

**Health expenditure Australia
2005–06**

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HEALTH AND WELFARE EXPENDITURE SERIES

Number 30

Health expenditure Australia 2005–06

October 2007

Australian Institute of Health and Welfare

Canberra

AIHW cat. no. HWE 37

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This publication is part of the Australian Institute of Health and Welfare's Health and Welfare Expenditure Series. A complete list of the Institute's publications is available from the Institute's website <www.aihw.gov.au>.

ISSN 1323-5850

ISBN 978 1 74024 727 6

Suggested citation

Australian Institute of Health and Welfare 2007. Health expenditure Australia 2005–06. Health and Welfare Expenditure Series no. 30. Cat. no. HWE 37. Canberra: AIHW.

Australian Institute of Health and Welfare

Board Chair

Hon. Peter Collins, AM, QC

Director

Penny Allbon

Any enquiries about or comments on this publication should be directed to:

John Goss

Australian Institute of Health and Welfare

GPO Box 570

Canberra ACT 2601

Phone: (02) 6244 1151

Email: expenditure@aihw.gov.au

Published by the Australian Institute of Health and Welfare

Printed by

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Preface

In the financial year 2005–06, Australia’s health expenditure totalled \$86.9 billion, representing 9.0% of gross domestic product (GDP). This compares with 9.05% of GDP in 2004–05 and 7.5% of GDP in 1995–96. Given the continual calls for more resources across the different components of the health system, it is essential to understand what is currently spent if there is to be informed discussion about where the money should be best spent.

Regular reporting of national health expenditure statistics is also vital to understanding the characteristics of Australia’s health system. These statistics show the volume and proportion of economic resources allocated through the health care system to foster the health and wellbeing of the nation.

Health expenditure Australia 2005–06 continues the Australian Institute of Health and Welfare’s series of reports on national health expenditures, which have been produced annually since 1986. This publication presents health expenditure data for the period 1995–96 to 2005–06, with detailed matrices at the national level and for each of the states and territories for the years 2003–04 to 2005–06. This publication and previous publications in the series are available at the Institute website <http://www.aihw.gov.au/expenditure/health.cfm>

Detailed time series data back to 1960–61 is available in online datacubes at <http://www.aihw.gov.au/expenditure/datacubes/index.cfm>

There have been some revisions to previously published estimates of health expenditure, due to receipt of additional or revised data or changes in methodology. Comparisons over time should, therefore, be based on information provided in this publication and on-line data, rather than by reference to earlier editions. For example, data in this report are not comparable with the data published in the previous issues because expenditure on high-level residential aged care which, in earlier reports was classified to health, is now classified to welfare services.

Penny Allbon
Director
Australian Institute of Health and Welfare

Acknowledgments

This report would not have been possible without the valued cooperation and effort of the data providers in the health authorities of the states and territories and the Australian Government. The Australian Institute of Health and Welfare (AIHW) would like to express its appreciation for their timely supply of data and their assistance with data validation. Other data providers have also been very helpful. The AIHW also wishes to thank the members of the Health Expenditure Advisory Committee who helped plan this report and provided advice on its content.

The collection and analysis of the data and the writing of this publication was done by Rebecca Bennetts, Gail Brien, Richard Webb and John Goss with assistance from Jenny Hargreaves, Eric Puno, John Shelton Agar, Daniel Aherne and Maneerat Pinyopusarerk.

Abbreviations and symbols

ABS	Australian Bureau of Statistics
ACCMIS	Aged and Community Care Management Information System
ACFI	Aged Care Funding Instrument
AHCA	Australian Health Care Agreements
AIHW	Australian Institute of Health and Welfare
CPI	Consumer price index
DoFA	Department of Finance and Administration
DoHA	Australian Government Department of Health and Ageing
DVA	Australian Government Department of Veterans' Affairs
GDP	Gross domestic product
GFCE	Government Final Consumption Expenditure
GFS	Government finance statistics
GHE	Government health expenditure
GPC	Government Purpose Classification
HACC	Home and Community Care
HASAC	Hospitals and Allied Services Advisory Committee
HEAC	Health Expenditure Advisory Committee
HFCE	Household final consumption expenditure
ICHA	International Classification for Health Accounts
IPD	Implicit price deflator
MBS	Medicare Benefits Schedule
NHA	National Health Accounts
NMDS	National minimum data set
OECD	Organisation for Economic Co-operation and Development
PBS	Pharmaceutical Benefits Scheme
PET	Positron emission tomography
PHE	Public hospital establishments
PHIAC	Private Health Insurance Administration Council
PHIIS	Private Health Insurance Incentives Scheme
PHOFA	Public Health Outcome Funding Agreements
PPP	Purchasing power parity
RCS	Resident Classification Scale
ROGS	Report on Government Services

RPBS	Repatriation Pharmaceutical Benefits Scheme
SHA	System of Health Accounts
SPPs	Specific purpose payments for health under Section 96 of the Australian Constitution
WHO	World Health Organization
n.a.	not available
..	not applicable
n.e.c.	not elsewhere classified
—	nil or rounded down to zero

Executive summary

- The provision of health services is an important part of the Australian economy. Expenditure on health services reached \$87 billion in 2005–06 which was 9.0% of Gross Domestic Product (GDP) (Table 2).
- Health expenditure grew more slowly in 2005–06 than the growth in GDP so the health to GDP ratio was down slightly from the 9.05% of GDP in 2004–05. But over the decade health expenditure grew much more strongly than GDP, so there has been a substantial increase in the health to GDP ratio from 7.5% of GDP in 1995–96 (Table 2). Australia's health to GDP ratio is comparable with Italy and New Zealand, more than the UK and considerably less than the level in the USA of 15% of GDP (Table 51).
- Health expenditure is 2/3 funded by governments and 1/3 by individuals, private health insurance, and other non-government sources (Table 13). Real expenditure by individuals on health has grown over the decade at an average 6.0% per year compared to growth for overall recurrent health expenditure of 4.8% per year (Tables 20 and 25). The biggest area of individual spending was on medications (34%), followed by dental services (23%) (Figure 7). Bulk-billing rates increased by 4.2 percentage points from 67.5% in 2003–04 to 71.7% in 2005–06 and this led to lower real growth in out-of-pocket payments for medical services for the last two years (Tables 41 and 42). But over the decade, medical out-of-pocket expenditure increased in real terms an average 4.2% per year.
- Of the two-thirds of funding for health spending coming from governments, \$37 billion is contributed by the Australian government and \$22 billion by state/territory/local governments (Tables 12 and 13). State funding grew in real terms by 7.6% in 2005–06 compared to a 0.7% growth in Australian Government funding (Table 21). In the decade as a whole the Australian Government funding grew in real terms on average 4.9% per year and state/territory and local government funding grew by 6.2% per year. Over the last 10 years, the changes in proportions of funding between the Australian Government and the state and territory governments have not been driven by major changes in respective responsibilities.
- Key changes during the last decade included the Australian Government introduction of the private health insurance 30% rebate, increases in hospital expenditure primarily borne by the states and territories and a substantial slowing of pharmaceutical expenditure growth in the final year.
- There have been changes in the balance of funding due to the Australian Government's decision to provide a rebate on private health insurance. The contribution to health funding made by private health insurance declined over the decade from 11% of total funding to 7% in 2005–06, due in large part to the Australian Government private health insurance rebate scheme taking up some of this funding (Figure 5).
- The state and territory share of funding of public hospitals has been growing over the decade (a 5 percentage point increase). The Australian Government share decreased by 4 percentage points. The relative shares in 2005–06 were 51% state/territory and 41% Australian Government, with the remainder being non-government (Table 35).
- After allowing for inflation, growth in health expenditure over the last decade averaged 5.1% while in 2005–06 growth was 3.1%, the lowest for the decade (Table 1). Within overall expenditure, the most noticeable slowing was in expenditure on medications, which increased by just 1.6% (after allowing for inflation) against an annual average real increase of 8.6% over the last decade (Table 20).

Health expenditure in Australia

- Total health expenditure in Australia grew by 7.1% between 2004–05 and 2005–06 to \$86.9 billion or \$4,226 per person. This represents a \$5.8 billion increase from 2004–05, or \$225 more per person than the previous year (Tables 1 and 6).
- High-level residential aged care expenditure has been reclassified from health expenditure to welfare services expenditure. As a result, data in this report are not comparable with the data published in the previous issues. The reclassification of high-level residential aged care expenditure from health to welfare services expenditure has reduced the health to GDP ratio in 2004–05 and 2005–06 by 0.6 percentage points (i.e. the health to GDP ratios would have been 9.7% and 9.6% respectively without the reclassification) (Table 64). The welfare services expenditure to GDP ratios have been correspondingly increased (AIHW in press).
- Real growth (adjusted for inflation) in expenditure on health was 3.1% in 2005–06 compared to real growth in 2004–05 of 5.3% and an average annual growth of 5.1% between 1995–96 and 2005–06 (Table 1).
- Expenditure for research grew in real terms by 7.0% in 2005–06, public hospital services grew by 5.6%, community health by 5.2%, aids and appliances by 4.0%, other health practitioners by 3.7%, private hospitals by 1.3% and medical services by 0.2% (Table A8).
- Real expenditure on medications increased 1.6% in 2005–06 (Table 20) compared to an average annual increase in constant prices of 8.6% from 1995–96 to 2005–06.

Funding

- In 2005–06, the majority of spending in health was funded by governments (67.8%), with the Australian Government contributing \$37 billion (42.9%) and state, territory and local governments contributing \$22 billion (24.9%). The non-government sector (households, private health insurance and other non-government) funded the remaining \$28 billion (32.2%) (Tables 12 and 13).
- In real terms, Australian Government funding of health grew by an average of 4.9% a year from 1995–96 to 2005–06, state and territory government funding grew by 6.2% and non-government funding by 4.5% a year (Table 21).
- In 2005–06, the Australian Government's total funding grew, in real terms, by 0.7%, state, territory and local governments funding grew by 7.6% and non-government funding grew by 2.9% (Table 21).

Hospital funding

- Over the decade to 2005–06, governments increased their share of public and private hospital funding by 7.8 percentage points (Table 34). The Australian Government share increased by 3.2 percentage points from 37.4% to 40.6%. The state and territory government share increased by 4.6 percentage points from 35.9% to 40.5%. The non-government funding of public and private hospitals decreased from 26.7% in 1995–96 to 18.9% in 2005–06 (Table 34). Of this 7.8 percentage points increase, 5.6 percentage points was the effect of the Australian Government private health insurance rebate scheme taking over some of the funding of private health insurance.
- Most funding for public hospitals came from governments in 2005–06 – 41% from the Australian Government and 51% from the states and territories (Table 35).

- Between 1995–96 and 2005–06, the Australian Government share of public hospital funding decreased by 4 percentage points from 45% to 41%. State and territory government funding during this period increased by 5 percentage points from 46% to 51% (Table 35).
- Between 2003–04 and 2005–06, the first three years of the second Australian Health Care Agreements (AHCAs), the Australian Government share of public hospital funding through the AHCAs declined 2.8 percentage points from 36.9% to 34.1%. State and territory government funding during this period increased 2.5 percentage points from 48.1% to 50.6% (Table 36).

Private health insurance and other non-government funding

- The non-government sector funded 32% (\$28 billion) of total health expenditure in 2005–06 (Table 24). Private health insurance funds provided 7% (\$6 billion); individual out-of-pocket payments accounted for 17% (\$15 billion); and other non-government sources (mainly compulsory motor vehicle third-party and workers' compensation insurers) accounted for the remaining 8% (\$7 billion) (Table 24).
- Over the decade to 2005–06, non-government sector funding provided by private health insurance funds decreased 4 percentage points from 11% to 7% of total health expenditure, funding by individuals increased by 2 percentage points from 15.6% to 17.4% and funding by other non-government sources increased by 1 percentage point (Table 24).
- The decrease in funding by private health insurance reflected the 30% rebate for private health insurance from the Australian Government. Private health insurance benefits that were previously funded almost entirely by private health insurance premiums were instead funded 30% by the Australian Government. In 2005–06, 4% of total health expenditure was funded by the Australian Government's 30% rebate and 7% was funded through private health insurance (Table A3).
- Medical services out-of-pocket expenditure in constant prices decreased by 4.1% (\$71 million) between 2003–04 and 2005–06, but over the decade it increased by \$562 million which was an average of 4.2% per year (Table 41). Bulk-billing rates for medical services were 71.7% in 2005–06, an increase of 0.6 percentage points since 1995–96. The peak was 72.3% in 1999–00 (Table 42).
- Real growth in expenditure by individuals between 1995–96 and 2005–06 was 6.0% per year, 1.2 percentage points above the real growth in recurrent health expenditure (4.8%) (Tables 20 and 25).

Types of health services funded by the non-government sector

- Private health insurance funding of \$6 billion in 2005–06 was mainly spent on private hospitals (49%), dental services (12%), administration (10%) and medical services (10%) (Figure 8).
- Private health insurance funds (including Australian Government premium rebates) were the source of funding for over two-thirds (69%) of private hospital expenditure in 2005–06 (Table A3).
- In 2005–06, out-of-pocket recurrent expenditure by individuals on health goods and services was an estimated \$15.4 billion: \$5 billion (34%) was spent on medications; \$4 billion (23%) on dental services, \$2 billion (13%) on aids and appliances and \$1.7 billion (11%) on medical services (Table A3 and Figure 7).

Areas of health expenditure

Hospital expenditure

- In 2005–06, hospitals accounted for over one-third (38.6% or \$31.0 billion) of recurrent health expenditure. Expenditure on public hospital services (which excludes expenditure on community and public health services, dental and ambulance services and health research undertaken by public hospitals) was \$24.3 billion and expenditure on private hospitals was \$6.7 billion (Table A3).
- Over the past three years, expenditure on hospitals accounted for the largest proportion of real growth in recurrent health expenditure (42%) – public hospital services (38%) and private hospitals (4%) (calculated from Table 20).
- The private hospital share of hospital expenditure increased from 21.7% of hospital expenditure in 1995–96 to 22.7% in 2001–02, stabilised for three years and then declined to 21.5% in 2005–06 (calculated from Table 33).

Pharmaceuticals and other medications expenditure

- Expenditure on all medications grew in real terms at an average of 8.6% per year from 1995–96 to 2005–06 (Table 20), but in 2005–06 growth was only 1.6%.
- In real terms, recurrent expenditure on pharmaceuticals for which benefits were paid grew at an average of 9.1% per year from 1995–96 to 2005–06 (Table 43). In 2005–06 the growth was 2.7%.
- In 2005–06, the total amount spent on pharmaceuticals for which benefits were paid was \$7.3 billion – 81% of this was benefits paid by the Australian Government for PBS and RPBS items; 16% was patient contributions and 3% was other pharmaceuticals (comprising mostly Section 100 drugs) (Figure 16).
- Expenditure on ‘all other medications’ in 2005–06 was \$4.2 billion – 70% of which was for over-the-counter medications (Figure 17).

What is health expenditure?

Health expenditure comprises recurrent and capital expenditure on hospitals, medical, dental, patient transport services, other health practitioner, community and public health services, medications, aids and appliances, health research and the administrative systems that support these services. Health expenditure is mostly funded by the Australian Government and state and territory governments with some funding also by private health insurance, households, local government, non-government and other private sector organisations.

In previous editions of *Health expenditure Australia* the high-level care component of residential aged care was included with health, but this has been reclassified to welfare services which now includes all aspects of residential aged care.

1 Background

This publication reports on health expenditure in Australia, by area of expenditure and source of funds for the period 1995–96 to 2005–06. Expenditure is analysed in terms of who provides the funding for health care and what types of services attract that funding.

Box 1: Defining health expenditure and health funding

Health expenditure

Health expenditure is reported in terms of who incurs the expenditure, rather than who ultimately provides the funding for that expenditure. In the case of public hospital care, for example, all expenditures (that is, expenditure on accommodation, medical and surgical supplies, drugs, salaries of doctors and nurses, etc.) are incurred by the states and territories, but a considerable proportion of those expenditures is funded by transfers from the Australian Government.

Health funding

Health funding is reported in terms of who provides the funds that are used to pay for health expenditure. In the case of public hospitals, for example, the Australian Government funded 41.4% in 2005–06 and the states and territories funded 50.6%, together providing over 90% of the funding; these funds are derived ultimately from taxation and other sources of government revenue. Some other funding comes through private health insurers and from individuals who choose to be treated as private patients and pay their hospital fees out-of-pocket.

The bulk of funding for health expenditure is provided by the Australian Government and the state and territory governments. Therefore, as well as consideration of the whole period from 1995–96 to 2005–06, 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:

- from 1 July 1993 to 30 June 1998
- from 1 July 1998 to 30 June 2003
- from 1 July 2003 to 30 June 2008.

Australia is compared with other member countries of the Organisation for Economic Co-operation and Development (OECD) as well as other countries in the Asia-Pacific region.

The tables and figures in this publication detail expenditure in terms of current and constant prices. Constant price expenditure adjusts for the effects of inflation using either the annually re-weighted chain price indexes produced by the Australian Bureau of Statistics (ABS) or either ABS or the Australian Institute of Health and Welfare (AIHW) implicit price deflators (IPDs). Because the reference year for both the chain price indexes and the IPDs is 2004–05, the constant price estimates indicate what expenditure would have been had 2004–05 prices applied in all years.

Box 2: Constant price and current price expenditures

Wherever expenditures in 'constant prices' are shown, 'current prices' have been adjusted to reflect the prices of the reference year, 2004–05. The aim is to remove the effects of inflation. Hence expenditures in different years can be compared on an equal dollar-for-dollar basis, as measures of changes in the volume of health goods and services. The constant price method is used because it is not possible to derive estimates of volume by directly adding, say, the number of surgical operations to the number of pharmaceutical prescriptions.

Constant price estimates for expenditure aggregates have been derived using either the annually re-weighted chain price indexes produced by the ABS or AIHW/ABS IPDs.

The term 'current prices' refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and volume.

Throughout this publication there are references to the general rate of inflation. These refer to changes in economy-wide prices, not just consumer prices. The general rate of inflation is calculated by the ABS using the IPD for gross domestic product (GDP).

Expenditure estimates for 1998–99 to 2004–05 that have been revised since the publication of *Health expenditure Australia 2004–05* (AIHW 2006a) are detailed in Section 7.5.

High-level residential aged care

The high-level care portion of residential aged care facility expenditure was included in previous editions of *Health expenditure Australia*. However, all expenditure related to these facilities has now been reclassified as welfare services expenditure (see Chapter 6 for further information). Hence, total expenditure data in this report are not comparable with previous editions of *Health expenditure Australia*. The reclassification of this residential aged care expenditure has reduced the health expenditure to GDP ratio in 2005–06 by 0.6% percentage points (i.e. the health to GDP ratio would have been 9.6% without the reclassification) (Table 64). The welfare services expenditure to GDP ratio would have increased accordingly (AIHW in press).

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

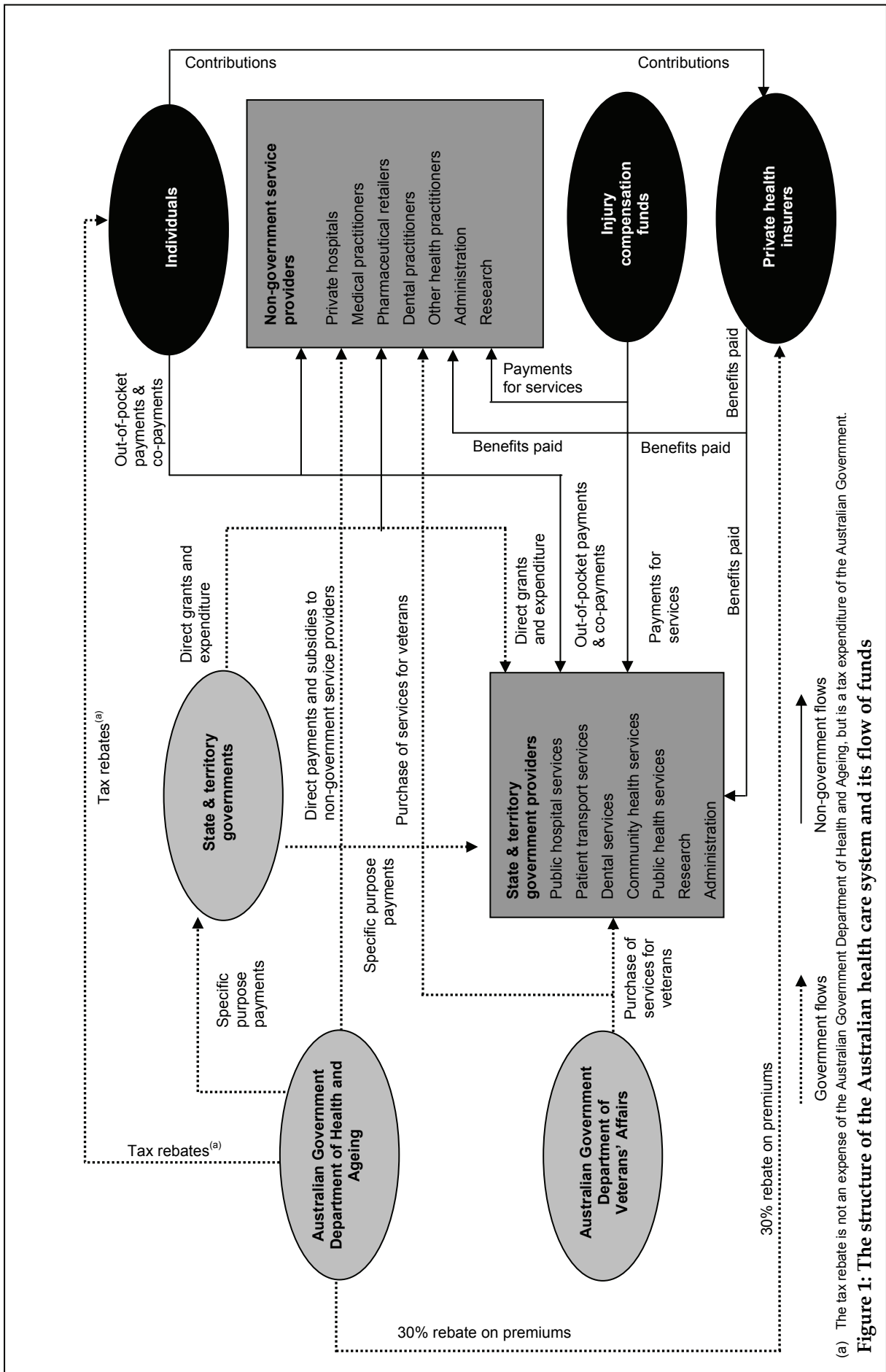
The flow of money around the Australian health care system is complex and is determined by the institutional frameworks in place, both government and non-government. Australia is a federation, governed by a national government (the Australian or Commonwealth Government) and eight state and territory governments. Both these levels of government play important roles in the provision and funding of health care. In some jurisdictions, local governments also play a role. All of these levels of government collectively are called the government sector. What remains is the non-government sector, which in the case of funding for health care comprises individuals, private health insurers and other non-government funding sources (principally workers' compensation and compulsory motor vehicle third-party insurers, but also includes funding for research from non-government sources and miscellaneous non-patient revenue received by hospitals). 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, among them private medical and dental practitioners, other health practitioners (such as physiotherapists, acupuncturists and podiatrists) and pharmaceutical retailers. Delivery of health care can occur in a diverse range of settings – hospitals, rehabilitation centres, community health centres, health clinics, ambulatory care services, the private consulting rooms of health practitioners, patients' homes or workplaces, and so on.

