Sources: AIHW health expenditure database and ABS 2003

Table 4: Annual rates of health inflation, 1991–92 to 2001–02 (per cent)

Period	Health inflation	General inflation ^(a)	Excess health inflation
1991–92 to 1992–93	0.8	1.1	–0.3
1992–93 to 1993–94	2.2	1.0	1.3
1993–94 to 1994–95	2.2	1.2	1.1
1994–95 to 1995–96	2.9	2.4	0.6
1995–96 to 1996–97	2.6	1.5	1.1
1996–97 to 1997–98	2.7	1.4	1.2
1997–98 to 1998–99	2.3	0.1	2.2
1998–99 to 1999–00	2.2	2.1	—
1999–00 to 2000–01	3.6	4.6	–1.0
2000–01 to 2001–02	3.2	2.5	0.7
Average annual rates of inflation			
1992–93 to 1997–98	2.5	1.5	1.0
1997–98 to 2001–02	2.8	2.3	0.5
1991–92 to 2001–02	2.5	1.8	0.7

(a) Based on the implicit price deflator for GDP.

Sources: AIHW health expenditure database and ABS 2003.

Health inflation

The relationship between movements in health prices and the general level of inflation in the economy as a whole has a strong influence on the ratio of health expenditure to GDP. The general level of inflation is measured by reference to the implicit price deflator for GDP, and health inflation is indicated by reference to the total health price index (see Section 6.3 and Table 36). Australia's health inflation has tended to move ahead of the general level of inflation in most years.

Between 1991–92 and 2001–02, the average rate of general inflation was 1.8% per year (Table 4). Health inflation during that period averaged 2.5% per year, giving an excess health inflation rate of 0.7% per year. In the latest two years – 2000–01 and 2001–02 – health inflation was higher (3.6% and 3.2%, respectively) than at any time over the period since 1991–92.

2.2 Health expenditure per person

As the population grows, it could be anticipated that health expenditure must also increase, to maintain the average level of goods and services available to each person in the community. By examining health expenditure on a per person basis, the influence of changes in the overall size of the population is removed from the analysis.

During 2001–02, estimated per person health expenditure averaged \$3,397 (Table 5).

Real growth in per person health expenditure between 1991–92 and 2001–02 averaged 3.4% per year, compared with 4.6% for aggregate national health expenditure (Table 3; Table 5). The difference between these two growth rates is the result of growth in the overall size of the Australian population.

Table 5: Average health expenditure per person, current and constant prices^(a), and annual growth rates, 1991–92 to 2001–02

Year	Amount (\$)		Growth rate over previous year (%)	
	Current	Constant	Current	Constant
1991–92	1,904	2,357
1992–93	1,996	2,450	4.8	3.9
1993–94	2,082	2,500	4.3	2.0
1994–95	2,183	2,564	4.9	2.6
1995–96	2,313	2,639	5.9	2.9
1996–97	2,458	2,733	6.3	3.6
1997–98	2,591	2,807	5.4	2.7
1998–99	2,741	2,900	5.8	3.3
1999–00	2,929	3,034	6.9	4.6
2000–01	3,147	3,147	7.4	3.7
2001–02 ^(b)	3,397	3,292	8.0	4.6
Average annual growth rate				
1992–93 to 1997–98			5.4	2.8
1997–98 to 2001–02			7.0	4.1
1991–92 to 2001–02			6.0	3.4

(a) Constant price health expenditure for 1991–92 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

2.3 Total health expenditure, by state and territory

As well as being affected by national priorities, health expenditure in Australia is influenced by the different policy initiatives that are pursued by the state and territory governments. Consequently, while expenditure is generally distributed according to the spread of the population, there are differences between the states and territories in the way that health expenditure is distributed within their health systems. Further, over time, there are changes in average expenditures because of different socioeconomic and demographic movements in the states and territories.