In summary, the following are the main features of Australia's health system (see Figure 1):

- Universal access to benefits for privately provided medical services under Medicare, which are funded by the Australian Government, with co-payments by users when the services are not bulk-billed.
- Eligibility for public hospital services, free at the point of service, funded jointly by the states and territories and the Australian Government.
- Private hospital activity largely funded by private health insurance, which in turn is subsidised by the Australian Government through the 30% rebates on members' contributions to private health insurance.
- The Australian Government, through its Pharmaceutical Benefits Scheme (PBS) and Repatriation Pharmaceutical Benefits Scheme (RPBS), subsidises a wide range of pharmaceuticals outside public hospitals, and also funds a wide range of services for eligible veterans.
- The Australian Government provides most of the funding for health research.
- State and territory health authorities are primarily responsible for the operations of the public hospital networks, mental health programs, the transport of patients, community health services, and public health services such as health promotion and illness prevention.
- Individuals primarily spend money on medications, private hospitals, medical, dental, other health practitioner services and aids and appliances.



(a) The tax rebate is not an expense of the Australian Government Department of Health and Ageing, but is a tax expenditure of the Australian Government.

Figure 1: The structure of the Australian health care system and its flow of funds

1.2 Revisions to ABS estimates

Revisions to ABS estimates of GDP and capital expenditure have affected the estimates in this publication, as in previous issues.

GDP estimates for this publication are sourced from the ABS (ABS 2007a). The current price GDP estimates in that ABS publication are slightly higher for all years, except for 2003–04 and 2004–05, compared to those published in *Health expenditure Australia 2004–05* (AIHW 2006a).

ABS estimates of capital expenditure have also been revised for most years, since *Health expenditure Australia 2004–05* (AIHW 2006a).

1.3 Changes to AIHW estimates

In this report there are a number of areas of health expenditure for which there were substantial changes in the methodology used to calculate estimates of expenditure. The results of these methodological changes are summarised below and are explained in detail in Chapters 6 and 7.

The work of the Health Expenditure Advisory Committee (HEAC) (see Chapter 7) will, over time, further enhance the quality and comparability of health expenditure data reported in the *Health expenditure Australia* publications.

High-level residential aged care

In previous editions of *Health expenditure Australia*, high-level residential aged care was classified as part of health expenditure. In this report and for all subsequent reports this expenditure has been reclassified as welfare expenditure and is reported in the AIHW's *Welfare expenditure Australia* report series. The reclassification of high-level residential aged care from health to welfare services expenditure has reduced the health to GDP ratio and the estimates of Australian Government expenditure on health. The health to GDP ratio is 9.0% in 2005–06 and would have been 9.6% if high-level residential aged care expenditure was still reported under health expenditure. See Chapter 6 for further details.

Public hospitals and public hospital services

There is a break in series due to differences in definitions of public hospital and public hospital services between 2002–03 and 2003–04. Prior to 2003–04, the AIHW Public Hospitals Establishments collection data were used to derive *public hospital* expenditure estimates for each state and territory. This expenditure reflects the level of expenditure on goods and services provided in hospitals. In contrast, *public hospital services* estimates, provided directly from the state and territory health authorities, are used for 2003–04 onwards and reflect the level of expenditure on goods and services provided in hospitals but *exclude* where possible any community health services, dental services, patient transport services, public health and health research expenditure undertaken by public hospitals. These expenditures are included under their respective categories in the health expenditure matrix. Due to this change in data source for public hospitals, there is a resulting break in time series between 2002–03 and

2003–04 for patient transport services, community health, public health and dental services as well. For example, patient transport expenditure that prior to 2003–04 was captured as part of public hospitals expenditure, would now be captured as part of patient transport services expenditure (see Box 3 in Chapter 4 for further details).

Private hospitals

The ABS Private Hospital Survey series (ABS, cat. no. 4390.0) is the source of data on total spending on private hospitals in this report. In previous editions of *Health expenditure Australia* the total amount reported for private hospitals by the Institute and the ABS differed slightly due to methodological differences.

Individual out-of-pocket expenditure for dental services, other health practitioner services, aids and appliances, all other medications and patient transport services

A change in the methods used to estimate individual out-of-pocket expenditure for dental services, other health practitioner services and aids and appliances for 2002–03 onwards has resulted in substantial revisions to these numbers in this report. The previous methods had relied on high level ABS data which proved to be unreliable and was subject to substantial revision over time. The new methods mostly rely on detailed private health insurance data. As a result of this change in methods there were large upward revisions to individual expenditure on ‘other health practitioner services’ for 2002–03, 2003–04 and 2004–05 of \$486 million (65.4%), \$347 million (34.4%) and \$362 million (31.6%) respectively. In contrast, this change in methodology has generally resulted in large downward revisions to individual out-of-pocket expenditure on aids and appliances. In 2003–04 this decrease was \$533 million (22.9%) while for 2004–05 it was \$1.1 billion (35.4%). This change in methodology did not have a substantial impact on individual out-of-pocket expenditure for dental services.

Revisions to individual out-of-pocket expenditure on ‘all other medications’ for 2001–02 onwards meant there was a decrease of \$562 million (15.2%) for individual out-of-pocket spending on ‘all other medications’ for 2002–03, an increase of \$24 million (0.7%) for 2003–04 and an increase of \$309 million (8.7%) for 2004–05.

In addition, for 1997–98 onwards, there was a change in the method used to calculate individual out-of-pocket expenditure on patient transport services by relying on data from the Productivity Commission’s Report on Government Services (ROGS). This change in method has resulted in downward revisions to individual out-of-pocket expenditure on patient transport services of \$171 million (43.4%) in 2002–03, \$212 million (54.2%) in 2003–04 and \$258 million (57.7%) in 2004–05.

The overall impact on individual out-of-pocket expenditure due to the changes in methodology for dental services, other health practitioner services, aids and appliances, all other medications and patient transport services was a decrease of \$1.4 billion (10.5%) in 2002–03, a decrease of \$1.9 billion (12.7%) in 2003–04 and a decrease of \$2.5 billion (15.3%) in 2004–05, compared to what was published in *Health expenditure Australia 2004–05* (AIHW 2006a).

State and territory funding of health expenditure

The Institute received revised data from the Northern Territory health authority that has resulted in a downward revision to Northern Territory funding of recurrent health expenditure of \$18 million for 2002–03, an upward revision of \$112 million for 2003–04 and an upward revision of \$37 million for 2004–05.

Domiciliary care services expenditure is classified as welfare services expenditure not health expenditure. This has been the case for over 10 years. However some States had been reporting domiciliary care services expenditure as part of community health services expenditure. This misreporting has been corrected by moving this expenditure to welfare services where it can be identified, from 2003–04 onwards. This has resulted in quite large downward revisions for community health services of \$494 million and \$584 million for 2003–04 and 2004–05 respectively.

Premium rebates claimed through the taxation system

In *Health expenditure Australia 2004–05*, premium rebates claimed through the taxation system for 2004–05 were reported to be \$314 million based on advice from the Australian Tax Office. This preliminary estimate has been revised by the Australian Tax Office down to \$155 million.

2 Total health expenditure

Total expenditure on health goods and services in Australia in 2005–06 was estimated at \$86.9 billion (Table 1). Of this, 92.5% was for recurrent expenditure and 7.5% was for capital expenditure and capital consumption. Total health expenditure increased by 7.1% over the previous year (\$5.8 billion). This was 1.2 percentage points lower than the average for the decade 1995–96 to 2005–06 of 8.3%. The areas showing the highest growth in 2005–06 (Table 17) were:

- public hospital services – up 10.1% (\$2,228 million)
- other health practitioners (such as physiotherapists, chiropractors and podiatrists, see Table 65 for full list) – up 8.7% (\$243 million)
- medical services up 5.8% (\$853 million)
- private hospitals up 5.6% (\$356 million).

In contrast, medications showed a growth of just 3.0% (\$335 million) in 2005–06.

After allowing for inflation, real growth between 2004–05 and 2005–06 was estimated at 3.1%. This was 2 percentage points below the average for the decade 1995–96 to 2005–06 of 5.1%. The real growth between 2004–05 and 2005–06 was the lowest recorded over the decade (Table 1).

Expenditure for research grew in real terms by 7.0% in 2005–06, followed by public hospital services at 5.6%, community health by 5.2%, aids and appliances by 4.0%, other health practitioners by 3.7%, private hospitals by 1.3% and medical services by 0.2% (Table A8).

Real expenditure on medications increased 1.6% in 2005–06 (Table A8) compared to an average annual increase in constant prices of 8.6% from 1995–96 to 2005–06.

Table 1: Total health expenditure, current and constant prices^(a), and annual growth rates, 1995–96 to 2005–06

Year	Amount (\$ million)		Growth rate over previous year (%)	
	Current	Constant	Current	Constant
1995–96	39,047	50,948	..	..
1996–97	42,116	54,015	7.9	6.0
1997–98	44,802	56,266	6.4	4.2
1998–99	48,502	59,393	8.3	5.6
1999–00	52,442	62,786	8.1	5.7
2000–01	58,287	68,090	11.1	8.4
2001–02	63,448	70,802	8.9	4.0
2002–03	68,932	74,334	8.6	5.0
2003–04 ^(b)	73,945	77,036	7.3	3.6
2004–05	81,125	81,125	9.7	5.3
2005–06	86,879	83,601	7.1	3.1
Average annual growth rate				
1995–96 to 1997–98			7.1	5.1
1997–98 to 2002–03			9.0	5.7
1995–96 to 2005–06			8.3	5.1

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

Source: AIHW health expenditure database.

2.1 Health expenditure and the general level of economic activity

The ratio of Australia's health expenditure to GDP (health to GDP ratio) indicates the proportion of overall economic activity contributed by health expenditure. It is estimated that spending on health accounted for 9.0% of GDP in 2005–06 – down from 9.05% in the previous year and is a substantial increase from 7.5% in 1995–96 (Table 2). Despite the slight decrease over the last year the overall increase in the decade was 1.5 percentage points of GDP. The largest increase occurred in 2000–01 when the ratio grew by 0.4 percentage points. Over the decade as a whole, GDP grew at 6.4% per year but health expenditure growth was higher at 8.3% per year (Table 2).

All expenditure on high-level residential aged care is now reported as welfare services expenditure (see Section 1.5 and Chapter 6). Total health expenditure for previous years has been revised to exclude the high-level residential aged care expenditure that was previously included under health expenditure.

Table 2: Total health expenditure and GDP, current prices, and annual growth rates, 1995–96 to 2005–06

Year	Total health expenditure		GDP		Ratio of health expenditure to GDP (%)
	Amount (\$ million)	Nominal growth rate (%)	Amount (\$ million)	Nominal growth rate (%)	
1995–96	39,047	..	518,144	..	7.5
1996–97	42,116	7.9	545,698	5.3	7.7
1997–98	44,802	6.4	577,373	5.8	7.8
1998–99	48,502	8.3	607,759	5.3	8.0
1999–00	52,442	8.1	645,058	6.1	8.1
2000–01	58,287	11.1	689,262	6.9	8.5
2001–02	63,448	8.9	735,714	6.7	8.6
2002–03	68,932	8.6	781,675	6.2	8.8
2003–04	^(a) 73,945	7.3	840,285	7.5	8.8
2004–05	81,125	9.7	896,568	6.7	9.0
2005–06	86,879	7.1	966,442	7.8	9.0
Average annual growth rate					
		1995–96 to 1997–98		5.6	
		1997–98 to 2002–03		6.2	
		1995–96 to 2005–06		6.4	

(a) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

Sources: AIHW health expenditure database and ABS 2007a.

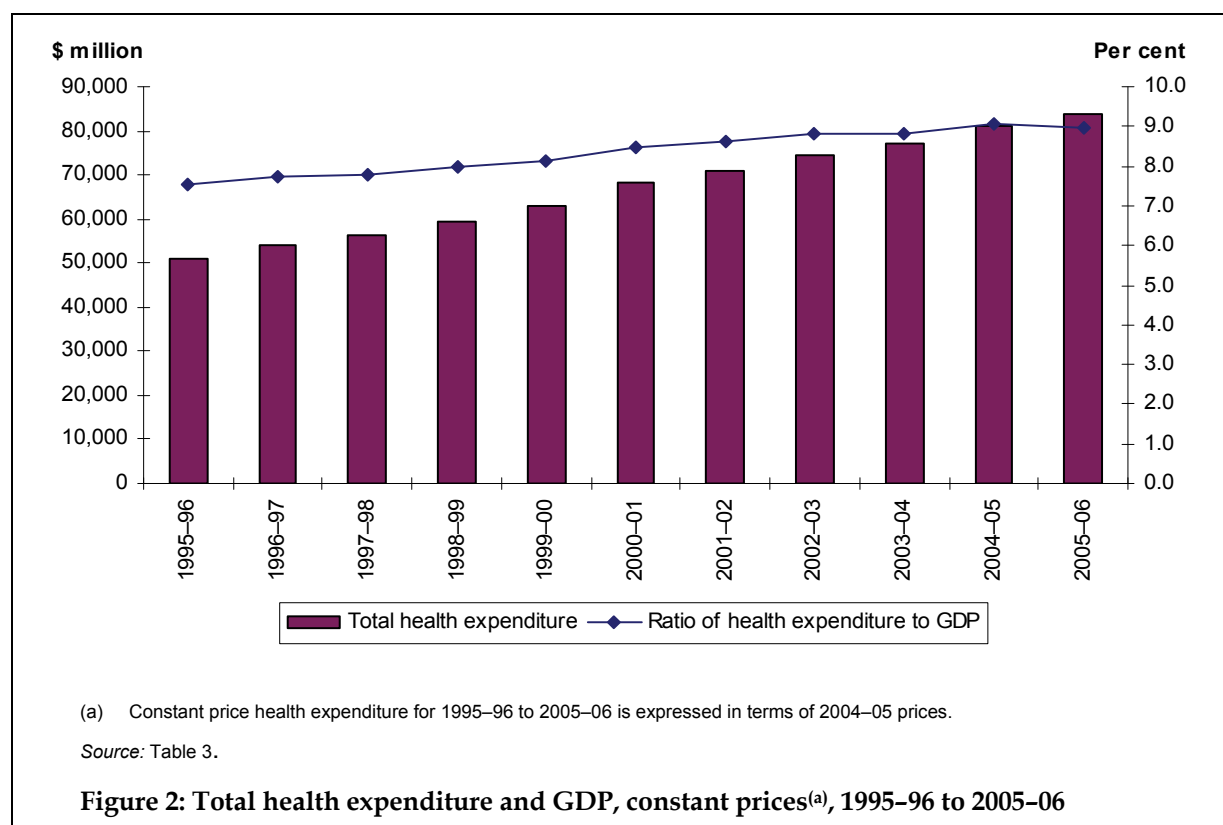
Table 3: Total health expenditure and GDP, constant prices^(a), and annual growth rates, 1995–96 to 2005–06

Year	Total health expenditure		GDP	
	Amount (\$m)	Growth rate (%)	Amount (\$m)	Growth rate (%)
1995–96	50,948	..	647,659	..
1996–97	54,015	6.0	673,099	3.9
1997–98	56,266	4.2	703,258	4.5
1998–99	59,393	5.6	739,629	5.2
1999–00	62,786	5.7	769,045	4.0
2000–01	68,090	8.4	784,017	1.9
2001–02	70,802	4.0	813,542	3.8
2002–03	74,334	5.0	839,187	3.2
2003–04	^(b) 77,036	3.6	873,197	4.1
2004–05	81,125	5.3	896,568	2.7
2005–06	83,601	3.1	922,772	2.9
Average annual growth rate				
1995–96 to 1997–98		5.1		4.2
1997–98 to 2002–03		5.7		3.6
1995–96 to 2005–06		5.1		3.6

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

Sources: AIHW health expenditure database and ABS 2007a.



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

- The level of use of health goods and services can grow at a higher rate than the growth in the use of all goods and services in the economy (a volume effect).
- Price changes in the health sector can be higher than the economy-wide price changes. This is a price effect and is called 'excess health inflation'.

These two components are shown in the last two columns of Table 4. The second last column is the differential real volume growth and shows the increase or decrease in the volume of health goods and services relative to the increase or decrease in the GDP volume. The last column is excess health inflation and shows the increase or decrease in the price of health goods and services compared to price changes in the economy as a whole.

In 2005–06, the health to GDP ratio was 9.0%, slightly down from 9.05% of GDP in 2004–05, and up from 7.5% of GDP in 1995–96. The change in the health to GDP ratio from 2004–05 to 2005–06 was –0.6% (Table 4). This comprised a 0.1% increase in the volume of health goods and services relative to the increase in GDP volume and a 0.8% decrease in the price of health goods and services above price increases in the general economy. The change in the health to GDP ratio between

2004–05 and 2005–06 was therefore due to an increase in the volume of health goods and services and a decrease in the relative cost of these goods and services.

In contrast, in 2004–05 the change in the health to GDP ratio was 2.8% (Table 4), comprising a 2.6% faster increase in the volume of health goods and services relative to the increase in GDP volume and a 0.3% increase in the price of health goods and services above price increases in the general economy.

Table 4: Components of growth in the health expenditure to GDP ratio, 1995–96 to 2005–06, per cent

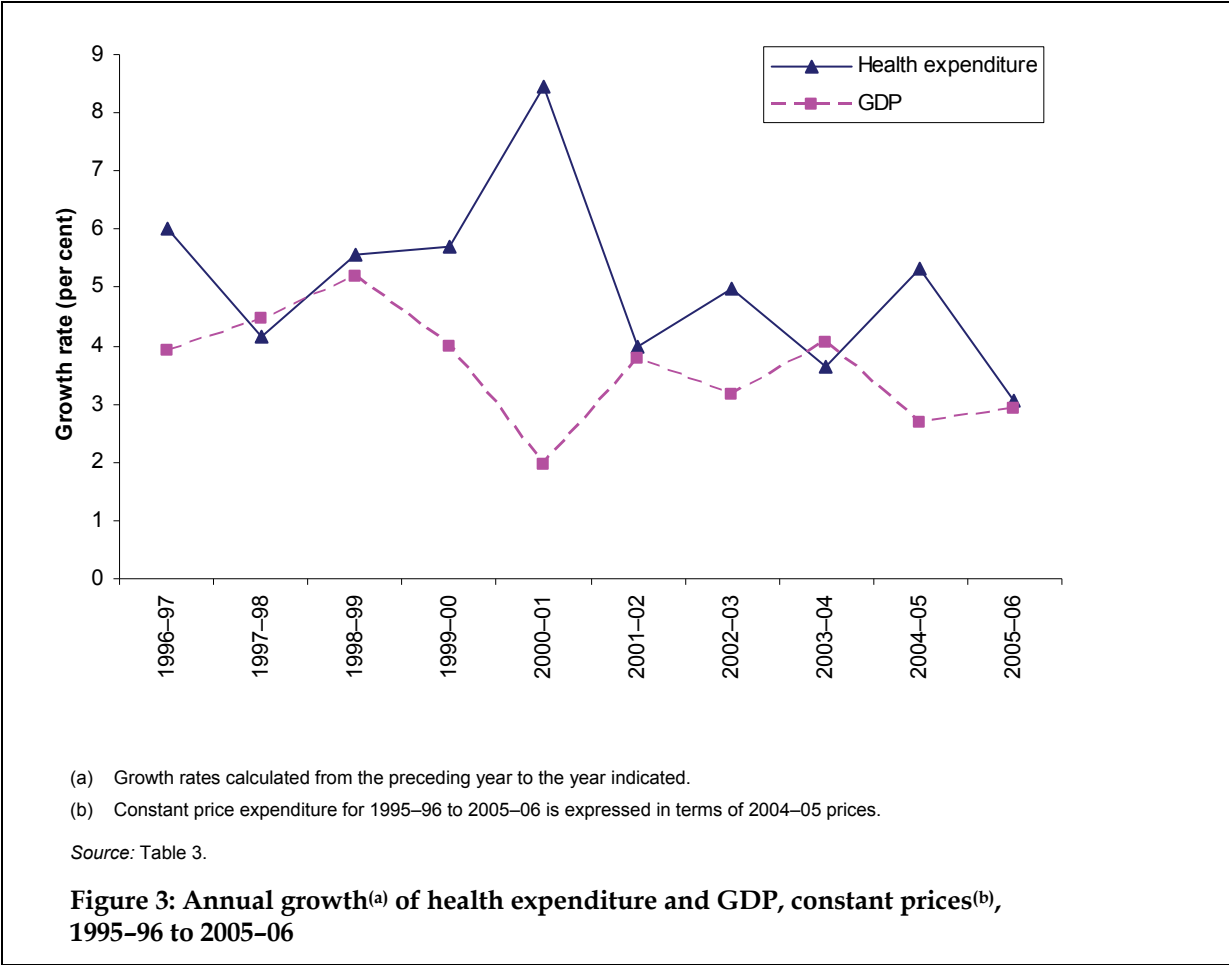
Year	Ratio of health expenditure to GDP (current prices)	Change in ratio of health expenditure to GDP	Differential real volume growth ^(a)	Excess health inflation
1995–96	7.54	..	..	..
1996–97	7.72	2.4	2.0	0.4
1997–98	7.76	0.5	–0.3	0.8
1998–99	7.98	2.8	0.4	2.5
1999–00	8.13	1.9	1.7	0.2
2000–01	8.46	4.0	6.4	–2.2
2001–02	8.62	2.0	0.2	1.8
2002–03	8.82	2.3	1.8	0.5
2003–04	8.80	–0.2	–0.4	0.2
2004–05	9.05	2.8	2.6	0.3
2005–06	8.99	–0.6	0.1	–0.8

(a) The ratio of the relative change of total health expenditure in constant prices to the relative change of GDP in constant prices, expressed in percentage terms.

Sources: AIHW health expenditure database and ABS 2007a.

In 2005-06, estimates indicate that real health and real GDP expenditure increased respectively by 3.1% and 2.9% (Table 3); a negative (0.8%) excess health inflation figure contributed to a declining nominal growth (Table 5). The health expenditure growth rate for 2005-06 (3.1%) was the lowest for the decade and compares to 8.4% in 2000-01 and 6.0% in 1996-97 (Table 1).

Both GDP and health expenditure grew in every year from 1995-96 to 2005-06 (Table 3 and Figure 3). Apart from 2003-04, real health expenditure has grown more strongly than real GDP in every year since 1998-99. The greatest difference in the annual rate of growth of real health expenditure and real GDP, 6.5% was in 2000-01 (Table 3).



Health inflation

The differences in the rate at which health prices move and the general level of inflation in the economy as a whole can have a strong influence on the health to GDP ratio. The general level of inflation is measured using the ABS implicit price deflator for GDP, and health inflation is indicated using the total health price index (Table 5). Australia’s health inflation has tended to move ahead of the general level of inflation in most years, with the notable exception of 2005-06. Between 1995-96 and 2005-06, the average rate of general inflation was 2.7% per year (Table 5).

Health inflation during that period averaged 3.1% per year, giving an excess health inflation rate of 0.4% per year. From 2004–05 to 2005–06, general inflation (the GDP implicit price deflator) was 4.7% – the highest it has been since 2000–01. The high level of the GDP deflator was mostly due to the higher prices received for Australia’s exports in this year. A better measure of the actual price increases faced by consumers (rather than the GDP deflator) is the price increase in total final consumption expenditure which was 3.0% in 2005–06 (ABS 2007a).

Table 5: Annual rates of health inflation, 1995–96 to 2005–06 (per cent)

Period	Health inflation ^(a)	General inflation ^(b)	Excess health inflation
1995–96 to 1996–97	1.7	1.3	0.4
1996–97 to 1997–98	2.1	1.3	0.8
1997–98 to 1998–99	2.6	0.1	2.5
1998–99 to 1999–00	2.3	2.1	0.2
1999–00 to 2000–01	2.5	4.8	-2.2
2000–01 to 2001–02	4.7	2.9	1.8
2001–02 to 2002–03	3.5	3.0	0.5
2002–03 to 2003–04	3.5	3.3	0.2
2003–04 to 2004–05	4.2	3.9	0.3
2004–05 to 2005–06	3.9	4.7	-0.8
Average annual rates of inflation			
1995–96 to 1997–98	1.9	1.3	0.6
1997–98 to 2002–03	2.6	2.5	0.5
1995–96 to 2005–06	3.1	2.7	0.4

(a) Based on the total health price index (see Glossary).

(b) Based on the implicit price deflator for GDP (see Appendix D).

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

Sources: AIHW health expenditure database and ABS 2007a.

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 health 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 2005–06, estimated per person health expenditure averaged \$4,226, which was \$225 more per person than the previous year (Table 6). Real growth in per person health expenditure between 1995–96 and 2005–06 averaged 3.8% per year, compared with 5.1% for total national health expenditure (Tables 1 and 6). The difference between these two growth rates is the result of growth in the overall size of the Australian population.

Table 6: Average health expenditure per person^(a), current and constant prices^(b), and annual growth rates, 1995–96 to 2005–06

Year	Amount (\$)		Growth rate over previous year (%)	
	Current	Constant	Current	Constant
1995–96	2,146	2,800	..	..
1996–97	2,286	2,932	6.5	4.7
1997–98	2,407	3,022	5.3	3.1
1998–99	2,577	3,156	7.1	4.4
1999–00	2,754	3,297	6.9	4.5
2000–01	3,023	3,531	9.8	7.1
2001–02	3,247	3,624	7.4	2.6
2002–03	3,485	3,758	7.3	3.7
2003–04 ^(c)	3,692	3,847	6.0	2.4
2004–05	4,001	4,001	8.4	4.0
2005–06	4,226	4,066	5.6	1.6
Average annual growth rate				
1995–96 to 1997–98			5.9	3.9
1997–98 to 2002–03			7.7	4.5
1995–96 to 2005–06			7.0	3.8

(a) Based on annual mean resident population (see Appendix G).

(b) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

Source: AIHW health expenditure database.

2.3 Health expenditure in states and territories

Average health expenditure per person varies from state to state because of different socioeconomic and demographic profiles, and the mix of public and private providers in each state and territory. In addition, health expenditure is influenced by the different health policy initiatives pursued by each State and territory government and the Australian Government. Consequently, while health expenditure per person is similar across most populations, there are differences between the states and territories in the way health expenditure is distributed.

Estimates of health expenditure on a state and territory basis have been done since 1996–97. The highest real growth in recurrent health expenditure, between 2003–04 and 2005–06, occurred in the Northern Territory (12.0%) where real recurrent health expenditure increased from \$886 million in 2003–04 to \$992 million in 2005–06. The lowest growth occurred in Tasmania (5.8%), where real recurrent health expenditure increased from \$1,613 million to \$1,707 million during that period (Table 8). Growth in health expenditure is the result of extra services provided per person and population growth.

Table 7: Total recurrent health expenditure^(a), current prices, for each state and territory, all sources of funds, 1996–97 to 2005–06 (\$ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	13,495	9,968	7,087	3,577	3,010	1,143	703	450	39,433
1997–98	14,243	10,509	7,496	3,977	3,183	1,113	733	506	41,759
1998–99	15,754	11,071	7,890	4,147	3,509	1,137	863	523	44,892
1999–00	16,581	12,153	8,589	4,523	3,852	1,233	1,007	590	48,528
2000–01	18,064	13,767	9,789	5,103	4,183	1,339	933	632	53,810
2001–02	19,774	15,204	10,394	5,568	4,542	1,576	1,051	683	58,792
2002–03	21,187	16,664	11,298	6,281	5,068	1,502	1,169	771	63,941
Break in series									
2003–04 ^(b)	23,293	17,129	12,258	6,825	5,503	1,548	1,274	852	68,682
2004–05	25,440	18,825	13,431	7,519	5,977	1,669	1,403	932	75,196
2005–06	26,951	19,992	14,819	7,962	6,351	1,775	1,506	1,034	80,389

(a) The recurrent expenditure estimates in this table cannot be compared with total expenditure estimates in Table 7 of *Health expenditure Australia 2004–05* (AIHW (2006a)).

(b) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

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

Source: AIHW health expenditure database.

Table 8: Total recurrent health expenditure^(a), constant prices^(b), for each state and territory, all sources of funds, and per cent change, 1996–97 to 2005–06 (\$ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996–97	17,582	13,073	9,122	4,606	3,809	1,441	930	578	51,140
1997–98	18,155	13,431	9,460	5,018	3,979	1,383	946	639	53,011
1998–99	19,562	13,782	9,724	5,100	4,284	1,374	1,087	641	55,554
1999–00	20,045	14,752	10,357	5,437	4,596	1,466	1,230	707	58,589
2000–01	21,311	16,263	11,555	6,000	4,889	1,562	1,113	741	63,432
2001–02	22,242	17,088	11,644	6,234	5,070	1,764	1,188	762	65,994
2002–03	22,987	18,063	12,203	6,787	5,470	1,622	1,265	832	69,229
Break in series									
2003–04 ^(c)	24,335	17,881	12,760	7,107	5,732	1,613	1,328	886	71,641
2004–05	25,440	18,825	13,431	7,519	5,977	1,669	1,403	932	75,196
2005–06	25,869	19,216	14,264	7,655	6,105	1,707	1,446	992	77,254
Growth rate (%)									
2003–04 to									
2005–06	6.3	7.5	11.8	7.7	6.5	5.8	8.9	12.0	7.8

(a) The recurrent expenditure estimates in this table cannot be compared with total expenditure estimates in Table 8 of *Health expenditure Australia 2004–05* (AIHW (2006a)).

(b) Constant price health expenditure for 1996–97 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

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

Source: AIHW health expenditure database.

Table 9: Average recurrent health expenditure^(a) per person^(b), current prices, for each state and territory^(c), all sources of funds, 1996–97 to 2005–06 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	NT	Australia
1996–97	2,161	2,176	2,104	2,008	2,037	2,410	2,442	2,140
1997–98	2,258	2,276	2,190	2,199	2,143	2,353	2,685	2,243
1998–99	2,471	2,374	2,271	2,257	2,349	2,409	2,731	2,385
1999–00	2,571	2,577	2,432	2,428	2,564	2,614	3,040	2,548
2000–01	2,766	2,884	2,723	2,702	2,773	2,839	3,215	2,790
2001–02	2,993	3,144	2,830	2,908	2,995	3,338	3,439	3,009
2002–03	3,185	3,404	2,999	3,240	3,320	3,162	3,865	3,232
Break in series								
2003–04 ^(d)	3,480	3,456	3,174	3,467	3,582	3,221	4,240	3,430
2004–05	3,779	3,750	3,395	3,759	3,864	3,443	4,563	3,709
2005–06	3,970	3,927	3,660	3,905	4,070	3,633	4,954	3,965
Difference from national average (per cent)								
2005–06	0.1	-1.0	-7.7	-1.5	2.7	-8.4	25.0	

(a) The recurrent expenditure estimates in this table cannot be compared with total expenditure estimates in Table 9 of *Health expenditure Australia 2004–05* (AIHW (2006a)).

(b) Based on annual mean resident population (see Appendix G).

(c) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(d) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

Source: AIHW health expenditure database.

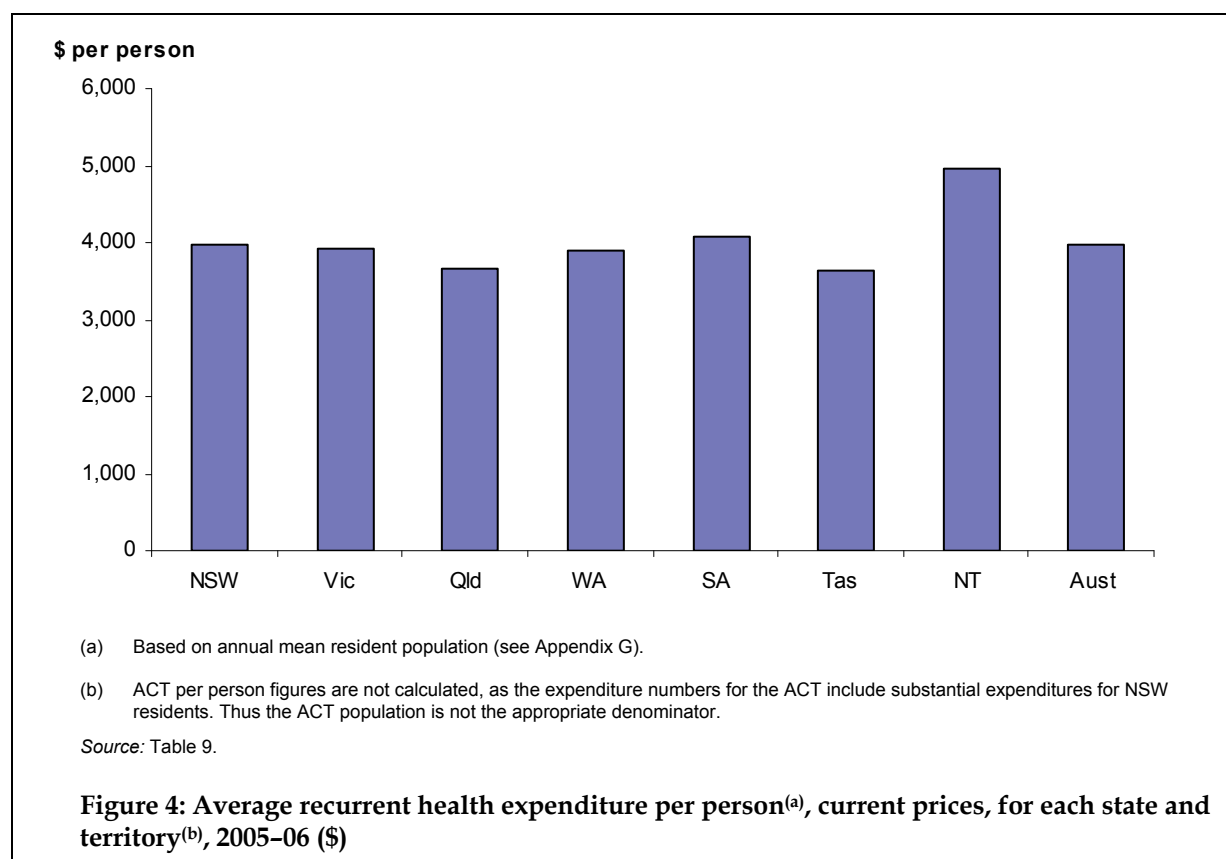


Table 10: Average recurrent health expenditure per person^(a), constant prices^(b), for each state and territory^(c), all sources of funds, 1996–97 to 2005–06 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	NT	Australia
1996–97	2,816	2,854	2,708	2,586	2,577	3,037	3,136	2,776
1997–98	2,878	2,908	2,764	2,774	2,678	2,924	3,393	2,847
1998–99	3,068	2,956	2,799	2,776	2,868	2,912	3,349	2,952
1999–00	3,108	3,128	2,933	2,918	3,060	3,108	3,639	3,077
2000–01	3,263	3,406	3,215	3,177	3,241	3,312	3,769	3,289
2001–02	3,367	3,534	3,171	3,257	3,343	3,735	3,840	3,378
2002–03	3,455	3,690	3,239	3,501	3,583	3,415	4,170	3,500
Break in series								
2003–04 ^(d)	3,636	3,608	3,303	3,611	3,731	3,356	4,409	3,577
2004–05	3,779	3,750	3,395	3,759	3,864	3,443	4,563	3,709
2005–06	3,810	3,775	3,523	3,755	3,912	3,495	4,752	3,758

(a) Based on annual mean resident population (see Appendix G).

(b) Constant price health expenditure for 1996–97 to 2005–06 is expressed in terms of 2004–05 prices.

(c) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(d) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

Source: AIHW health expenditure database.

The per person recurrent health expenditure estimates must be treated with caution as the expenditure estimates often include costs of interstate patients, whereas the population used for the calculation is the resident population of the state.

This state-based health expenditure data include estimates of expenditure that have been funded by sources other than the state and territory governments. These include funding by the Australian Government, private health insurance funds, individuals (through out-of-pocket payments) and providers of injury compensation cover. This means that these estimates of expenditure within a state are not limited to the areas of responsibility of state and territory governments.

On a per person basis, in 2005–06, the estimated national average level of recurrent expenditure on health was \$3,965 per person (current prices). In 2005–06, Tasmania (\$3,633) had the lowest average level of expenditure – 8.4% below the national average (Table 9 and Figure 4). In 1996–97, Tasmania was 12.6% above the national average (calculated from Table 9). The Northern Territory (\$4,954) had 25% higher per person expenditure than the national average in 2005–06 (Table 9). New South Wales, Victoria and Western Australia were within 2% of the national average.

Average annual real growth in recurrent health expenditure per person over the period 2003–04 to 2005–06 was highest in the Northern Territory (3.8%) and lowest in Western Australia and Tasmania (both 2.0%). The national average for that period was 2.5% (Table 11).

To the greatest extent possible, the AIHW has applied consistent methods to derive estimates for the different states and territories. But there will be differences from one jurisdiction to another in the quality of the data on which these estimates are based. This means that, while some broad comparisons can be made, caution should be exercised when comparing the results for jurisdictions.

Table 11: Annual growth in recurrent health expenditure^(a) per person^(b), constant prices^(c), all sources of funding, by state and territory^(d), 1996–97 to 2005–06 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	NT	Australia
1996–97 to 1997–98	2.2	1.9	2.1	7.3	3.9	–3.7	8.2	2.6
1997–98 to 1998–99	6.6	1.6	1.3	0.1	7.1	–0.4	–1.3	3.7
1998–99 to 1999–00	1.3	5.8	4.8	5.1	6.7	6.8	8.7	4.2
1999–00 to 2000–01	5.0	8.9	9.6	8.9	5.9	6.6	3.6	6.9
2000–01 to 2001–02	3.2	3.7	–1.4	2.5	3.2	12.8	1.9	2.7
2001–02 to 2002–03	2.6	4.4	2.2	7.5	7.2	–8.6	8.6	3.6
2002–03 to 2003–04	..	..	..	..	..	..	..	..
Break in series								
2003–04 to 2004–05	3.9	4.0	2.8	4.1	3.6	2.6	3.5	3.7
2004–05 to 2005–06	0.8	0.6	3.8	–0.1	1.2	1.5	4.1	1.3
Average annual growth rate								
1997–98 to 2002–03 ^(e)	3.7	4.9	3.2	4.8	6.0	3.2	4.2	4.2
2003–04 to 2005–06 ^(e)	2.4	2.3	3.3	2.0	2.4	2.0	3.8	2.5

(a) The recurrent expenditure estimates in this table can not be compared with total expenditure estimates in Table 10 of *Health expenditure Australia 2004–05* (AIHW (2006a)).

(b) Based on annual mean resident population (see Appendix G).

(c) Constant price health expenditure for 1996–97 to 2005–06 is expressed in terms of 2004–05 prices.

(d) ACT per person figures are not calculated, as the expenditure numbers for the ACT include substantial expenditures for NSW residents. Thus the ACT population is not the appropriate denominator.

(e) Australian Health Care Agreement periods.

Source: AIHW health expenditure database.

2.4 Sources of growth in real health expenditure

Expenditure on hospitals accounted for the largest proportion of real growth in recurrent health expenditure between 2003–04 and 2005–06 (42.0%) – public hospital services (37.8%) and private hospitals (4.2%). Expenditure on medications accounted for 16.5% of the growth and medical services accounted for 13.8% (calculated from Table 20). Most of the growth in medication expenditure occurred in 2003–04 (7.8% growth on previous year) and 2004–05 (7.1% growth), with just 1.6% growth in this area in 2005–06 (Table 20). Together, these three areas of expenditure accounted for 72% of the growth in expenditure during the last three years (calculated from Table 20). The combined expenditure of these three areas as a percentage of GDP rose in real terms from 5.9% in 2003–04 to 6.0% in 2005–06 (calculated from Tables 3 and 20).

2.5 Sources of nominal growth in health expenditure

The nominal (current price) growth in health expenditure can be analysed in terms of population growth, inflation and the real increase in expenditure per person. Real increase in expenditure per person is indicative of increases in service use per person.

Two factors contribute to nominal growth in health expenditure:

- the combined effects of general inflation and excess health inflation
- changes in the quantities of services used, reflecting either population growth (less significant in Australia's case) or more intensive per capita use of services.

Underlying these two factors are the effects of changes in the population's age structure, changes in the composition and relative prices of health goods and services, changes in technology and medical practice and general economic and social conditions.

Nominal health expenditure grew from \$39.0 billion in 1995-96 to \$86.9 billion in 2005-06 (Table 1). Of the \$47.8 billion increase, 40.2% (\$19.2 billion) was due to inflation, 15.3% (\$7.3 billion) was from population growth and 44.5% (\$21.3 billion) was due to an increase in real expenditure per person. The interactions between the three growth elements have been allocated in proportion to the size of each growth element.

3 Funding of health expenditure in Australia

3.1 Broad trends

This section makes broad comparisons between government and non-government funding (as described in Section 1.2). Sections 3.2 and 3.3 discuss in more detail the funding arrangements within the government and non-government sectors. Chapter 4 provides an analysis of funding of specific classes of health goods and services (including capital).

In 2005–06, government funding of health expenditure was \$58.9 billion (67.8%), with the Australian Government contributing \$37 billion (42.9%) and state, territory and local governments contributing \$22 billion (24.9%). The non-government sector (households, private health insurance and other non-government) funded the remaining \$28 billion (32.2%) (Tables 12 and 13). In current prices, from 2004–05 to 2005–06, Australian Government funding of health expenditure increased by 4.7% (\$1,675 million), state, territory and local governments funding increased by 11.9% (\$2,309 million) and non-government funding increased by 6.8% (\$1,771 million).

After allowing for inflation, real growth in Australian Government funding of health grew by an average of 4.9% a year from 1995–96 to 2005–06, state and territory government funding grew by 6.2% and non-government funding grew by 4.5% a year (Table 21).

In 2005–06, the Australian Government's total funding grew, in real terms, by 0.7%, state, territory and local governments funding grew by 7.6% and non-government funding grew by 2.9% (Table 21).

From 1995–96 to 2005–06, the relative shares of funding of total health expenditure remained fairly stable for both the government and non-government sectors (Table 13 and Figure 5). Around two-thirds of funding was provided by governments and one-third by non-government.

Table 12: Total health expenditure, current prices, by broad source of funds, 1995–96 to 2005–06 (\$ million)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1995–96	16,847	9,037	25,884	13,162	39,047
1996–97	17,354	10,357	27,711	14,405	42,116
1997–98	18,852	11,332	30,184	14,618	44,802
1998–99	21,015	11,519	32,534	15,968	48,502
1999–00	23,183	12,969	36,152	16,290	52,442
2000–01	25,849	13,567	39,417	18,871	58,287
2001–02	27,700	14,564	42,264	21,184	63,448
2002–03	29,960	16,512	46,472	22,460	68,932
2003–04 ^(b)	31,998	17,761	49,759	24,186	73,945
2004–05	35,554	19,337	54,891	26,233	81,125
2005–06	37,229	21,646	58,875	28,004	86,879

(a) Funding of expenditure has been adjusted for non-specific tax expenditures.

(b) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

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

Source: AIHW health expenditure database.

The relative shares of health expenditure funding by the different levels of government varied over the decade. The Australian Government contribution varied from a low of 41.2% in 1996–97 to a high of 44.3% in 2000–01 and ended at 42.9% in 2005–06 (Table 13). Over the same period, the contribution from state, territory and local governments fluctuated between 23.1% in 1995–96 and a high of 25.3% in 1997–98.

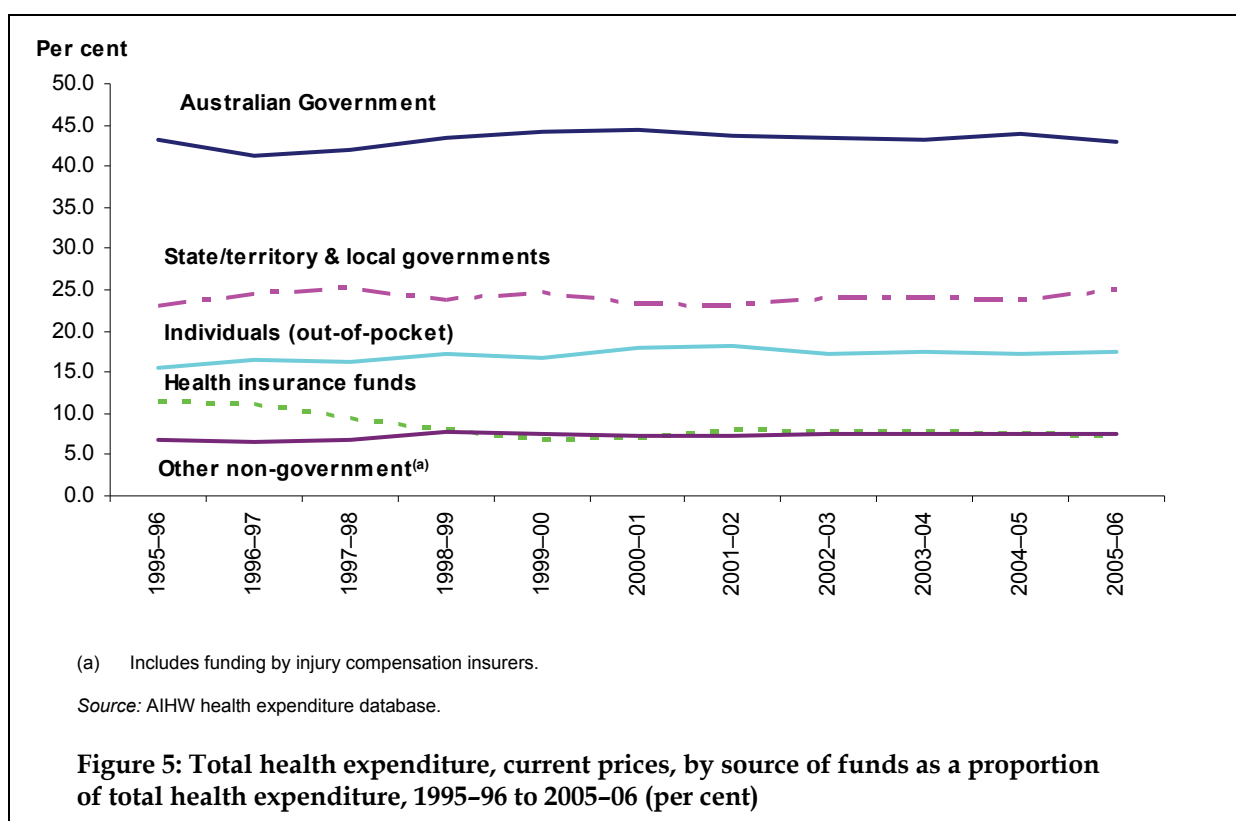
Table 13: Total health expenditure, current prices, by broad source of funds as a proportion of total health expenditure, 1995–96 to 2005–06 (per cent)

Year	Government			Non-government			Total	Total
	Australian Government ^(a)	State/territory and local	Total	Health insurance funds	Individuals ^(a)	Other non-government		
1995–96	43.1	23.1	66.3	11.3	15.6	6.8	33.7	100.0
1996–97	41.2	24.6	65.8	11.2	16.4	6.6	34.2	100.0
1997–98	42.1	25.3	67.4	9.5	16.3	6.8	32.6	100.0
1998–99	43.3	23.8	67.1	7.9	17.2	7.8	32.9	100.0
1999–00	44.2	24.7	68.9	6.9	16.7	7.5	31.1	100.0
2000–01	44.3	23.3	67.6	7.1	18.0	7.3	32.4	100.0
2001–02	43.7	23.0	66.6	8.0	18.1	7.3	33.4	100.0
2002–03	43.5	24.0	67.4	7.9	17.3	7.4	32.6	100.0
2003–04	43.3	24.0	67.3	7.8	17.4	7.5	32.7	100.0
2004–05	43.8	23.8	67.7	7.4	17.3	7.6	32.3	100.0
2005–06	42.9	24.9	67.8	7.2	17.4	7.6	32.2	100.0

(a) Funding of expenditure has been adjusted for non-specific tax expenditures.