Table 6: Total health expenditure, current prices, by state and territory, 1996–97 to 2001–02 (\$ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	15,679	11,310	8,242	3,963	3,550	1,308	764	480	45,296
1997–98	16,550	11,979	8,821	4,561	3,740	1,263	828	530	48,273
1998–99	17,681	12,869	9,583	4,819	3,917	1,293	888	552	51,600
1999–00	18,895	13,718	10,609	5,205	4,395	1,408	961	617	55,809
2000–01	20,237	15,449	11,417	5,744	4,885	1,489	985	690	60,896
2001–02 ^(b)	22,020	16,812	12,353	6,498	5,370	1,634	1,149	746	66,582

(a) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

Disaggregation of total health expenditure on a state and territory basis has been done since 1996–97. This has enabled some limited comparison of expenditure patterns over time for each of the states and territories. It is estimated that, during 2001–02, 58.2% (\$38.8 billion) of total national health expenditure was incurred in the two most populous states, New South Wales (\$22.0 billion) and Victoria (\$16.8 billion) (Table 6). These two states account for 58.5% of the total Australian population.

During the period covered by the 1998 Australian Health Care Agreements between the Australian Government and the states and territories, that is, from the end of the 1997–98 fiscal year to 2001–02, six states and territories recorded real average annual growth rates that were above the national average of 5.4% – the Northern Territory (6.8%), Western Australia (6.7%), South Australia (6.6%), Queensland (6.1%) the Australian Capital Territory (5.9%) and Victoria (5.6%). Only New South Wales (4.3%) and Tasmania (3.7%) had growth rates that were below the national average (Table 8).

Table 7: Total health expenditure, constant prices^(a), by state and territory, 1996–97 to 2001–02 (\$ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	17,605	12,634	9,052	4,327	3,951	1,438	830	525	50,362
1997–98	18,021	13,096	9,432	4,873	4,039	1,371	881	565	52,280
1998–99	18,770	13,716	10,081	5,049	4,113	1,384	939	581	54,632
1999–00	19,560	14,281	11,016	5,343	4,531	1,449	996	633	57,810
2000–01	20,237	15,449	11,417	5,744	4,885	1,489	985	690	60,896
2001–02 ^(b)	21,352	16,275	11,935	6,327	5,209	1,585	1,109	736	64,529

(a) Constant price health expenditure for 1996–97 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Based on preliminary AIHW and ABS estimates.

NB: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.

Table 8: Total health expenditure, constant prices^(a) all sources of funding: annual growth rates, by state and territory, 1996–97 to 2001–02 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97 to 1997–98	2.4	3.7	4.2	12.6	2.2	-4.6	6.1	7.6	3.8
1997–98 to 1998–99	4.2	4.7	6.9	3.6	1.8	0.9	6.5	2.8	4.5
1998–99 to 1999–00	4.2	4.1	9.3	5.8	10.2	4.7	6.1	9.0	5.8
1999–00 to 2000–01	3.5	8.2	3.6	7.5	7.8	2.8	-1.1	9.0	5.3
2000–01 to 2001–02 ^(b)	5.5	5.3	4.5	10.2	6.6	6.4	12.6	6.6	6.0
Average annual growth rate									
1996–97 to 2001–02 ^(b)	3.9	5.2	5.7	7.9	5.7	2.0	6.0	7.0	5.1
1997–98 to 2001–02 ^(b)	4.3	5.6	6.1	6.7	6.6	3.7	5.9	6.8	5.4

(a) Constant price health expenditure for 1996–97 to 2001–02 is expressed in chain volume measures, referenced to the year 2000–01.

(b) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

On a per person basis, in 2001–02 Western Australia (\$3,388), Queensland (\$3,365) and New South Wales (\$3,316) had average levels of expenditure that were lower than the estimated national average of \$3,397. The Northern Territory, with an average estimated at \$3,733 had the highest per person level of expenditure on health (Table 9).

Table 9: Average health expenditure per person, current prices, by state and territory, 1996–97 to 2001–02 (\$)