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

Source: AIHW health expenditure database.



Health funding can also be expressed as a proportion of GDP. Over the decade from 1995-96 to 2005-06, the Australian Government increased its share from 3.3% to 3.9% of GDP. For state, territory and local governments, the proportion increased from 1.7% to 2.2%. Non-government sources increased their share of GDP from 2.5% to 2.9% (Table 14).

Table 14: Total health expenditure, current prices, by broad source of funds as a proportion of GDP, 1995-96 to 2005-06 (per cent)

Year	Government			Non-government ^(a)	Total
	Australian Government ^(a)	State/territory and local	Total		
1995-96	3.3	1.7	5.0	2.5	7.5
1996-97	3.2	1.9	5.1	2.6	7.7
1997-98	3.3	2.0	5.2	2.5	7.8
1998-99	3.5	1.9	5.4	2.6	8.0
1999-00	3.6	2.0	5.6	2.5	8.1
2000-01	3.8	2.0	5.7	2.7	8.5
2001-02	3.8	2.0	5.7	2.9	8.6
2002-03	3.8	2.1	5.9	2.9	8.8
2003-04	3.8	2.1	5.9	2.9	8.8
2004-05	4.0	2.2	6.1	2.9	9.0
2005-06	3.9	2.2	6.1	2.9	9.0

(a) Funding of expenditure has been adjusted for non-specific tax expenditures.

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

Sources: AIHW health expenditure database and ABS 2007a.

Total recurrent funding

In real terms, recurrent funding of health grew by an average of 4.8% a year from 1995–96 (\$48.4 billion) to 2005–06 (\$77.3 billion) (Table 20). The government sector's recurrent funding grew by 5.2% per year (from \$31.8 billion in 1995–06 to \$53.0 billion in 2005–06), while non-government recurrent funding grew by 3.9% (\$16.6 billion to \$24.3 billion) (Tables 18 and 19). These growth rates are similar to those for government (5.4%) (\$33.5 billion to \$56.6 billion) and non-government funding (4.5%) (\$17.4 billion to \$27.0 billion) of total health expenditure (Table 21).

Medications experienced the highest real growth in total recurrent funding between 1995–96 and 2005–06 (averaging 8.6% per year) (\$5.0 billion to \$11.4 billion). Private hospitals experienced a growth of 4.5% (\$4.1 billion to \$6.4 billion) whereas medical services had a growth of 2.6% (\$11.3 billion to \$14.7 billion) (Table 20).

Government funding

Between 1995–96 and 2005–06, the areas that attracted the most rapid real growth in government funding were private hospitals (averaging 21.3% per year) (\$381 million to \$2.6 billion) and medications (9.1%) (\$2.6 billion to \$6.1 billion) (Table 18). The growth in government funding of private hospitals was mostly due to the Australian government introducing subsidies for private health insurance. The increased use of private hospitals by veterans funded by the Department of Veterans' Affairs (DVA) also contributed. During this period total government funding of recurrent health expenditure grew, in real terms, at a similar rate (averaging 5.2% per year) (\$31.8 billion to \$53.0 billion) to growth for total funding of recurrent health expenditure (4.8%) (\$48.4 billion to \$77.3 billion) (Tables 18 and 20).

In 2005–06, public hospital services and medical services received the highest amounts of government funding for recurrent expenditure (\$22.5 billion and \$12.2 billion respectively) (Table 15). In contrast, dental services and other health practitioners received \$995 million and \$711 million respectively.

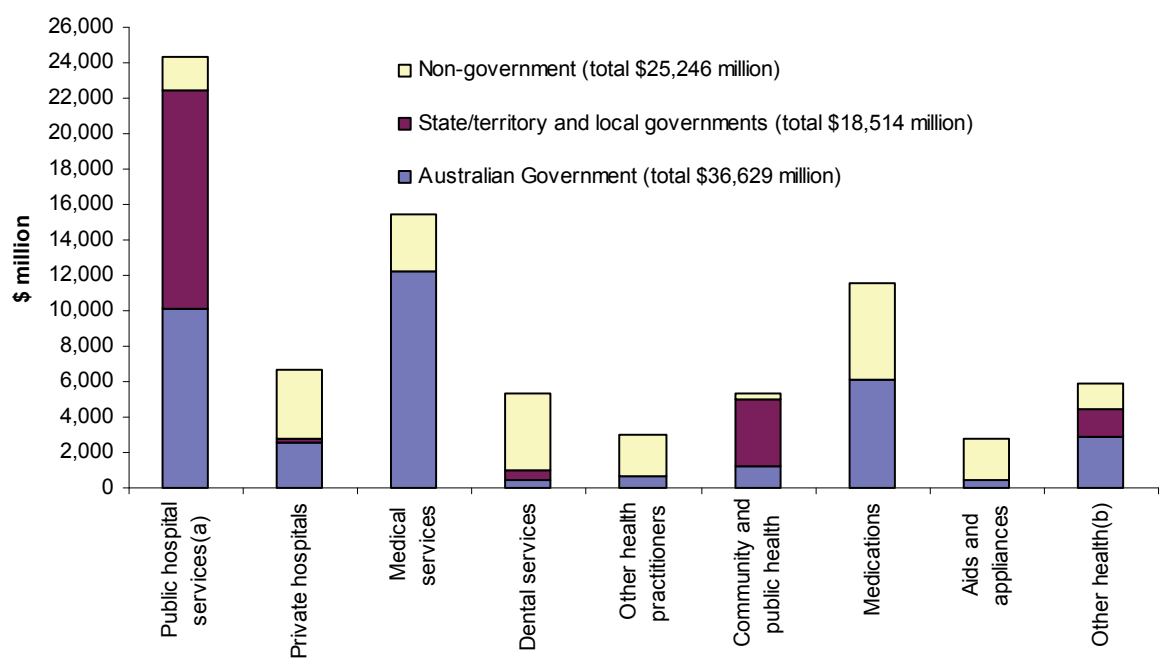
Non-government funding

The areas that attracted the fastest real growth in funding by non-government sources between 1995–96 and 2005–06 were medications, averaging 8.0% per year (\$2.4 billion to \$5.2 billion) and medical services, averaging 4.5% per year (\$2.0 billion to \$3.1 billion) (Table 19).

Non-government funding for private hospitals fluctuated over the decade with declines in some years when government funding for private hospitals increased significantly, and growth in other years – overall an average annual increase of 0.1% per year compared to an average annual increase of 4.5% per year for all funding (Tables 19 and 20).

For the decade to 2005–06, total non-government funding of recurrent health expenditure grew, in real terms, by 3.9% (\$16.6 billion to \$24.3 billion) compared with 4.8% growth (\$48.4 billion to \$77.3 billion) for total funding of recurrent health expenditure (Tables 19 and 20).

In 2005–06, medications and dental services received the highest amounts of non-government funding for recurrent expenditure (\$5.4 billion and \$4.3 billion respectively) (Table 16). Other health practitioners received \$2.3 billion.



- (a) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.
- (b) Other health comprises patient transport services, administration and research.

Source: AIHW health expenditure database.

Figure 6: Recurrent health expenditure, by area of expenditure and source of funds, current prices, 2005-06

Table 15: Government funding of recurrent health expenditure^(a), current prices, by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(b)(c)}		Private hospitals		Medical services		Dental services ^(b)		Other health practitioners ^(c)		Medications		Other health ^{(b)(e)}		Total government recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	10,477	..	295	..	6,497	..	356	..	195	..	2,515	..	3,904	..	24,239	..
1996–97	11,412	8.9	354	20.1	6,713	3.3	394	10.6	203	3.9	2,729	8.5	4,082	4.6	25,887	6.8
1997–98	12,449	9.1	630	78.0	6,977	3.9	424	7.6	227	11.7	2,802	2.7	4,498	10.2	28,007	8.2
1998–99	13,246	6.4	1,003	59.1	7,392	5.9	489	15.3	272	20.1	3,093	10.4	4,800	6.7	30,295	8.2
1999–00	13,826	4.4	1,404	39.9	7,974	7.9	640	31.0	322	18.3	3,537	14.3	5,961	24.2	33,663	11.1
2000–01	14,597	5.6	1,664	18.6	8,320	4.3	669	4.5	525	63.2	4,397	24.3	6,509	9.2	36,682	9.0
2001–02	15,755	7.9	1,783	7.1	8,958	7.7	742	10.9	563	7.1	4,728	7.5	6,938	6.6	39,466	7.6
2002–03	17,594	11.7	2,243	25.8	9,390	4.8	784	5.7	618	9.9	5,225	10.5	7,750	11.7	43,604	10.5
Break in time series																
Public hospital services ^(f)																
2003–04	19,162	..	2,357	5.1	9,965	6.1	834	..	694	9.1	5,735	9.8	8,117	..	46,843	7.4
2004–05	20,631	7.7	2,550	8.2	11,589	16.3	923	10.6	641	-4.9	6,051	5.5	9,194	13.3	51,579	10.1
2005–06	22,479	9.0	2,751	7.9	12,239	5.6	995	7.8	711	10.8	6,117	1.1	9,850	7.1	55,143	6.9
Average annual growth rate																
1995–96 to 2002–03		7.7		33.6		5.4		11.9		17.9		11.0		10.3		8.8
2003–04 to 2005–06		8.3		8.0		10.8		9.2		2.7		3.3		10.2		8.5
1995–96 to 2005–06		..		25.0		6.5		..		13.8		9.3		..		8.6

(a) Not adjusted for non-specific tax expenditures.

(b) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental and patient transport services, community and public health components of other health.

(c) Public hospital expenditure includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

(d) From 2000–01, it includes DVA funding for other health practitioners and DoHA funding of hearing services (audiology component) which was previously included in other health.

(e) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(f) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 16: Non-government funding of recurrent health expenditure^(a), current prices, by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(b)(c)}		Private hospitals		Medical services		Dental services ^(b)		Other health practitioners ^(b)		Medications		Other health ^{(b)(e)}		Total non-government recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	1,041	..	2,888	..	1,375	..	2,017	..	1,155	..	2,142	..	1,797	..	12,415	..
1996–97	1,068	2.7	3,139	8.7	1,485	8.0	2,157	6.9	1,386	20.0	2,402	12.1	1,908	6.2	13,546	9.1
1997–98	1,004	-6.1	3,028	-3.5	1,560	5.1	2,167	0.5	1,274	-8.1	2,777	15.6	1,942	1.8	13,752	1.5
1998–99	1,093	8.9	2,956	-2.4	1,653	6.0	2,191	1.1	1,291	1.3	3,004	8.2	2,409	24.0	14,597	6.1
1999–00	1,099	0.6	2,800	-5.3	1,734	4.9	2,246	2.5	1,263	-2.2	3,317	10.4	2,406	-0.1	14,865	1.8
2000–01	1,249	13.6	2,857	2.0	1,884	8.6	2,782	23.9	1,378	9.1	3,741	12.8	3,237	34.5	17,127	15.2
2001–02	1,408	12.8	3,246	13.6	2,243	19.0	3,272	17.6	1,627	18.1	4,321	15.5	3,208	-0.9	19,326	12.8
2002–03	1,367	-3.0	3,262	0.5	2,612	16.5	3,523	7.6	1,842	13.2	4,221	-2.3	3,512	9.5	20,337	5.2
Break in time series																
	Public hospital services^(f)															
2003–04	1,275	..	3,601	10.4	2,937	12.5	3,811	..	1,974	..	4,551	7.8	3,689	..	21,839	7.4
2004–05	1,460	14.5	3,777	4.9	3,057	4.1	4,141	8.6	2,151	8.9	5,115	12.4	3,917	6.2	23,617	8.1
2005–06	1,840	26.0	3,932	4.1	3,261	6.7	4,342	4.9	2,324	8.1	5,384	5.3	4,163	6.3	25,246	6.9
Average annual growth rate																
1995–96 to 2002–03	4.0		1.8		9.6		8.3		6.9		10.2		10.0		7.3	
2003–04 to 2005–06	20.1		4.5		5.4		6.7		8.5		8.8		6.2		7.5	
1995–96 to 2005–06	..		3.1		9.0		..		..		9.7		..		7.4	

(a) Not adjusted for non-specific tax expenditures.

(b) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental and patient transport services, community, and public health components of other health.

(c) Public hospital expenditure includes expenditure on dental and patient transport services, community health services, public health and health research undertaken by the hospital.

(d) Different methods were used to estimate non-government funding of other health practitioners between 1995–96 and 2002–03 as compared to 2003–04 to 2005–06, so comparisons should be done with care.

(e) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(f) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 17: Total funding of recurrent health expenditure^(a), current prices, by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(b)(c)}		Private hospitals		Medical services		Dental services ^(b)		Other health practitioners ^{(d)(e)}		Medications		Other health ^{(b)(f)}		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	11,518	..	3,183	..	7,872	..	2,373	..	1,350	..	4,657	..	5,701	..	36,654	..
1996–97	12,480	8.4	3,493	9.7	8,198	4.1	2,551	7.5	1,589	17.7	5,131	10.2	5,990	5.1	39,433	7.6
1997–98	13,453	7.8	3,659	4.7	8,537	4.1	2,591	1.6	1,500	-5.6	5,579	8.7	6,440	7.5	41,759	5.9
1998–99	14,339	6.6	3,959	8.2	9,045	5.9	2,680	3.4	1,563	4.2	6,097	9.3	7,209	11.9	44,892	7.5
1999–00	14,925	4.1	4,204	6.2	9,708	7.3	2,886	7.7	1,585	1.4	6,854	12.4	8,367	16.1	48,528	8.1
2000–01	15,846	6.2	4,521	7.6	10,204	5.1	3,452	19.6	1,903	20.1	8,138	18.7	9,746	16.5	53,810	10.9
2001–02	17,163	8.3	5,029	11.2	11,201	9.8	4,014	16.3	2,189	15.1	9,049	11.2	10,146	4.1	58,792	9.3
2002–03	18,961	10.5	5,504	9.4	12,002	7.2	4,306	7.3	2,460	12.4	9,446	4.4	11,262	11.0	63,941	8.8
Break in time series																
Public hospital services ^(g)																
2003–04	20,437	..	5,958	8.2	12,902	7.5	4,645	..	2,649	..	10,286	8.9	11,805	..	68,682	7.4
2004–05	22,091	8.1	6,327	6.2	14,646	13.5	5,064	9.0	2,792	5.4	11,166	8.6	13,111	11.1	75,196	9.5
2005–06	24,319	10.1	6,683	5.6	15,499	5.8	5,337	5.4	3,035	8.7	11,501	3.0	14,014	6.9	80,389	6.9
Average annual growth rate																
1995–96 to 2002–03		7.4		8.1		6.2		8.9		9.0		10.6		10.2		8.3
2003–04 to 2005–06		9.1		5.9		9.6		7.2		7.0		5.7		9.0		8.2
1995–96 to 2005–06		..		7.7		7.0		..		..		9.5		..		8.2

(a) Not adjusted for non-specific tax expenditures.

(b) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental services and patient transport services, community and public health components of other health.

(c) Public hospital expenditure includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

(d) Different methods were used to estimate non-government funding of other health practitioners between 1995–96 and 2002–03 as compared to 2003–04 to 2005–06, so comparisons should be done with care.

(e) From 2000–01, it includes DVA funding for other health practitioners and DoHA funding of hearing services (audiology component) which was previously included in other health.

(f) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(g) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 18: Government funding of recurrent health expenditure^(a), constant prices^(b), by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(c)(e)}		Private hospitals		Medical services		Dental services ^(c)		Other health practitioners ^(b)		Medications		Other health ^{(c)(f)}		Total government recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	13,536	..	381	..	9,361	..	538	..	302	..	2,560	..	5,141	..	31,819	..
1996–97	14,489	7.0	449	17.8	9,510	1.6	571	6.1	298	-1.2	2,773	8.3	5,303	3.2	33,393	4.9
1997–98	15,506	7.0	785	74.8	9,714	2.1	594	4.1	311	4.4	2,842	2.5	5,765	8.7	35,518	6.4
1998–99	16,057	3.6	1,216	54.9	10,026	3.2	661	11.1	363	16.8	3,116	9.6	5,978	3.7	37,417	5.3
1999–00	16,389	2.1	1,664	36.8	10,527	5.0	822	24.4	418	14.9	3,556	14.1	7,228	20.9	40,603	8.5
2000–01	17,306	5.6	1,973	18.6	10,524	—	817	-0.6	641	53.4	4,422	24.3	7,682	6.3	43,364	6.8
2001–02	17,516	1.2	1,982	0.4	10,714	1.8	861	5.4	628	-2.0	4,747	7.4	7,840	2.1	44,288	2.1
2002–03	18,913	8.0	2,409	21.5	10,657	-0.5	870	1.1	651	3.6	5,239	10.4	8,425	7.5	47,164	6.5
Break in time series																
Public hospital services ^(g)																
2003–04	19,877	..	2,443	1.4	10,738	0.8	887	..	694	6.6	5,749	9.7	8,457	..	48,845	3.6
2004–05	20,631	3.8	2,550	4.4	11,589	7.9	923	4.0	641	-7.5	6,051	5.3	9,194	8.7	51,579	5.6
2005–06	21,559	4.5	2,639	3.5	11,590	—	956	3.6	678	5.8	6,103	0.9	9,445	2.7	52,969	2.7
Average annual growth rate																
1995–96 to 2002–03	4.9			30.1		1.9		7.1		11.6		10.8		7.3		5.8
2003–04 to 2005–06	4.1			3.9		3.9		3.8		-1.1		3.0		5.7		4.1
1995–96 to 2005–06	..			21.3		2.2		..		8.4		9.1		..		5.2

(a) Not adjusted for non-specific tax expenditures.

(b) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental services and patient transport services, community and public health components of other health.

(d) Public hospital expenditure includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

(e) From 2000–01, it includes DVA funding for other health practitioners and DoHA funding of hearing services (audiology component) which was previously included in 'other health'.

(f) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(g) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 19: Non-government funding of recurrent health expenditure^(a), constant prices^(b), by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(c)(d)}		Private hospitals		Medical services		Dental services ^(e)		Other health practitioners ^(e)		Medications		Other health ^{(e)(f)}		Total non-government recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	1,344	..	3,731	..	1,981	..	3,047	..	1,785	..	2,435	..	2,289	..	16,613	..
1996–97	1,359	1.0	3,992	7.0	2,104	6.2	3,140	3.0	2,048	14.7	2,718	11.6	2,388	4.3	17,747	6.8
1997–98	1,252	-7.9	3,775	-5.4	2,173	3.3	3,035	-3.3	1,766	-13.7	3,101	14.1	2,391	0.1	17,493	-1.4
1998–99	1,327	6.0	3,586	-5.0	2,243	3.2	2,966	-2.3	1,745	-1.2	3,353	8.1	2,917	22.0	18,136	3.7
1999–00	1,304	-1.7	3,320	-7.4	2,289	2.1	2,886	-2.7	1,651	-5.4	3,671	9.5	2,864	-1.8	17,985	-0.8
2000–01	1,482	13.6	3,387	2.0	2,383	4.1	3,385	17.3	1,685	2.0	4,024	9.6	3,722	30.0	20,068	11.6
2001–02	1,567	5.8	3,609	6.6	2,683	12.6	3,796	12.1	1,816	7.8	4,623	14.9	3,611	-3.0	21,706	8.2
2002–03	1,470	-6.2	3,506	-2.9	2,965	10.5	3,910	3.0	1,939	6.8	4,436	-4.0	3,840	6.3	22,065	1.7
Break in time series																
Public hospital services ^(g)																
2003–04	1,323	..	3,734	6.5	3,166	6.8	4,054	..	2,031	..	4,677	5.4	3,810	..	22,796	3.3
2004–05	1,460	10.4	3,777	1.1	3,057	-3.4	4,141	2.1	2,151	5.9	5,115	9.4	3,917	2.8	23,617	3.6
2005–06	1,765	20.9	3,771	-0.2	3,087	1.0	4,171	0.7	2,218	3.1	5,247	2.6	4,026	2.8	24,285	2.8
Average annual growth rate																
1995–96 to 2002–03	1.3			-0.9		5.9		3.6		1.2		9.0		7.7		4.1
2003–04 to 2005–06	15.5			0.5	-1.3		1.4		4.5		5.9		2.8		3.2	
1995–96 to 2005–06	..			0.1		4.5		..		..		8.0		..		3.9

(a) Not adjusted for non-specific tax expenditures.

(b) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental services and patient transport services, community and public health components of other health.

(d) Public hospital expenditure includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

(e) Different methods were used to estimate non-government funding of other health practitioners between 1995–96 and 2002–03 as compared to 2003–04 to 2005–06, so comparisons should be done with care.

(f) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(g) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 20: Total funding of recurrent health expenditure^(a), constant prices^(b), by area of expenditure, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^{(c)(d)}		Private hospitals		Medical services		Dental services ^(c)		Other health practitioners ^{(e)(f)}		Medications		Other health ^{(e)(g)}		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	14,881	..	4,113	..	11,342	..	3,585	..	2,087	..	4,995	..	7,431	..	48,433	..
1996–97	15,848	6.5	4,441	8.0	11,614	2.4	3,710	3.5	2,346	12.4	5,491	9.9	7,691	3.5	51,140	5.6
1997–98	16,758	5.7	4,560	2.7	11,887	2.4	3,629	-2.2	2,078	-11.4	5,943	8.2	8,156	6.0	53,011	3.7
1998–99	17,384	3.7	4,802	5.3	12,268	3.2	3,626	-0.1	2,109	1.5	6,469	8.8	8,895	9.1	55,554	4.8
1999–00	17,693	1.8	4,984	3.8	12,816	4.5	3,708	2.2	2,069	-1.9	7,227	11.7	10,092	13.5	58,589	5.5
2000–01	18,788	6.2	5,360	7.5	12,907	0.7	4,202	13.3	2,325	12.4	8,446	16.9	11,404	13.0	63,432	8.3
2001–02	19,083	1.6	5,591	4.3	13,397	3.8	4,657	10.8	2,443	5.1	9,370	10.9	11,452	0.4	65,994	4.0
2002–03	20,383	6.8	5,915	5.8	13,622	1.7	4,780	2.6	2,589	6.0	9,676	3.3	12,265	7.1	69,229	4.9
Break in time series	Public hospital services^(h)															
2003–04	21,199	..	6,177	4.4	13,904	2.1	4,942	..	2,725	..	10,426	7.8	12,267	..	71,641	3.5
2004–05	22,091	4.2	6,327	2.4	14,646	5.3	5,064	2.5	2,792	2.5	11,166	7.1	13,111	6.9	75,196	5.0
2005–06	23,323	5.6	6,410	1.3	14,677	0.2	5,127	1.3	2,896	3.7	11,350	1.6	13,471	2.7	77,254	2.7
Average annual growth rate																
1995–96 to 2002–03	4.6	4.6	4.9	4.9	4.5	4.5	4.2	4.2	3.1	3.1	9.9	9.9	7.4	7.4	5.2	5.2
2003–04 to 2005–06	4.9	4.9	4.9	4.9	1.9	1.9	2.7	1.9	3.1	3.1	4.3	4.3	4.8	4.8	3.8	3.8
1995–96 to 2005–06	..	..	..	..	4.5	4.5	2.6	..	..	..	8.6	8.6	..	..	4.8	4.8

(a) Not adjusted for non-specific tax expenditures.

(b) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Public hospitals, dental services and other health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, dental services and patient transport services, community and public health components of other health.

(d) Public hospital expenditure includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

(e) Different methods were used to estimate non-government funding of other health practitioners between 1995–96 and 2002–03 as compared to 2003–04 to 2005–06, so comparisons should be done with care.

(f) From 2000–01, it includes DVA funding for other health practitioners and DoHA funding of hearing services (audiology component) which was previously included in 'other health'.

(g) Other health comprises patient transport services, community health, public health, aids and appliances, other non-institutional health n.e.c., administration and research.

(h) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

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

Source: AIHW health expenditure database.

Table 21: Total health expenditure, constant prices^(a), and annual growth rates, by broad source of funds, 1995–96 to 2005–06

Year	Government					
	Australian Government ^(b)		State/territory and local		Non-government ^(b)	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	22,114	..	11,423	..	17,411	..
1996–97	22,388	1.2	12,950	13.4	18,677	7.3
1997–98	23,926	6.9	13,897	7.3	18,443	-1.3
1998–99	25,959	8.5	13,787	-0.8	19,647	6.5
1999–00	28,023	7.9	15,199	10.2	19,565	-0.4
2000–01	30,465	8.7	15,709	3.4	21,916	12.0
2001–02	31,069	2.0	16,095	2.5	23,638	7.9
2002–03	32,402	4.3	17,682	9.9	24,251	2.6
2003–04 ^(c)	33,400	3.1	18,425	4.2	25,210	4.0
2004–05	35,554	6.4	19,337	4.9	26,233	4.1
2005–06	35,804	0.7	20,816	7.6	26,982	2.9
Average annual growth rate						
1995–96 to 1997–98		4.0		10.3		2.9
1997–98 to 2002–03		6.3		4.9		5.6
1995–96 to 2005–06		4.9		6.2		4.5
Total						
1995–96			33,537	..	50,948	..
1996–97			35,338	5.4	54,015	6.0
1997–98			37,823	7.0	56,266	4.2
1998–99			39,746	5.1	59,393	5.6
1999–00			43,221	8.7	62,786	5.7
2000–01			46,174	6.8	68,090	8.4
2001–02			47,164	2.1	70,802	4.0
2002–03			50,083	6.2	74,334	5.0
2003–04 ^(c)			51,826	3.5	77,036	3.6
2004–05			54,891	5.9	81,125	5.3
2005–06			56,620	3.1	83,601	3.1

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) Expenditure has been adjusted for non-specific tax expenditures.

(c) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

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

Source: AIHW health expenditure database.

3.2 Government sources of funds

In 2005–06, government funding of total health expenditure was \$58.9 billion (Table A3). The Australian Government contributed \$37.2 billion (Table 22) which was 42.9% of total funding for health by all sources of funds (Table 13 and Figure 5). State, territory and local government sources provided 24.9%.

Australian Government

In 2005–06, the Australian Government provided 63.2% of total government health funding (calculated from Table 12).

The Australian Government's contribution to funding for health includes:

- payments through DVA in respect of eligible veterans and their dependants
- specific purpose payments (SPPs) to the states and territories for health purposes
- direct expenditure by the Australian Government on health programs (such as Medicare and PBS)
- rebates and subsidies under the *Private Health Insurance Act 2007* and prior Acts
- taxation expenditures.

Table 22: Funding of total health expenditure by Australian Government, current prices, by type of expenditure, 1995–96 to 2005–06 (\$ million)

Year	DVA	Grants to states	Rebates of health insurance premiums ^(a)	Direct expenditure	Non-specific tax expenditure	Total
1995–96	1,489	5,012	..	10,255	91	16,847
1996–97	1,608	4,989	..	10,644	113	17,354
1997–98	1,619	5,651	407	11,047	128	18,852
1998–99	1,904	6,201	963	11,801	145	21,015
1999–00	2,180	6,440	1,576	12,826	162	23,183
2000–01	2,371	6,996	2,031	14,278	173	25,849
2001–02	2,593	7,391	2,118	15,395	203	27,700
2002–03	2,836	8,095	2,306	16,498	225	29,960
2003–04	3,013	8,219	2,516	17,998	251	31,998
2004–05	3,162	8,840	2,827	20,435	290	35,554
2005–06	3,126	9,235	3,177	21,361	329	37,229

(a) Includes health insurance rebates claimed through the taxation system as well as rebates paid directly to health insurance funds which enable them to reduce premiums charged.

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

Source: AIHW health expenditure database.

The Department of Veterans' Affairs

DVA funding of health is through its purchase of health goods and services on behalf of eligible veterans and their dependants. In 2005–06, its funding totalled \$3,126 million (Table 23). Almost half of this (48.6%) was for hospitals (public hospital services and private hospitals).

Table 23: Department of Veterans' Affairs health expenditure, current prices, by area of expenditure, 2005–06

Area of expenditure	Amount (\$m)	Proportion (%)
Public hospital services ^(a)	684	21.9
Private hospitals	834	26.7
Patient transport services	96	3.1
Medical services	767	24.5
Dental services	86	2.7
Other health practitioners	132	4.2
Community health	2	—
Medications	468	15.0
Aids and appliances	1	—
Administration	55	1.8
Research	2	0.1
Total	3,126	100.0

(a) Public hospital services excludes dental services, community health services, patient transport, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

Source: AIHW health expenditure database.

Grants to states and territories

Most of the SPPs by the Australian Government to state and territory governments were provided under the Australian Health Care Agreements (AHCAs) between these two levels of government. The payments were primarily directed to expenditure on public hospital services in the states and territories. Another SPP that was regarded as funding of public hospitals were payments for highly specialised drugs. The 30% rebate on private health insurance was also included as funding by the Australian Government for public hospitals.

The Australian Government also provides funding to the states and territories through the Public Health Outcome Funding Agreements (PHOFAs). The PHOFAs are bilateral funding agreements between the Australian Government and each state and territory. They provide broadbanded and specific purpose funding from the Australian Government to the states and territories for a range of public health programs. The current PHOFAs cover five years, from 2004–05 to 2008–09.

Direct Australian Government expenditures

The Australian Government also funds health programs such as Medicare, the PBS, public health, research, the Aboriginal community controlled health and substance use services, and health expenditure-related capital consumption and expenditure. In 2005–06, the Australian Government funded \$21.4 billion of direct expenditure (Table 22).

Rebates of health insurance contributions (30% rebate)

There are two methods for claiming the 30% rebate on private health insurance premiums. The first involves a reduced premium being charged by the private health insurance fund (with a subsequent reimbursement to the fund by the Australian Government). The second is

where the private health insurance fund charges the full (non-rebated) premium and the person paying the full premium claims the 30% rebate directly from the Australian Government through the taxation system. This rebate was regarded as part of Australian Government expenditures from 1997–98 onwards.

During 2005–06, the total value of the 30% rebate was \$3.2 billion (Table 22). \$3.0 billion was in the form of subsidies to private health insurance funds with the balance provided in the form of rebates to individuals through the taxation system.

Non-specific tax expenditure

The only tax expenditure included here is the medical expense tax rebate. This tax concession is the tax rebate of 20 cents in the dollar that can be claimed in respect of health expenditures that exceed a prescribed threshold. In 2005–06 that threshold was \$1,500 per taxpayer. These expenditures cannot be allocated to any particular area(s) of health expenditure so are included 'below the line' in the health expenditure tables. In 2005–06, the total value of such tax expenditures was \$329 million (Tables 22 and 50).

State and territory governments and local government authorities

State and territory governments are the main providers of publicly provided health goods and services in Australia. Those goods and services are financed by a combination of SPPs from the Australian Government, funding by the states and territories out of their own fiscal resources, and funding from non-government sources (usually in the form of user fees).

In terms of the types of health goods and services funded by the states and territories and by local government authorities, spending on public hospital services dominates, accounting for 66.8% (\$12.4 billion) of recurrent funding provided by these government sources in 2005–06 (calculated from Table A3).

In real terms, funding for health by state, territory and local governments increased, by an average of 6.2% per year between 1995–96 and 2005–06. In comparison, Australian Government funding increased by 4.9% per year in this period (Table 21).

3.3 Non-government funding

Non-government funding was 32.2% (\$28 billion) of total funding in 2005–06 (Table 24). In 1997–98, non-government funding was 32.6%, a decrease of 1.6 percentage points from 1996–97. The fall after 1996–97 was largely due to Australian Government subsidies for private health insurance. The effect of that subsidy is the benefits that paid for private health goods and services used by insured people became jointly funded by the Australian Government (through the contribution rebates) and the fund contributors. Since 2001–02, the non-government share has averaged around 33.0%.

Most non-government funding for health goods and services in Australia comes from out-of-pocket payments by individuals. This includes situations where individuals meet the full cost of a service or good as well as where they share the funding of goods and services with third-party payers – for example, private health insurance funds or the Australian Government. Funding by individuals accounted for 53.9% (\$15.1 billion) of estimated non-government funding of health goods and services during 2005–06 (calculated from Table 24). This was 17.4% of total funding of health expenditure. That proportion rose by

1.8 percentage points in the decade to 2005–06. Private health insurance funds provided 7.2% of total funding of health expenditure (\$6.3 billion) in 2005–06, down from 11.3% in 1995–96. The remaining 7.6% (\$6.6 billion) came from other non-government sources (mainly compulsory motor vehicle third-party and workers' compensation insurers) (Table 24).

Over the decade to 2005–06, non-government sector funding provided by private health insurance funds decreased 4 percentage points from 11% to 7%, funding by individuals increased by 2 percentage points from 15.6% to 17.4% and funding by other non-government sources increased by 1 percentage point (Table 24).

The decrease in funding by private health insurance reflected the 30% rebate for private health insurance from the Australian Government. Private health insurance benefits that were previously funded almost entirely by private health insurance premiums were instead funded 30% by the Australian Government. In 2005–06, 4% of total health expenditure was funded by the Australian Government's 30% rebate and 7% was funded through private health insurance (calculated from Table A3).

Table 24: Non-government sector funding of total health expenditure, by source of funds, current prices, 1995–96 to 2005–06

Year	Health insurance funds ^(a)		Individuals ^(b)		Other non-government ^(c)		All non-government sources ^{(a)(b)}	
	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
1995–96	4,426	11.3	6,088	15.6	2,649	6.8	13,162	33.7
1996–97	4,700	11.2	6,910	16.4	2,795	6.6	14,405	34.2
1997–98	4,271	9.5	7,322	16.3	3,025	6.8	14,618	32.6
1998–99	3,855	7.9	8,338	17.2	3,774	7.8	15,968	32.9
1999–00	3,601	6.9	8,777	16.7	3,912	7.5	16,290	31.1
2000–01	4,123	7.1	10,511	18.0	4,237	7.3	18,871	32.4
2001–02	5,075	8.0	11,506	18.1	4,603	7.3	21,184	33.4
2002–03	5,415	7.9	11,932	17.3	5,112	7.4	22,460	32.6
2003–04 ^(d)	5,790	7.8	12,861	17.4	5,535	7.5	24,186	32.7
2004–05	6,038	7.4	14,019	17.3	6,176	7.6	26,233	32.3
2005–06	6,284	7.2	15,086	17.4	6,634	7.6	28,004	32.2

(a) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate.

(b) Adjusted for non-specific tax expenditures.

(c) All non-government sector capital expenditure is included here, as the details of funding of non-government capital expenditure is not known. If funding was known, this capital expenditure would be spread across all funding columns.

(d) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

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

Source: AIHW health expenditure database.

Individuals

Real growth in expenditure by individuals between 1995–96 and 2005–06 was 6.0% per year, 0.9 percentage points above the real growth in total health expenditure (5.1%) (Tables 1 and 25).

Table 25: Non-government sector funding of total health expenditure, by source of funds, constant prices^(a), and annual growth rates, 1995–96 to 2005–06

Year	Private health insurance funds ^(b)		Individuals ^(c)		Other non-government ^(d)		All non-government sources ^{(b)(c)}	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	5,933	..	8,115	..	3,362	..	17,411	..
1996–97	6,162	3.9	9,018	11.1	3,497	4.0	18,677	7.3
1997–98	5,473	-11.2	9,232	2.4	3,738	6.9	18,443	-1.3
1998–99	4,808	-12.1	10,302	11.6	4,537	21.4	19,647	6.5
1999–00	4,376	-9.0	10,556	2.5	4,633	2.1	19,565	-0.4
2000–01	4,918	12.4	12,155	15.1	4,842	4.5	21,916	12.0
2001–02	5,726	16.4	12,861	5.8	5,052	4.3	23,638	7.9
2002–03	5,880	2.7	12,924	0.5	5,446	7.8	24,251	2.6
2003–04 ^(e)	6,044	2.8	13,410	3.8	5,756	5.7	25,210	4.0
2004–05	6,038	-0.1	14,019	4.5	6,176	7.3	26,233	4.1
2005–06	6,022	-0.3	14,558	3.8	6,402	3.7	26,982	2.9
Average annual growth rate								
1995–96 to 1997–98		-4.0					5.4	2.9
1997–98 to 2002–03		1.4					7.8	5.6
1995–96 to 2005–06		0.1					6.7	4.5

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate.

(c) Adjusted for non-specific tax expenditures.

(d) All non-government sector capital expenditure is included here, as the details of funding of non-government capital expenditure is not known. If funding was known, this capital expenditure would be spread across all funding columns.

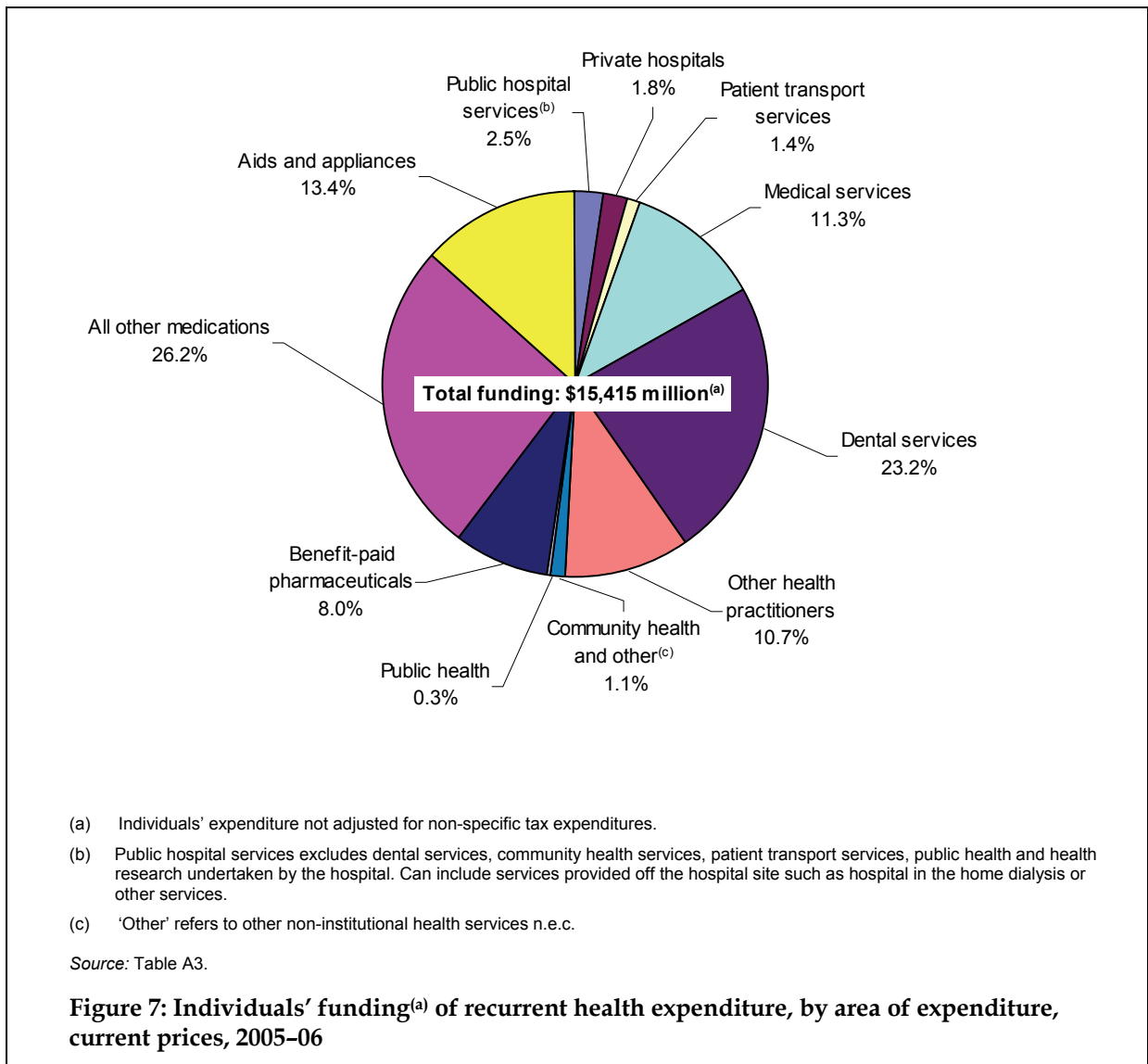
(e) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

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

Source: AIHW health expenditure database.

In 2005–06, of the estimated \$15.4 billion out-of-pocket recurrent expenditure by individuals on health goods and services (Figure 7):

- 34.2% was spent on medications
 - 8.0% on PBS and RPBS patient contributions
 - 26.2% on other medications (see Table 65 for a detailed definition)
- 23.2% on dental services
- 13.4% on aids and appliances
- 11.3% on medical services
- 10.7% on other health practitioners (such as physiotherapists, chiropractors and podiatrists, see Table 65 for full list).



In real terms, average out-of-pocket health expenditure per person grew by 4.8% per year from 1995-96 to 2005-06 (Table 26). Over this period, benefit-paid pharmaceuticals had a real growth of 8.1% per year compared to all other medications (6.5%). In contrast, average per person out-of-pocket expenditure on medical services grew at just 3.0% per year.

Table 26: Average out-of-pocket funding of recurrent health expenditure per person, constant prices^(a), and annual growth rates, by area of expenditure, 1995–96 to 2005–06

Year	Hospitals ^{(b)(c)}		Patient transport ^(b)		Medical services		Dental services ^(b)		Other health practitioners ^(d)		Community and public health ^{(b)(e)}		Benefit-paid pharmaceuticals		All other medications		Aids and appliances ^(d)		Total recurrent expenditure		
	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	Amount (\$)	Growth (%)	
1995–96	22	..	8	..	60	..	120	..	64	..	—	..	28	..	101	..	50	..	453	..	
1996–97	31	45.1	9	6.2	63	5.0	123	2.4	78	21.3	—	..	30	9.8	112	10.8	51	2.7	498	9.9	
1997–98	24	-23.2	9	8.7	68	7.6	121	-1.3	67	-14.2	—	..	32	6.7	130	16.1	53	3.2	505	1.5	
1998–99	44	80.4	9	-1.7	70	3.3	121	0.2	62	-6.7	5	..	34	3.8	140	7.5	72	36.0	557	10.3	
1999–00	41	-5.4	10	4.7	69	-1.0	121	-0.7	59	-5.5	2	-63.4	36	7.1	151	8.3	75	4.5	565	1.4	
2000–01	46	12.4	11	12.1	71	2.1	142	17.5	58	-2.0	—	..	40	12.4	162	7.1	111	47.6	641	13.5	
2001–02	42	-9.0	12	6.3	73	3.4	153	8.3	61	6.1	—	..	43	6.9	186	14.8	99	-10.9	670	4.5	
2002–03	25	-41.0	12	3.7	82	11.6	159	3.4	65	6.4	—	..	48	11.5	168	-9.7	107	8.2	666	-0.6	
Break in time series																					
2003–04	25	..	9	..	86	5.4	164	..	70	..	9	..	52	7.6	176	4.7	92	..	683	2.6	
2004–05	23	-7.9	9	0.4	80	-7.0	168	2.4	74	6.8	8	-5.8	57	9.5	190	7.9	96	4.4	706	3.4	
2005–06	31	34.7	10	4.6	80	0.5	167	-0.5	77	3.2	10	21.9	60	6.1	190	-0.1	98	2.5	723	2.5	
Average annual growth rate																					
1995–96 to 2002–03		2.0		5.7		4.5		4.1		0.2		..		8.3		7.5		11.5		5.7	
2003–04 to 2005–06		11.4		2.4		-3.4		0.9		5.0		7.2		7.8		3.8		3.4		2.9	
1995–96 to 2005–06		..		..		3.0		..		..		..		8.1		6.5		..		4.8

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices. Not adjusted for non-specific tax expenditures.

(b) Hospitals, patient transport services, dental services and community and public health are omitted from the 1995–96 to 2005–06 average annual growth rates due to differences in the definitions of public hospitals and public hospital services between 2002–03 and 2003–04 which affects public hospitals, patient transport services, dental services and community and public health.