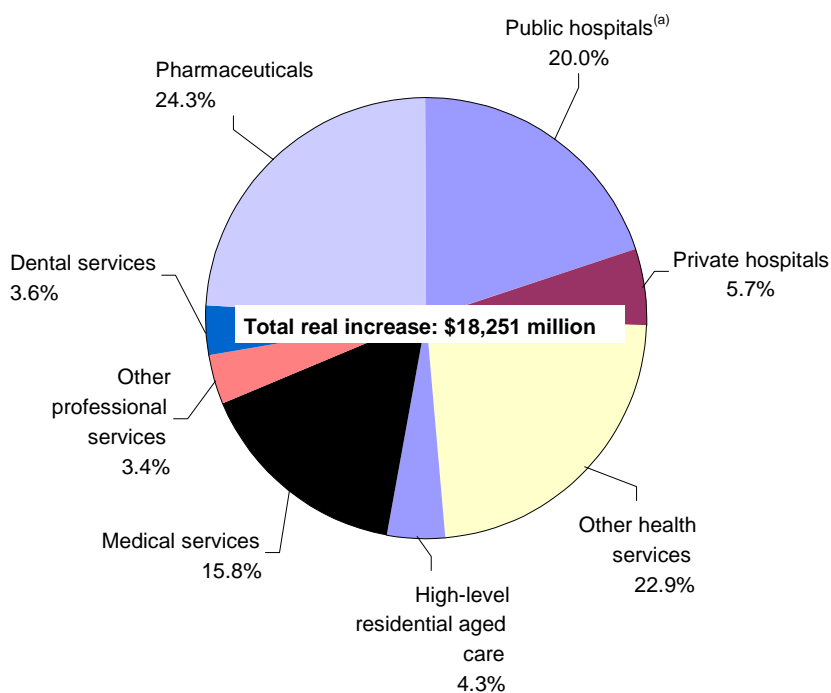
Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	2,512	2,467	2,446	2,223	2,404	2,758	2,477	2,603	2,458
1997–98	2,626	2,587	2,575	2,516	2,522	2,673	2,693	2,811	2,591
1998–99	2,777	2,748	2,753	2,612	2,629	2,742	2,878	2,885	2,741
1999–00	2,938	2,895	3,000	2,781	2,939	2,991	3,098	3,181	2,929
2000–01	3,084	3,223	3,169	3,033	3,235	3,154	3,090	3,476	3,147
2001–02 ^(b)	3,316	3,463	3,365	3,388	3,536	3,454	3,562	3,733	3,397

(a) Based on preliminary AIHW and ABS estimates.

Source: AIHW health expenditure database.

2.4 Sources of growth in health expenditure

Just over one-quarter (25.7%) of real growth in recurrent health expenditure between 1991–92 and 2000–01 was concentrated in hospitals (Figure 4) – public (20.0%) and private (5.7%). Another quarter of the growth over this period came from pharmaceuticals (24.3%), and expenditure on medical services contributed a further 15.8% of growth. Together, these three areas of expenditure accounted for 65.8% of the growth in expenditure during the decade. Accordingly, their expenditure as a percentage of GDP rose from 4.5% in 1991–92 to 5.8% in 2000–01.



(a) Includes both non-psychiatric and psychiatric hospitals.

(b) Constant price health expenditure for 1991-92 to 2000-01 is expressed in chain volume measures, referenced to the year 2000-01.

Source: AIHW health expenditure database.

Figure 4: Growth in total recurrent health expenditure, constant prices,^(b) by area of expenditure, 1991-92 to 2000-01

This expenditure growth was largely funded by the Australian Government. Over the decade, it increased its ratio of health expenditure to GDP from 3.5% to 4.3%. For state and territory and local governments the ratio remained steady at around 2.0%, while non-government sources increased their share of GDP by 0.4 percentage points, from 2.6% to 3.0% (Table 10).

Table 10: Total health expenditure, by broad source of funds, as a proportion of GDP, 1991-92 to 2001-02 (per cent)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1991-92	3.5	2.0	5.5	2.6	8.1
1992-93	3.6	1.9	5.5	2.7	8.2
1993-94	3.7	1.8	5.5	2.8	8.3
1994-95	3.7	1.8	5.5	2.8	8.3
1995-96	3.8	1.8	5.6	2.8	8.4
1996-97	3.7	2.0	5.7	2.8	8.5
1997-98	3.8	2.0	5.9	2.7	8.6
1998-99	4.0	2.0	6.0	2.7	8.7
1999-00	4.2	2.0	6.2	2.7	8.9
2000-01	4.3	2.1	6.3	2.8	9.1
2001-02 ^(b)	4.3	2.1	6.4	3.0	9.3

(a) Expenditure has been adjusted for tax expenditures.

(b) Based on preliminary AIHW and ABS estimates.

Sources: AIHW health expenditure database and ABS 2003.