(c) Includes public and private hospitals. Public hospital expenditure (1995–96 to 2002–03) includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Public hospital services (2003–04 to 2005–06) excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

(d) Due to changes in methods, care must be taken comparing 2002–03 to 2003–04 (see section 7.3 in the Technical notes for further information).

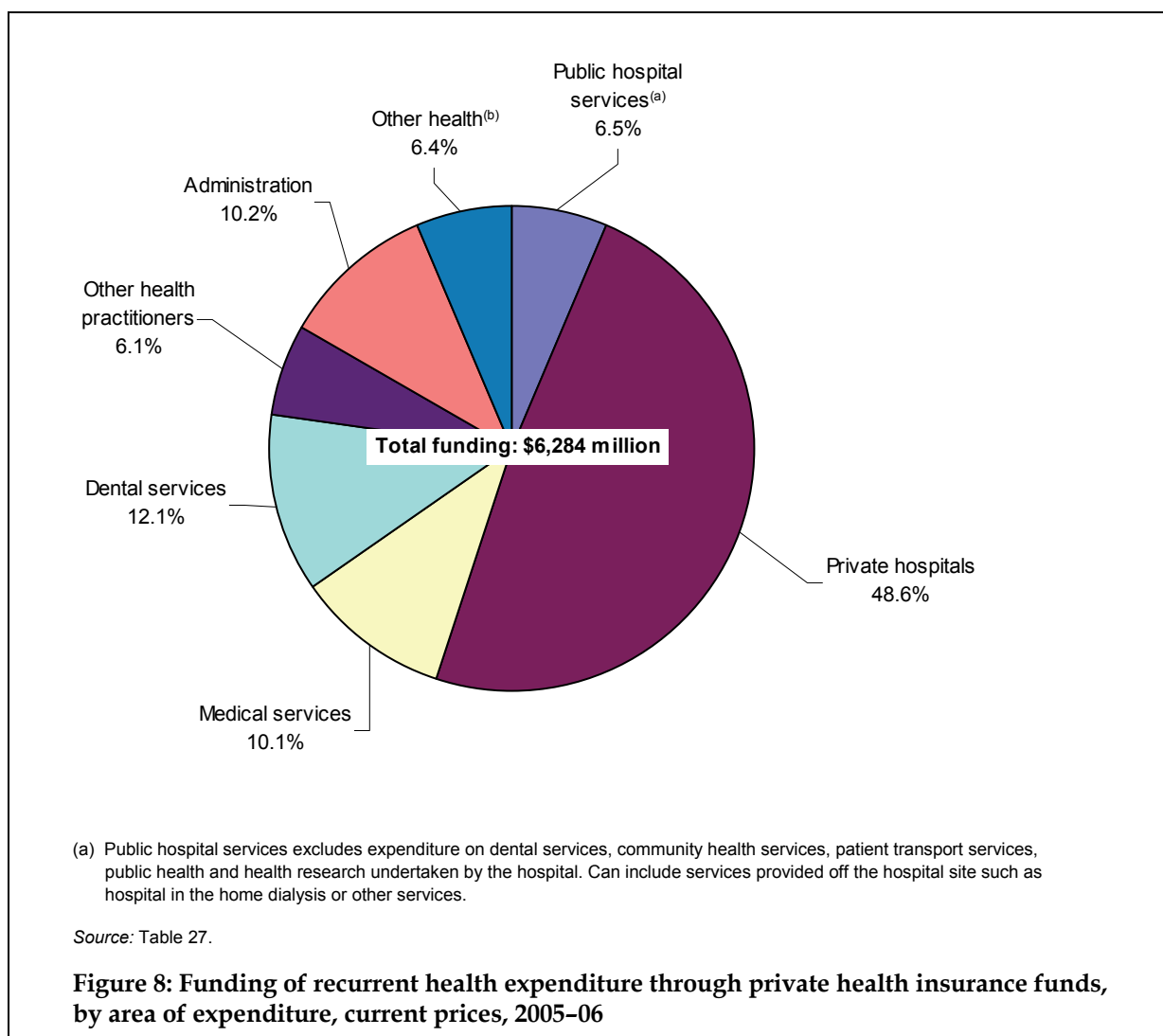
(e) For 1999–00 this also includes administration expenditure.

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

Source: AIHW health expenditure database.

Private health insurance

Funding by private health insurance is chiefly directed towards private hospitals. During 2005–06, private hospitals received 48.6% (\$3.1 billion) of the \$6.3 billion in funding provided by health insurance funds (Figure 8 and Table 27). Other major areas of expenditure that received funding were dental services (12.1% or \$760 million), administration (10.2% or \$639 million) and medical services (10.1% or \$636 million). The funding for medical services includes some of the cost of in-hospital medical services which are provided to private admitted patients in hospitals. Patient transport services and medications received the least funding from health insurance funds in 2005–06 (\$92 million and \$47 million respectively) (Table 27).



General benefits and administration

Gross health benefits paid through the health insurance funds in 2005–06 amounted to \$8,499 million – up \$526 million from \$7,973 million in 2004–05 and up \$1,044 million since 2003–04 (Table 27). A further \$962 million was used to fund administration during 2005–06; this showed a steady increase from \$852 million in 2003–04 and \$892 million in 2004–05. The

premium rebates paid by the Australian Government through the tax system or directly to private health insurance funds increased from \$2,256 million in 2003-04 to \$2,854 million in 2005-06.

The reserves of the health insurance funds overall continued to increase in 2005-06, with the operating profit before abnormals and extraordinary items rising from \$447 million in 2003-04 to \$984 million in 2005-06 (Table 28).

Table 27: Expenditure on health goods and services funded through health insurance funds, current prices, 2003–04 to 2005–06 (\$ million)

Area of expenditure	2003–04			2004–05			2005–06		
	Gross benefits paid	Premium rebates ^(a)	Net benefits paid	Gross benefits paid	Premium rebates ^(a)	Net benefits paid	Gross benefits paid	Premium rebates ^(a)	Net benefits paid
Expenditure									
Hospitals	4,572	1,384	3,186	4,919	1,569	3,351	5,213	1,750	3,462
Public hospital services ^(b)	486	147	339	565	180	385	615	207	409
Private hospitals	4,086	1,237	2,848	4,354	1,388	2,966	4,598	1,544	3,054
Patient transport ^(c)	130	39	91	138	44	94	139	47	92
Medical services	789	239	550	868	277	591	957	321	636
Dental services	1,027	311	716	1,070	341	729	1,144	384	760
Other health practitioners	499	151	348	527	168	359	578	194	384
Community and public health	1	—	1	1	—	—	1	—	—
Medications	71	21	49	75	24	49	71	24	47
Aids and appliances	367	111	256	376	120	256	397	133	264
Total health benefits and levies	7,455	2,256	5,196	7,973	2,542	5,431	8,499	2,854	5,645
Health administration	852	258	594	892	284	607	962	323	639
Direct expenditure on health goods and services	8,307	2,514	5,790	8,865	2,827	6,038	9,461	3,177	6,284
Items not included in estimates on health goods and services									
Non-health ancillaries	46	14	32	16	5	11	15	5	10
Outstanding claims adjustment	62	19	43	88	28	60	98	33	65

(a) The premium rebate is pro-rated across all categories (including change in provisions for outstanding claims). The rebate includes rebates paid through the tax system as well as rebates paid to funds which directly reduce premiums.

(b) Public hospital services excludes expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

(c) Includes the levy on private insurance funds in New South Wales to fund patient transport services.

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

Sources: PHIAC 2007; ATO 2006; DoHA 2004, 2005a, 2006.

Table 28: Health insurance funds reported expenses and revenues, current prices, 2003–04 to 2005–06 (\$ million)

Operating expenses and revenue of funds	2003–04	2004–05	2005–06
Expenses			
Total cost of benefits ^(a)	7,525	8,238	8,753
State levies (patient transport services)	105	110	113
Management expenses	852	892	962
Total expenses (not including provision adjustments)	8,482	9,240	9,828
Revenue			
Contributions income	8,637	9,384	10,261
Other revenue	296	373	446
Total revenue	8,932	9,757	10,706
Operating profit (loss) before abnormals and extraordinary items	447	626	984

(a) Includes adjustment to provisions for outstanding claims.

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

Sources: PHIACs, 2004 to 2006.

Table 29: Expenditure on health goods and services and administration funded through private health insurance funds, constant prices^(a), and annual growth rates, 1995–96 to 2005–06

Year	Gross payments through health insurance funds		Reimbursement through reduced premium fees by funds		Rebates through taxation system		Net payments from health insurance fund resources ^(b)	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	5,933	..	..	..	..	..	5,933	..
1996–97	6,162	3.9	..	..	..	..	6,162	3.9
1997–98	5,995	-2.7	319	..	203	..	5,473	-11.2
1998–99	6,010	0.3	979	206.8	223	10.1	4,808	-12.1
1999–00	6,289	4.6	1,681	71.8	232	3.9	4,376	-9.0
2000–01	7,340	16.7	2,213	31.6	209	-10.0	4,918	12.4
2001–02	8,115	10.6	2,196	-0.8	193	-7.4	5,726	16.4
2002–03	8,385	3.3	2,331	6.2	173	-10.4	5,880	2.7
2003–04	8,671	3.4	2,465	5.7	162	-6.6	6,044	2.8
2004–05	8,865	2.2	2,672	8.4	155	-4.1	6,038	-0.1
2005–06	9,066	2.3	2,888	8.1	156	0.7	6,022	-0.3
Average annual growth rate								
1995–96 to 1997–98		0.5		..		..		-4.0
1997–98 to 2002–03		6.9		48.9		-3.1		1.4
1995–96 to 2005–06		4.3		..		..		0.1

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) Is equal to the gross payments through health insurance funds less the sum of the reimbursement through reduced premiums and the rebates claimed through the taxation system.

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

Source: AIHW health expenditure database.

After the introduction of the Australian Government Private Health Insurance Incentives Scheme subsidy in 1997 there was a sharp drop in net funding by health insurance funds in each year up to 1999–00, followed by an increase after the introduction of the lifetime health cover arrangements in the September quarter of 2000. Net expenditure in real terms rose from \$5,726 million in 2001–02 to \$6,044 million in 2003–04. It then dropped to \$6,022 million in 2005–06 which the private health insurance rebates rose to a high of \$2,888 million in that year (Table 29 and Figure 9).

The government rebates for private health insurance are assumed to impact on funding of health in the year in which the rebates are paid. Thus the build-up in reserves due to the operating profit of \$984 million in 2005–06 (Table 28) is effectively paid for entirely out of health insurance fund resources and not from government rebates. This is the reason for the fall in net payments in 2005–06 from health insurance fund resources for health services of 0.3% (Table 29).

In 2005–06, it was estimated that health insurance funds spent on average \$684 per person covered on health (in 2004–05 prices). Fund contributors in South Australia on average attracted the highest amount per person covered (\$772) while people in the Northern Territory attracted the least per person covered (\$367). When comparing average annual growth rates in constant prices over the period 1996–97 to 2005–06, all states and territories recorded reductions in the amount spent through health insurance. Fund contributors in the Northern Territory had the greatest decline in their per person expenditure of 4.9% per year (Table 30).

Table 30: Average health expenditure funded by health insurance per person^(a) covered, constant prices^(b), by state and territory^(c), 1996–97 to 2005–06 (\$)

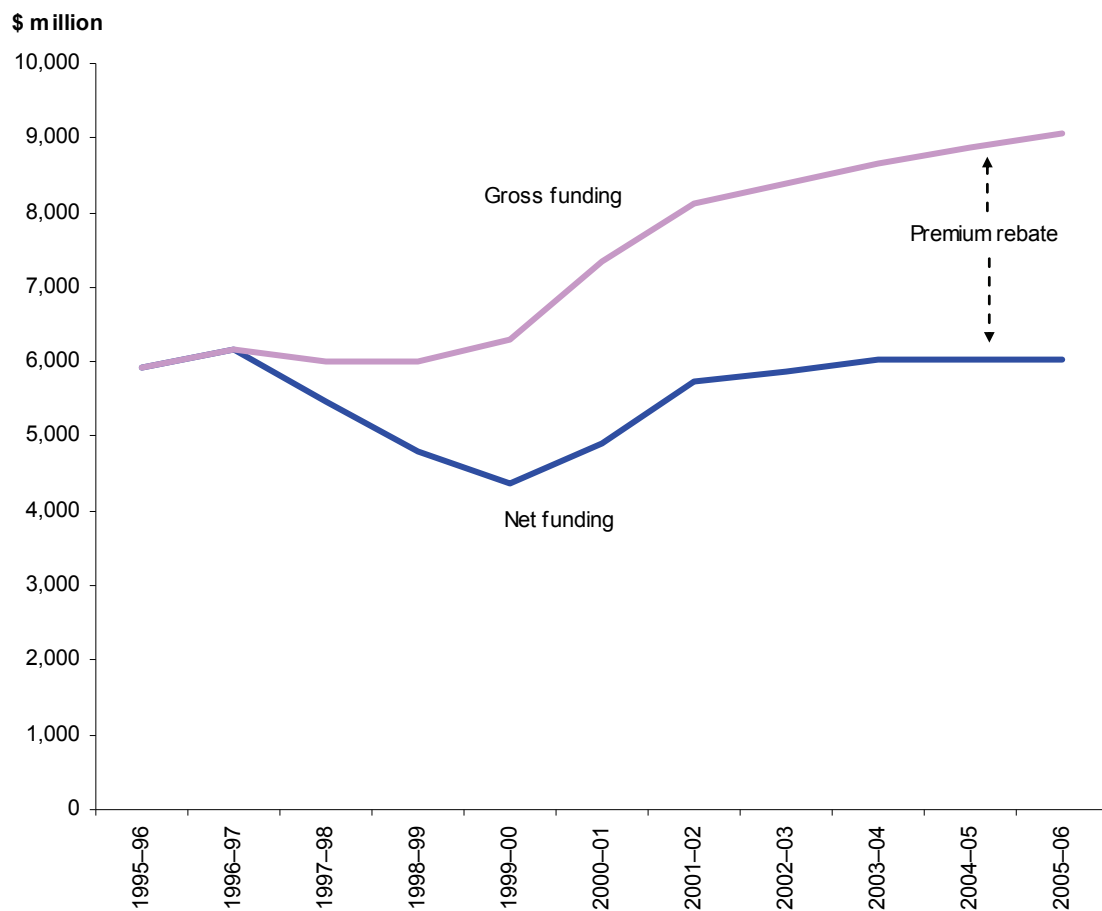
Year	NSW & ACT ^(c)	Vic	Qld	WA	SA	Tas	NT	Australia
1996–97	1,005	1,030	1,013	952	1,190	1,008	580	1,019
1997–98	921	951	936	888	1,078	903	525	936
1998–99	824	845	846	811	968	800	499	840
1999–00	635	679	672	684	775	646	399	667
2000–01	547	540	579	581	650	614	344	563
2001–02	631	628	685	676	765	707	419	655
2002–03	638	662	722	689	794	725	373	677
2003–04	666	681	751	699	795	753	392	698
2004–05	665	677	748	693	785	723	368	694
2005–06	649	684	733	664	772	729	367	684
Average annual growth rate								
1996–97 to 1997–98	-8.4	-7.7	-7.6	-6.8	-9.4	-10.4	-9.4	-8.1
1997–98 to 2002–03	-7.1	-7.0	-5.0	-5.0	-5.9	-4.3	-6.6	-6.3
1996–97 to 2005–06	-4.8	-4.5	-3.5	-3.9	-4.7	-3.5	-4.9	-4.3

(a) Based on persons registered with health insurance funds in each state and territory.

(b) Constant price health expenditure for 1996–97 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Health insurance funding for ACT and NSW residents cannot be reliably separated so are presented as combined.

Source: AIHW health expenditure database.



(a) Constant price health expenditure for 1995-96 to 2005-06 is expressed in terms of 2004-05 prices.

Note: Up to 1996-97 there was no government subsidy for health insurance premiums so gross payments through the funds equalled net payments from health insurance funds' resources.

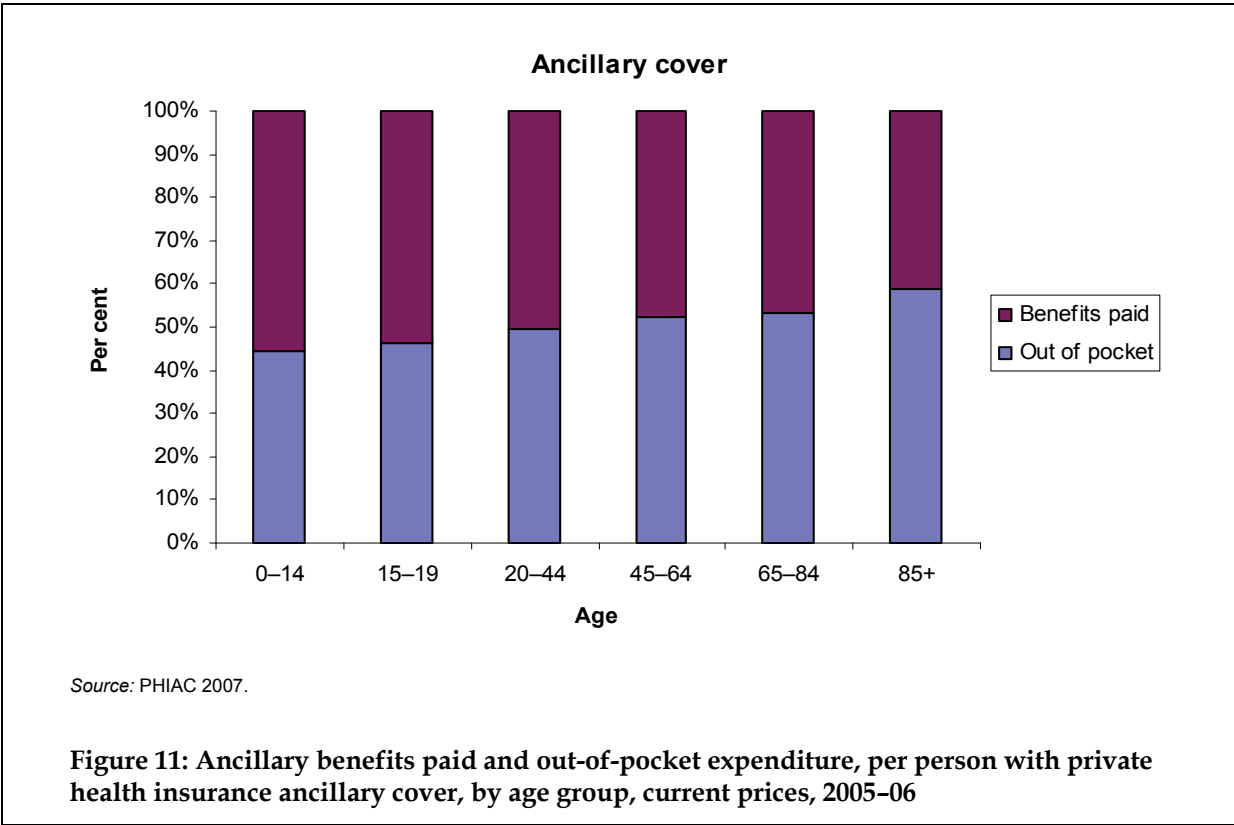
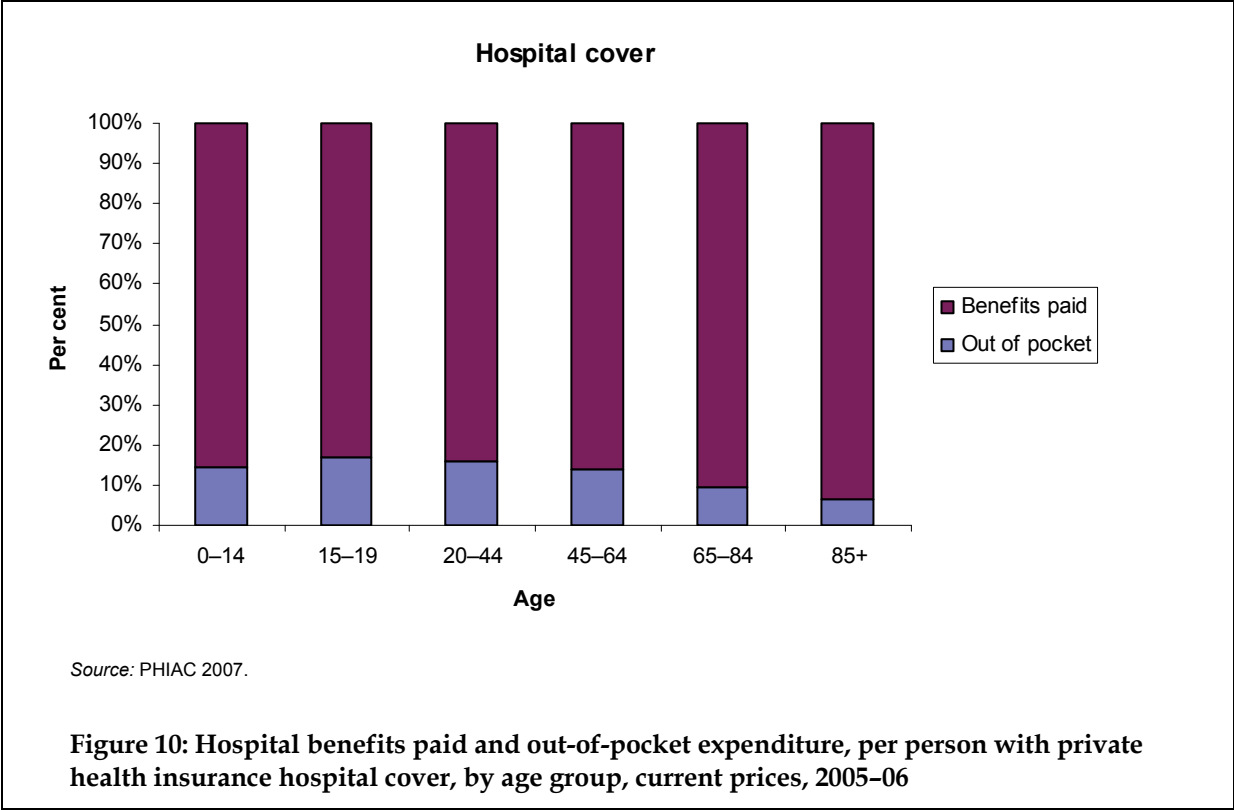
Source: Table 29.

Figure 9: Funding of recurrent health expenditure through private health insurance, constant prices^(a), 1995-96 to 2005-06

People with private health insurance cover typically incur some level of out-of-pocket expenditure. In 2005-06, the proportion of the total cost of a hospital service (whether it was a private patient service in a public hospital or a private hospital), that was paid by patients with hospital cover was highest for those in the younger age groups and lowest for those in the older age groups (Figure 10). For patients aged 0-14 years the average proportion paid per person was 14.7% and this dropped to 6.5% for those aged 85 years or more.

The proportion of the total cost of an ancillary service that was paid by patients with ancillary cover was higher than for hospital services – around half the total cost depending on the age of the patient (Figure 11). In contrast to the proportion paid for hospital services, the proportion of the cost of ancillary services increased with the age of the patient.

For patients aged 0–14 years the average proportion paid per person was 44.5% and this increased to 59.0% for patients aged 85 years or more.



In 2005–06 the total cost of a service increased as the age of the patient increased. For example, the average fee charged for a hospital service to patients with hospital cover was \$142 for a patient aged 0–14 years and \$3,691 for a patient aged 85 years or more (Table 31). At the same time, the proportion of the total cost of a hospital service that was paid by patients with hospital cover decreased as their age increased – for patients aged 0–14 years the average proportion paid per person was 14.7% and this decreased to 6.5% for patients aged 85 years or more (Figure 10). However, because of the increase in hospital service costs for older patients, the out-of-pocket costs paid by persons aged 45 years or more with hospital cover were higher than for those aged less than 45 years. For example, average out-of-pocket costs for hospital services paid by patients with hospital cover were \$21 per person for those aged 0–14 years and \$239 for persons aged 85 years or more with hospital cover (Table 31).

The average out-of-pocket costs paid for hospital services by females aged between 15 and 64 years with private health insurance were higher than those paid by males in the same age groups with similar types of insurance cover. For the older age groups (65 years or more) out-of-pocket expenditures paid by males were higher than for females. Out-of-pocket costs paid by females ranged from \$18 per person with insurance in the 0–14 years age group to \$218 for those aged 85 years or more (\$23 and \$296 per person respectively for males) (Table 31).

The greatest difference between the sexes in out-of-pocket expenditure on hospital services for patients with hospital cover was in the age category 20–44 years. Females in this category spent, on average, more than twice the rate of males (\$113 and \$50 respectively). This reflects the higher outlays on hospital services faced by women in their child-bearing years.

The average per person out-of-pocket expenditure for ancillary services paid by female patients with ancillary cover was higher than that paid by their male counterparts at all ages except the 85 years and over age group. The difference was greatest in the age category 45–64 years, with an average per person amount paid for an ancillary service by male patients of \$331 and by female patients of \$440. The average amount paid for ancillary services by females with ancillary cover ranged from \$118 per person in the 0–14 years age group to \$440 for those aged 45–64 years, after which it decreased to \$380 for those aged 85 years or more. For ancillary services for male patients with ancillary cover, out-of-pocket expenditure increased with age, ranging from \$103 per person in the 0–14 years age group to \$405 for those aged 85 years or more (Table 31).

Table 31: Fees charged, benefits paid and out-of-pocket expenditure, per person with private health insurance hospital cover and/or ancillary cover, by age group and sex, current prices, 2005–06 (\$)

	Age group					
	0–14	15–19	20–44	45–64	65–84	85+
Hospital benefits paid, fees charged and out-of pocket expenditure						
Males						
Out of pocket	23	33	50	109	273	296
Benefits paid	132	154	220	700	2,475	3,748
<i>Fees charged</i>	155	188	270	809	2,748	4,044
Females						
Out of pocket	18	36	113	115	211	218
Benefits paid	111	180	623	710	2,121	3,345
<i>Fees charged</i>	129	216	735	825	2,332	3,564
All persons						
Out of pocket	21	35	83	112	240	239
Benefits paid	122	167	434	705	2,286	3,452
<i>Fees charged</i>	142	201	517	817	2,526	3,691
Ancillary benefits paid, fees charged and out-of pocket expenditure						
Males						
Out of pocket	103	155	186	331	396	405
Benefits paid	132	182	191	309	347	286
<i>Fees charged</i>	235	337	377	641	743	691
Females						
Out of pocket	118	189	261	440	423	380
Benefits paid	142	215	263	398	376	262
<i>Fees charged</i>	260	405	524	839	799	642
All persons						
Out of pocket	110	172	226	387	410	387
Benefits paid	137	198	230	355	362	269
<i>Fees charged</i>	247	370	456	742	772	655

Source: PHIAC 2007.

Injury compensation insurers

In 2005–06, injury compensation insurers funded \$1,935 million of expenditure on health goods and services – \$1,206 million by workers’ compensation insurers and \$729 million by motor vehicle third-party insurers (AIHW health expenditure database).

Over the period 1995–96 to 2005–06, expenditure by workers’ compensation insurers rose on average by 2.3% per year while the annual increase over this decade was 4.3% for motor vehicle third-party insurers (Table 32).

Expenditure on health funded by workers’ compensation and motor vehicle third-party insurers is included in the ‘other non-government’ source of funds category in the main health expenditure tables.

Table 32: Expenditure by injury compensation insurers, constant prices^(a), and annual growth rates, 1995–96 to 2005–06

Year	Workers' compensation insurers		Motor vehicle accident third-party insurers		Total injury compensation insurers	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	911	..	459	..	1,370	..
1996–97	915	0.5	516	12.4	1,431	4.5
1997–98	906	-1.1	495	-4.1	1,401	-2.2
1998–99	977	7.9	575	16.2	1,552	10.8
1999–00	995	1.9	581	1.0	1,576	1.6
2000–01	996	0.1	535	-7.8	1,532	-2.8
2001–02	1,007	1.1	682	27.3	1,689	10.3
2002–03	1,085	7.8	690	1.2	1,776	5.1
2003–04	1,156	6.5	630	-8.8	1,786	0.6
2004–05	1,126	-2.6	706	12.1	1,832	2.6
2005–06	1,148	1.9	697	-1.2	1,845	0.7
Average annual growth rate						
1995–96 to 1997–98		-0.3			3.8	1.1
1997–98 to 2002–03		3.7			6.9	4.9
1995–96 to 2005–06		2.3			4.3	3.0

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

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

Source: AIHW health expenditure database.

4 Health expenditure and funding, by area of health expenditure

4.1 Recurrent expenditure on health goods and services

Recurrent health expenditure in Australia is considered under two broad categories of health goods and services – institutional services and non-institutional goods and services.

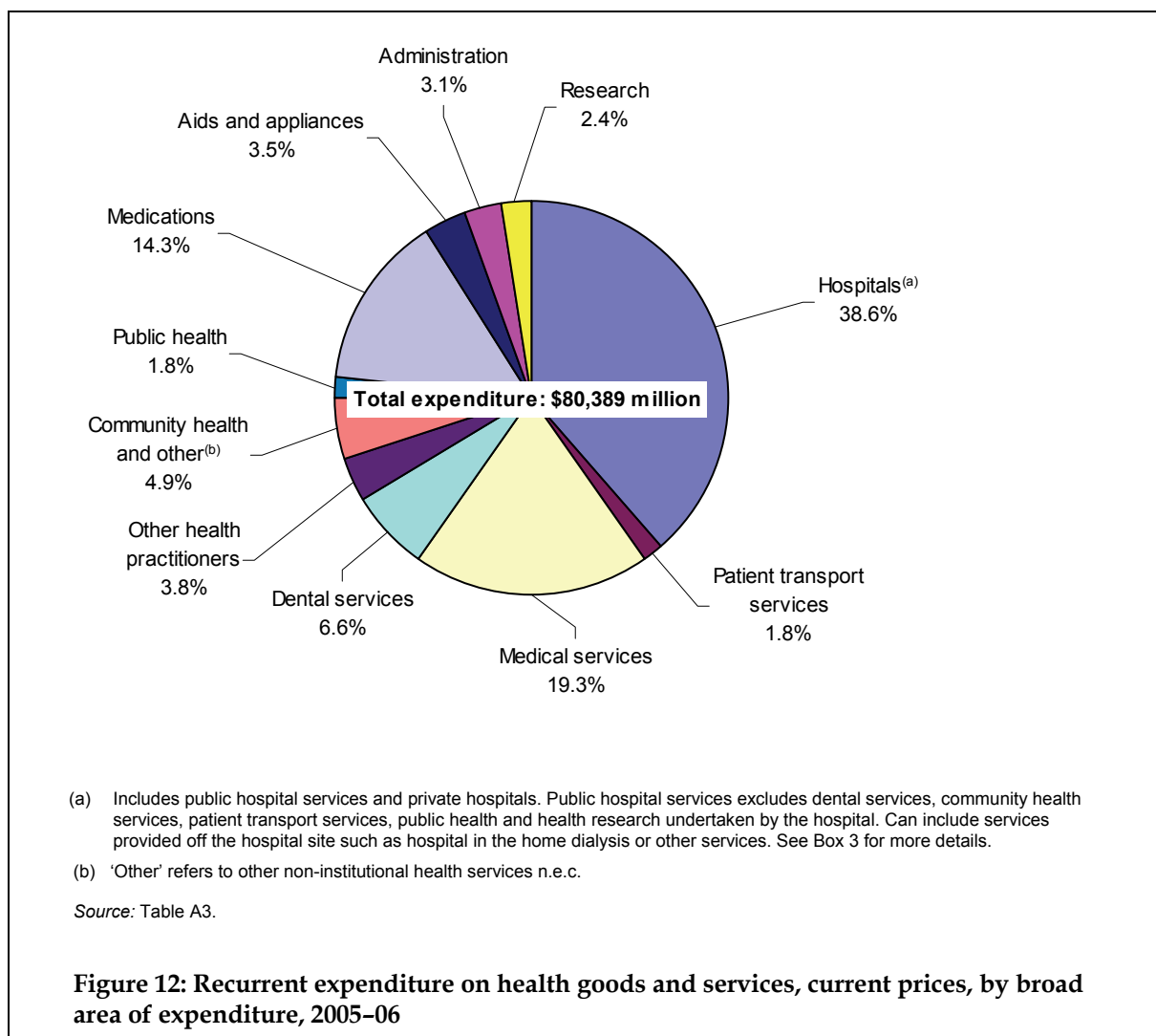
Institutional health expenditure includes:

- hospitals
- patient transport services.

Non-institutional health expenditure includes:

- ambulatory health services, such as those provided by doctors, dentists and other health practitioners
- community health services and public health services
- health goods (medications and aids and appliances) provided to patients in the community
- health-related expenditures, such as expenditure on health administration and research.

However, within these two categories of health goods and services there is substantial overlap. Hospitals are part of institutional health services and medical services are part of non-institutional health goods and services. In 2005–06, \$3,986 million was spent on salaried medical staff and visiting medical officers, but provided as part of public hospital services (AIHW 2007a). Likewise, expenditures classified as medical services include medical services provided to private patients in public and private hospitals.



Institutional health services

Hospitals

More money is spent by hospitals, as the largest providers of health services, than other health providers. In this report hospital expenditure is analysed by two categories:

- public hospitals
- private hospitals.

Public hospitals in this report include public psychiatric hospitals, which are public hospitals that cater almost exclusively for the needs of people with mental illness. In *Health expenditure Australia* reports prior to the 2005-06 report these hospitals were reported separately. However, as they comprise a relatively small component of total public hospital expenditure and the definition of public psychiatric hospitals was inconsistent from state to state, they are now included as part of total public hospitals.

Box 3: Public hospital and public hospital services expenditure

For the last three years the AIHW has been collecting expenditure data from the states and territories in a different format and data from the year 2003–04 onwards are now reported differently. Expenditure for the following services provided by public hospitals is now, where it is possible to identify this expenditure, reported separately under their respective categories:

- *community health services*
- *public health services*
- *dental services (non-admitted)*
- *patient transport services*
- *health research*

*The balance of public hospital expenditure, remaining after the above components have been removed and re-allocated to their own expenditure categories, is referred to as **'public hospital services'** expenditure.*

Not all expenditure on community and public health services, dental and patient transport services and health research provided in public hospitals can be identified separately. For example, some expenditure relating to dental programs provided in public hospitals can be identified and re-allocated to the expenditure category 'state dental services' expenditure. But some dental services provided by hospitals cannot be identified and costed so these expenditures remain as part of 'public hospital services'. Similarly, many of the community health services that are provided by public hospitals can be identified and re-allocated to the 'community health services' expenditure category. But some are not able to be identified so remain as part of 'public hospital services'.

*Prior to 2003–04, the AIHW Public Hospitals Establishments (PHE) collection data were used to derive public hospital expenditure estimates for each state and territory. The PHE data comprises expenditure on goods and services provided in hospitals, including expenditure on the components of community and public health services, dental and patient transport services and health research that are provided in public hospitals. This expenditure is referred to as **'public hospital'** expenditure.*

Impact of this change on comparability of health expenditure data

Comparisons over time of expenditure on public hospitals, public hospital services, community and public health services and dental and patient transport services can be made for the following time periods:

1. *up to and including 2002–03, and*
2. *from 2003–04 onwards.*

Health expenditure for these areas cannot be compared across 2002–03 and 2003–04, nor can they be used to compare expenditure relating to a specific year, such as 2005–06, to expenditure, or growth in expenditure, for the decade 1995–96 to 2005–06.

This change in the way data are collected does not affect the comparability over time of expenditure data on private hospitals, medical services, other health practitioners, medications and aids and appliances.

As part of the new expenditure reporting process there was not only the change to supplying information on 'public hospital services,' there was also a change in some states and territories in the allocation of central costs. So increasingly, head office and other central costs have been allocated to the functional areas rather than to the 'administration' category. This leads to quite significant increases in expenditures allocated to areas such as 'public hospital services' and 'community health services'.

Table 33: Recurrent expenditure by hospitals, constant prices^(a), by broad type of hospital, and annual growth rates, 1995–96 to 2005–06

Year	Public hospitals ^(b)		Private hospitals		All hospitals recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	14,881	..	4,113	..	18,993	..
1996–97	15,848	6.5	4,441	8.0	20,289	6.8
1997–98	16,758	5.7	4,560	2.7	21,318	5.1
1998–99	17,384	3.7	4,802	5.3	22,186	4.1
1999–00	17,693	1.8	4,984	3.8	22,677	2.2
2000–01	18,788	6.2	5,360	7.5	24,148	6.5
2001–02	19,083	1.6	5,591	4.3	24,675	2.2
2002–03	20,383	6.8	5,915	5.8	26,298	6.6
2003–04	21,087	3.5	6,177	4.4	27,264	3.7
2004–05	22,193	5.2	6,327	2.4	28,520	4.6
2005–06	23,409	5.5	6,410	1.3	29,819	4.6
Average annual growth rate						
1995–96 to 1997–98		6.1		5.3		5.9
1997–98 to 2002–03		4.0		5.3		4.3
1995–96 to 2005–06		4.6		4.5		4.6

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. See Box 3 for details on distinction between 'public hospitals' and 'public hospital services'.

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

Source: AIHW health expenditure database.

Public hospitals and private hospitals

In real terms hospital expenditure – public (psychiatric and non-psychiatric) and private hospitals – grew by 4.6% and 4.5% per year, respectively, between 1995–96 and 2005–06 (Table 33).

One important influence on expenditure on hospitals is the Australian Government's policy for funding hospital services. In the case of public hospitals, funding is affected by bilateral agreements between the Australian Government and the various state and territory governments (the AHCA's). Data from the first AHCA period and the first three years of the second AHCA period are included in this publication. See Box 4 for the periods of all health service funding agreements between the Australian Government and the state and territory governments. Funding for hospitals is also influenced by the Australian Government's private health insurance initiatives, as private health insurance provides the bulk of funding for private hospitals and for private patients in public hospitals.

Between 1997 and 2000 three major incentives relating to private health insurance were introduced:

- in July 1997, the means-tested Private Health Insurance Incentives Scheme (PHIIS) subsidy
- in January 1999, a non means-tested 30% rebate on private health insurance premiums, which replaced the PHIIS subsidy
- in July 2000, the 'Lifetime Health Cover' initiatives to encourage more people to take out and maintain private insurance cover.

Box 4: Australian Government and state and territory governments' health funding agreement periods

First Medicare (Compensation) Agreement: 1984 to 30 June 1988

Second Medicare Agreement: 1 July 1988 to 30 June 1993

Third Medicare Agreement: 1 July 1993 to 30 June 1998

First Australian Health Care Agreement: 1 July 1998 to 30 June 2003

Second Australian Health Care Agreement: 1 July 2003 to 30 June 2008

Changes to 'Lifetime Health Cover' were announced in 2006 and these changes are being implemented progressively from 2007. The Australian Government is also allowing insurers to offer broader health cover products which expand hospital cover to outpatient and out-of-hospital services.

From 1997-98 to 2002-03, public hospital expenditure grew at 4.0% per year. Private hospital expenditure grew at 5.3% per year during the same period (Table 33).

The private hospital share of hospital expenditure increased from 21.7% of hospital expenditure in 1995-96 to 22.7% in 2001-02, stabilised and then declined to 21.5% in 2005-06 (calculated from Table 33).

Table 34: Funding of hospitals^(a), current prices, by broad source of funds, 1995–96 to 2005–06 (per cent)

Year	Government			Non-government			Total
	Australian Government ^(b)	State/territory and local	Total	Private health insurance funds ^(b)	Other non-government	Total	
1995–96	37.4	35.9	73.3	17.8	9.0	26.7	100.0
1996–97	35.6	38.1	73.7	17.5	8.8	26.3	100.0
1997–98	38.2	38.2	76.4	14.7	8.9	23.6	100.0
1998–99	41.9	36.0	77.9	12.3	9.8	22.1	100.0
1999–00	43.8	35.8	79.6	10.5	9.9	20.4	100.0
2000–01	45.0	34.9	79.8	10.9	9.3	20.2	100.0
2001–02	44.0	35.0	79.0	12.4	8.6	21.0	100.0
2002–03	43.5	37.5	81.1	12.0	6.9	18.9	100.0
2003–04	42.6	38.0	80.6	12.1	7.2	19.4	100.0
2004–05	42.3	38.4	80.7	11.7	7.5	19.3	100.0
2005–06	40.6	40.5	81.1	11.1	7.8	18.9	100.0

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate.

Source: AIHW health expenditure database.

In 2005–06, government accounted for the majority of funding for hospitals (81.1%) (Table 34). Non-government sources contributed the remainder of the funding (18.9%). Over the decade to 2005–06, governments increased their share of funding of hospitals by 7.8 percentage points (Table 34). The Australian Government increased its share by 3.2 percentage points from 37.4% to 40.6%. The states and territories increased their share by 4.6 percentage points from 35.9% to 40.5% and the non-government funding of public and private hospitals decreased from 26.7% in 1995–96 to 18.9% in 2005–06 (Table 34).

Of this 7.8 percentage point increase in the share of government funding over the decade, 5.6 percentage points was the effect of the Australian Government private health insurance rebate scheme taking over some of the funding of private health insurance.

Public hospitals

Expenditure on public psychiatric and non-psychiatric hospitals includes expenditure on dental services, community health services, patient transport services, public health and health research undertaken in a public hospital, in addition to expenditure on general hospital treatment provided by public hospitals (see also Box 3).

It does not include the expenditure by public hospitals on services provided by private hospitals for public patients. This expenditure is included as part of private hospital expenditure.

More than 90% of funding for public hospitals comes from governments. The Australian Government's contribution – estimated at 41.4% in 2005–06 (Table 35) – was largely in the form of SPPs under the AHCA (Table 36). The states and territories, which have the major responsibility for operating and regulating public hospitals that operate within their jurisdictions, provided 50.6% of the funding for public hospitals in 2005–06.

Between 1995–96 and 2005–06, the Australian Government share of public hospital funding decreased by 4 percentage points from 45% to 41%. State and territory government funding during this period increased by 5 percentage points from, 46% to 51% (Table 35).

The non-government contribution declined over the decade from 9.0% in 1995–96 to 8.0% in 2005–06 (Table 35). In 2005–06, non-government funding consists of funding from private health insurance (1.7%), individual out-of-pocket payments (1.1%), workers' compensation insurers and motor vehicle third-party insurers (1.1%) and other revenue (4.1%) (calculated from source table for Table 35).

Table 35: Funding of public hospitals^(a), current prices, by broad source of funds, 1995–96 to 2005–06

Year	Government						Total	
	Australian Government		State/territory		Non-government		Amount (\$m)	Share (%)
	Amount (\$m)	Share (%)	Amount (\$m)	Share (%)	Amount (\$m)	Share (%)		
1995–96	5,203	45.2	5,274	45.8	1,041	9.0	11,518	100.0
1996–97	5,332	42.7	6,080	48.7	1,068	8.6	12,480	100.0
1997–98	5,905	43.9	6,543	48.6	1,004	7.5	13,453	100.0
1998–99	6,657	46.4	6,589	45.9	1,093	7.6	14,339	100.0
1999–00	6,979	46.8	6,847	45.9	1,099	7.4	14,925	100.0
2000–01	7,497	47.3	7,100	44.8	1,249	7.9	15,846	100.0
2001–02	7,986	46.5	7,769	45.3	1,408	8.2	17,163	100.0
2002–03	8,700	45.9	8,894	46.9	1,367	7.2	18,961	100.0
2003–04 ^(b)	9,063	44.6	9,779	48.1	1,490	7.3	20,332	100.0
2004–05 ^(b)	9,735	43.9	10,731	48.4	1,726	7.8	22,193	100.0
2005–06 ^(b)	10,105	41.4	12,361	50.6	1,943	8.0	24,409	100.0

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Public hospital expenditure estimates for 2003–04 to 2005–06 are derived from Public Hospital Establishments data published in *Australian Hospital Statistics*.

Source: AIHW health expenditure database.

Table 36: Government shares of recurrent expenditure on public hospitals^(a), by level of government, current prices, 1995–96 to 2005–06 (per cent)

Year	Australian Government				Total	State/territory governments	Total government
	DVA	AHCA	Rebates of health insurance premiums	Other Australian Government ^(b)			
1995–96	4.0	41.2	..	—	45.2	45.8	91.0
1996–97	3.6	38.8	..	0.4	42.7	48.7	91.4
1997–98	3.0	37.2	0.2	3.4	43.9	48.6	92.5
1998–99	3.5	39.5	0.4	3.0	46.4	45.9	92.4
1999–00	3.4	39.7	0.6	3.1	46.8	45.9	92.6
2000–01	3.3	39.8	0.7	3.5	47.3	44.8	92.1
2001–02	3.5	38.8	0.7	3.6	46.5	45.3	91.8
2002–03	3.7	38.2	0.7	3.4	45.9	46.9	92.8
2003–04	3.7	36.9	0.7	3.3	44.6	48.1	92.7
2004–05	3.7	35.7	0.8	3.7	43.9	48.4	92.2
2005–06	2.8	34.1	0.8	3.7	41.4	50.6	92.0

(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by public hospitals. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Includes DoHA direct expenditure on public hospitals, such as for blood sector payments and SPPs, excluding AHCA, for public hospitals, for example, for highly specialised drugs, hepatitis C funding, Health program and Positron emission tomography (PET) Scanner grants.

Note: Lines separate the table according to Australian Health Care Agreement periods (see Box 4).

Source: AIHW health expenditure database.

The share of funding for public (psychiatric and non-psychiatric) hospitals met by the two major levels of government— Australian, and state and territory – fluctuates from year to year. In the last 20 years a common pattern observed over time has seen the Australian Government share of funding higher in the earlier years of the five-year health agreements (see Box 4) and lower towards the end of the period – with state and territory governments share of funding the reverse (Table 36). From the last year of the previous AHCA to the first year of the current AHCA the Australian Government share funded through the AHCA fell – by 1.3 percentage points from 38.2% to 36.9%. Then it fell a further 2.8 percentage points to 34.1% in the 2 years to 2005–06. There was a corresponding increase in the share provided by the state and territory governments of 1.2 percentage points from 46.9% to 48.1% (from the last year of the previous AHCA to the first year of the current AHCA) and then an increase of 2.5 percentage points to 50.6% in the 2 years to 2005–06 (Table 36).

Table 37: Recurrent funding of public hospitals^(a), constant prices^(b), by source of funds, and annual growth rates, 1995–96 to 2005–06

Year	Government								Total recurrent funding	
	Australian Government ^(c)		State/territory		Total		Non-government ^(c)			
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	6,723	..	6,813	..	13,536	..	1,344	..	14,881	..
1996–97	6,766	0.6	7,724	13.4	14,489	7.0	1,359	1.0	15,848	6.5
1997–98	7,354	8.7	8,152	5.5	15,506	7.0	1,252	-7.9	16,758	5.7
1998–99	8,072	9.8	7,986	-2.0	16,057	3.6	1,327	6.0	17,384	3.7
1999–00	8,274	2.5	8,115	1.6	16,389	2.1	1,304	-1.7	17,693	1.8
2000–01	8,889	7.4	8,417	3.7	17,306	5.6	1,482	13.6	18,788	6.2
2001–02	8,878	-0.1	8,638	2.6	17,516	1.2	1,567	5.8	19,083	1.6
2002–03	9,351	5.3	9,562	10.7	18,913	8.0	1,470	-6.2	20,383	6.8
2003–04	9,399	0.5	10,143	6.1	19,541	3.3	1,545	5.2	21,087	3.5
2004–05	9,735	3.6	10,731	5.8	20,466	4.7	1,726	11.7	22,193	5.2
2005–06	9,691	-0.5	11,854	10.5	21,545	5.3	1,864	7.9	23,409	5.5
Average annual growth rate										
1995–96 to 1997–98		4.6		9.4		7.0		-3.5		6.1
1997–98 to 2002–03		4.9		3.2		4.1		3.3		4.0
1995–96 to 2005–06		3.7		5.7		4.8		3.3		4.6

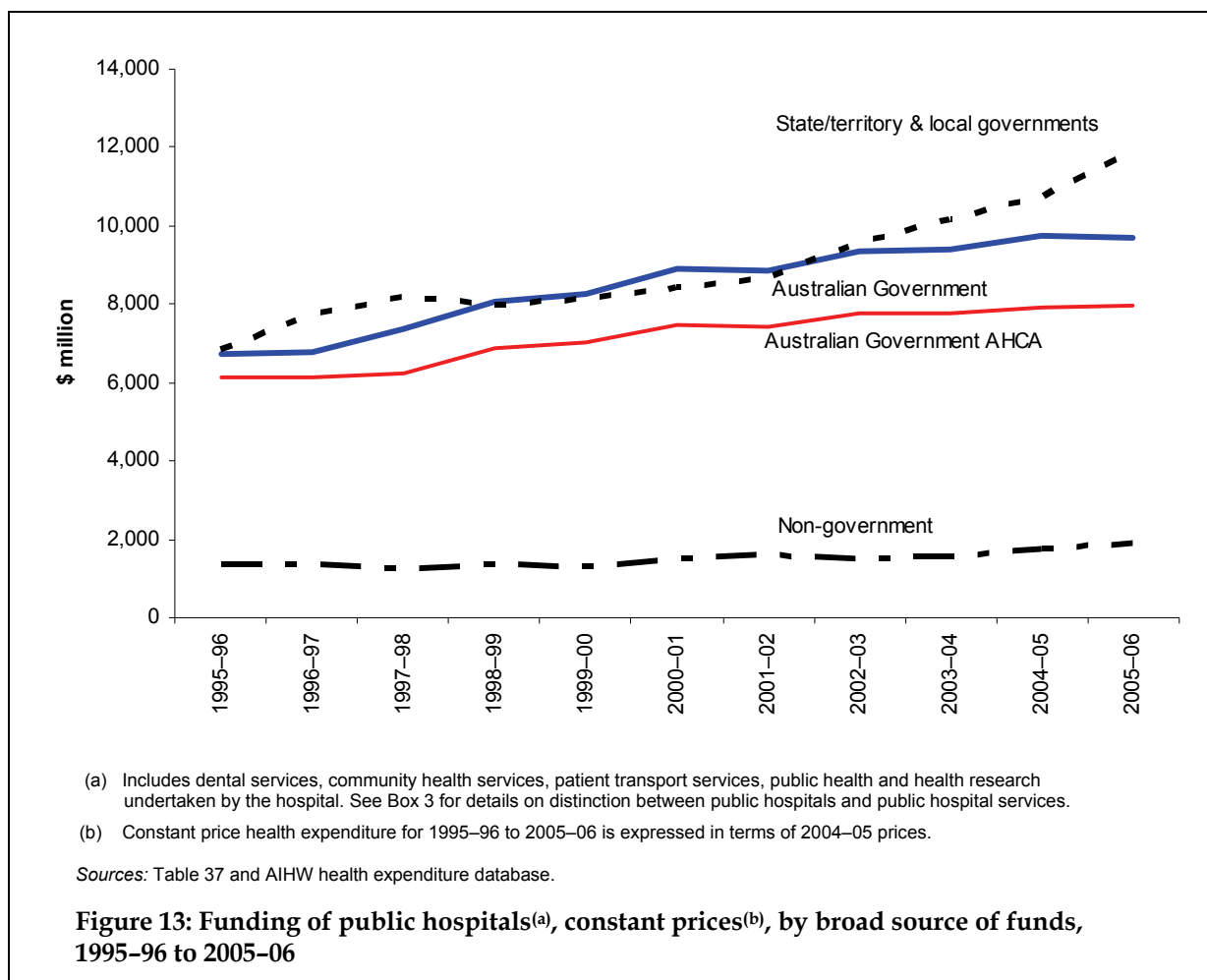
(a) Includes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(c) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate.

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

Source: AIHW health expenditure database.



Public hospital services

Expenditure on public hospital services differs from expenditure on public hospitals (see Public hospital section above and Box 3). Expenditure on public hospital services comprises expenditure on services provided to a patient who is treated in either a public psychiatric or non-psychiatric hospital, but *excludes* expenditure on dental services, community health services, patient transport services, public health and health research undertaken by the hospital.

It does not include the funding by public hospitals of the contracted care provided by private hospitals for public patients. This expenditure is reported as part of private hospital expenditure.

Table 38: Funding of public hospital services ^{(a)(b)}, Australia, current prices, by source of funds, 2003–04 to 2005–06

Year	Australian Government				Total	State/ territory govern- ments	Non- govern- ment	Total
	DVA	AHCA	Rebates of health insurance premiums	Other Australian Govern- ment ^(c)				
Amount (\$ million)								
2003–04	743	7,500	147	673	9,063	10,099	1,275	20,437
2004–05	814	7,919	180	823	9,735	10,896	1,460	22,091
2005–06	685	8,321	207	893	10,105	12,374	1,840	24,319
Proportion (%)								
2003–04	3.6	36.7	0.7	3.3	44.3	49.4	6.2	100.0
2004–05	3.7	35.8	0.8	3.7	44.1	49.3	6.6	100.0
2005–06	2.8	34.2	0.8	3.7	41.6	50.9	7.6	100.0

(a) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Public hospital services expenditure does not include expenditure on public patients who are contracted with private hospitals as this is part of private hospital expenditure. In 2005–06, this expenditure was \$244 million (Table A3).

(c) Includes DoHA direct expenditure on public hospital services, such as for blood sector payments and SPPs for public hospital services which are not AHCA, for example for highly specialised drugs, hepatitis C funding, Health Program and PET Scanner grants.

Source: AIHW health expenditure database.

Table 39: Funding of public hospital services ^{(a)(b)}, states and territories, current prices, by source of funds, 2003–04 to 2005–06 (\$ million)

	Australian Government				Total	State/ territory govern- ments	Non- govern- ment	Total
	DVA	AHCA ^(c)	Rebates of health insurance premiums	Other Australian Govern- ment ^(d)				
NSW								
2003–04	289	2,538	79	236	3,141	3,943	596	7,680
2004–05	326	2,651	96	288	3,361	4,288	668	8,317
2005–06	307	2,796	109	312	3,524	4,549	826	8,899
Vic								
2003–04	196	1,816	30	173	2,216	2,438	405	5,059
2004–05	221	1,918	40	218	2,396	2,617	479	5,493
2005–06	163	1,999	49	221	2,432	2,936	558	5,926
Qld								
2003–04	64	1,421	13	111	1,609	1,526	70	3,204
2004–05	80	1,515	15	139	1,749	1,536	61	3,346
2005–06	52	1,615	14	147	1,828	2,062	141	4,032
WA								
2003–04	97	731	9	63	900	895	70	1,865
2004–05	86	792	11	70	960	986	106	2,052
2005–06	58	817	14	73	963	1,141	140	2,244
SA								
2003–04	71	634	12	53	771	740	57	1,568
2004–05	75	663	14	62	814	857	61	1,732
2005–06	79	698	15	68	860	961	66	1,887
Tas								
2003–04	15	168	3.3	18	205	152	31	389
2004–05	15	178	4.2	23	220	175	29	425
2005–06	14	185	4.9	26	230	225	35	489
ACT								
2003–04	10	99	—	12	120	199	39	359
2004–05	10	104	—	14	128	214	52	395
2005–06	11	107	—	15	133	261	60	454
NT								
2003–04	0.9	93	0.3	8	102	207	6	314
2004–05	—	98	0.4	9	106	221	5	332
2005–06	—	104	0.4	^(e) 30	134	239	15	387

(a) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Public hospital services expenditure does not include expenditure on public patients who are contracted with private hospitals as this is part of private hospital expenditure. In 2005–06, this expenditure was \$244 million (Table A3).

(c) Excludes palliative care in 2004–05 (\$36 million). There is a difference of up to \$2 million for NSW, Vic, QLD and WA in 2003–04 due to a difference in the amount reported in the 2003–04 Department of Health and Ageing Annual Report (DoHA 2004) and the SPPs in the 2003–04 Treasury Final Budget Outcome (Treasury 2004).

(d) Includes DoHA direct expenditure on public hospital services, such as for blood sector payments and SPPs for public hospital services which are not AHCA, for example for highly specialised drugs, hepatitis C funding, Health Program and PET Scanner grants.

(e) Includes a \$21 million SPP for Royal Darwin Hospital.

Source: AIHW health expenditure database.

Table 40: Funding of public hospital services ^{(a)(b)}, states and territories, current prices, by source of funds, 2003–04 to 2005–06 (per cent)

	Australian Government				Total	State/ territory govern- ments	Non- govern- ment	Total
	DVA	AHCA ^(c)	Rebates of health insurance premiums	Other Australian Govern- ment ^(d)				
NSW								
2003–04	3.8	33.0	1.0	3.1	40.9	51.3	7.8	100.0
2004–05	3.9	31.9	1.2	3.5	40.4	51.6	8.0	100.0
2005–06	3.5	31.4	1.2	3.5	39.6	51.1	9.3	100.0
Vic								
2003–04	3.9	35.9	0.6	3.4	43.8	48.2	8.0	100.0
2004–05	4.0	34.9	0.7	4.0	43.6	47.7	8.7	100.0
2005–06	2.7	33.7	0.8	3.7	41.0	49.5	9.4	100.0
Qld								
2003–04	2.0	44.3	0.4	3.5	50.2	47.6	2.2	100.0
2004–05	2.4	45.3	0.4	4.2	52.3	45.9	1.8	100.0
2005–06	1.3	40.1	0.4	3.6	45.3	51.1	3.5	100.0
WA								
2003–04	5.2	39.2	0.5	3.4	48.3	48.0	3.8	100.0
2004–05	4.2	38.6	0.5	3.4	46.8	48.1	5.1	100.0
2005–06	2.6	36.4	0.6	3.3	42.9	50.9	6.3	100.0
SA								
2003–04	4.5	40.5	0.8	3.4	49.2	47.2	3.6	100.0
2004–05	4.4	38.3	0.8	3.6	47.0	49.5	3.5	100.0
2005–06	4.2	37.0	0.8	3.6	45.6	50.9	3.5	100.0
Tas								
2003–04	4.0	43.3	0.9	4.6	52.8	39.2	8.1	100.0
2004–05	3.5	41.8	1.0	5.4	51.8	41.3	6.9	100.0
2005–06	2.9	37.9	1.0	5.3	47.0	45.9	7.1	100.0
ACT								
2003–04	2.7	27.6	—	3.2	33.5	55.6	10.9	100.0
2004–05	2.6	26.4	—	3.6	32.5	54.2	13.2	100.0
2005–06	2.4	23.6	—	3.4	29.4	57.5	13.2	100.0
NT								
2003–04	0.3	29.5	0.1	2.6	32.4	65.8	1.8	100.0
2004–05	—	29.3	0.1	2.6	32.0	66.6	1.4	100.0
2005–06	—	26.8	0.1	^(e) 7.7	34.6	61.7	3.8	100.0

(a) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services. See Box 3 for details on distinction between public hospitals and public hospital services.

(b) Public hospital services expenditure does not include expenditure on public patients who are contracted with private hospitals as this is part of private hospital expenditure. In 2005–06, this expenditure was \$244 million (Table A3).

(c) Excludes palliative care in 2004–05 (\$36 million). There is a difference of up to \$2 million for NSW, Vic, QLD and WA in 2003–04 due to a difference in the amount reported in the 2003–04 Department of Health and Ageing Annual Report (DoHA 2004) and the SPPs in the 2003–04 Treasury Final Budget Outcome (Treasury 2004).

(d) Includes DoHA direct expenditure on public hospital services, such as for blood sector payments and SPPs for public hospital services which are not AHCA, for example for highly specialised drugs, Hepatitis C funding, Health Program and PET Scanner grants.

(e) Includes a \$21 million SPP for Royal Darwin Hospital.

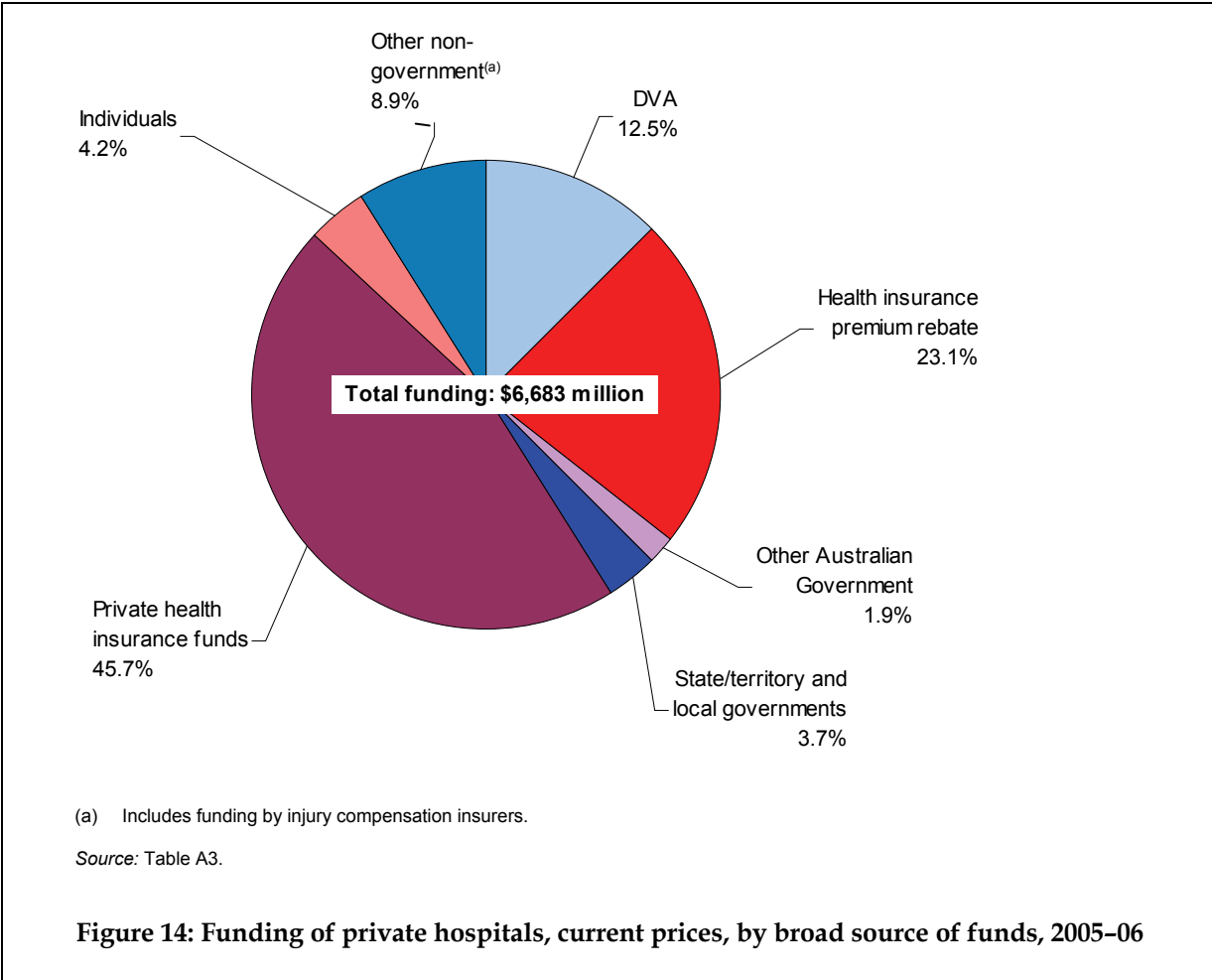
Source: AIHW health expenditure database.

In 2005-06, the Australian Government provided 41.6% (\$10,105 million) of the funding for public hospital services, a 2.7 percentage points' decrease in funding from 2003-04. The Australian Government AHCA funding in 2005-06 was 34.2% of funding for public hospital services which was a 2.5 percentage point decrease since 2003-04 (Table 38). In comparison, state and territory governments contributed 50.9% (\$12,374 million) of funding in 2005-06, an increase of 1.5 percentage points since 2003-04.

Non-government funding of public hospital services comprised 7.6% of total funding for public hospitals in 2005-06 (\$1,840 million), which was an increase of 1.4 percentage points since 2003-04.

Private hospitals

Total expenditure on private hospitals in 2005-06 was estimated at \$6,683 million (Figure 14). Two-thirds (68.8%) of this came via private health insurance funds. This comprised 45.7% out of the premiums paid by contributors and other revenues flowing to the funds, and the remaining 23.1% being indirectly funded out of the 30% rebates paid by the Australian Government in respect of contributors' premiums. In 2005-06 those rebates, in total, amounted to \$3.2 billion, and \$1.5 billion of that is estimated to have been used in the funding of private hospitals (Table 27).



Patient transport services

Patient transport services provide transport to and from health care facilities for patients receiving outpatient or admitted patient treatment. Expenditure for these services includes patient transport expenses that are provided by public hospitals (see Box 3 for more detail). Total estimated expenditure on patient transport services in 2005–06 was \$1,439 million (Table A3). In real terms, estimated expenditure increased by an average of 1.3% per year between 2003–04 and 2005–06 (calculated from the source for Table 20). In 2005–06 the proportion of patient transport expenditure that was funded by the Australian Government was 11.5%. State and territory and local governments provided 62.5% of the funding for patient transport services and non-government sources provided the remaining 26.0% (calculated from Table A3).

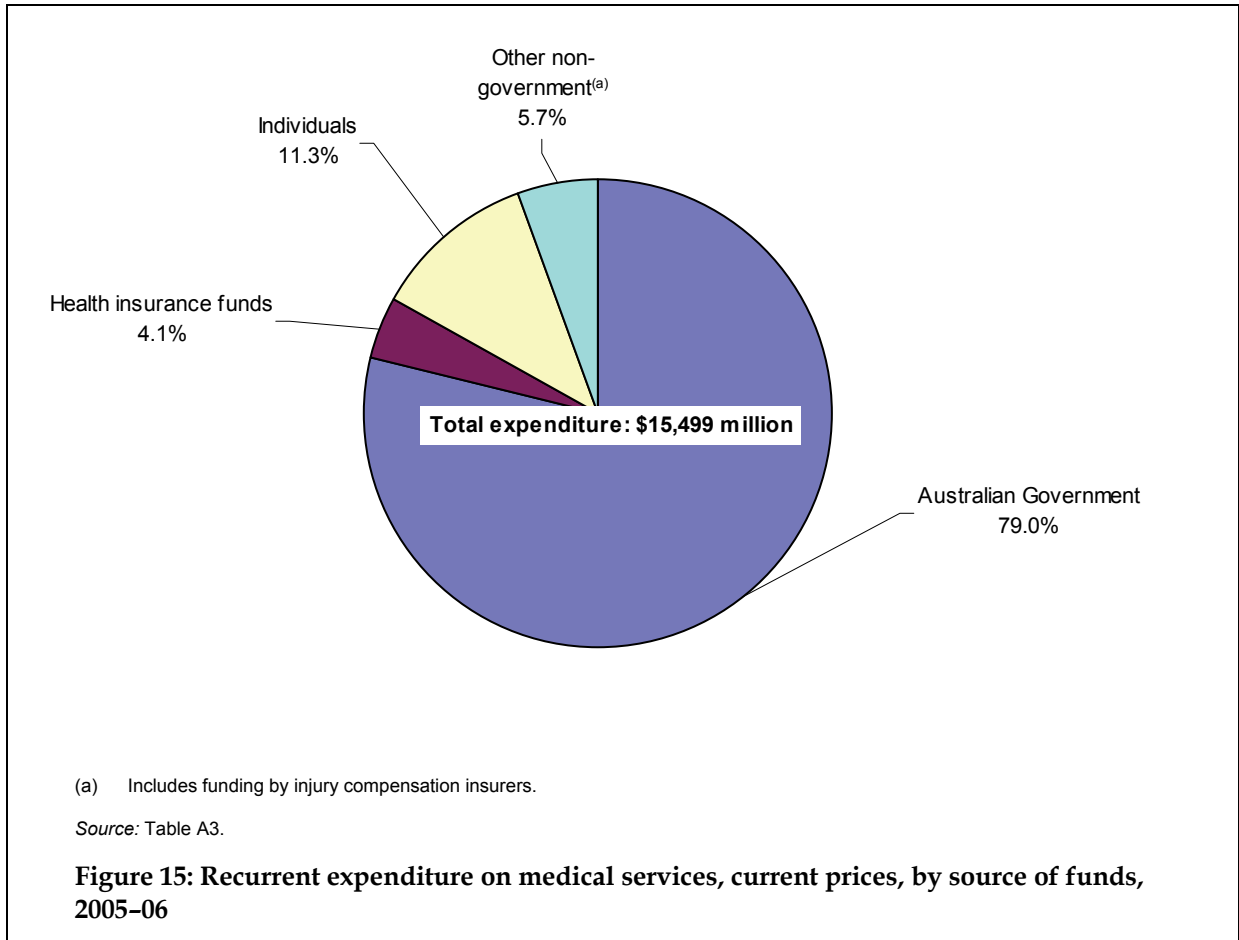
Non-institutional health goods and services

Medical services

Between 1995–96 and 2005–06, expenditure on medical services increased, in real terms, at an average of 2.6% per year (Table 41).

Almost all expenditure on medical services in Australia relates to services that are provided by practitioners on a 'fee-for-service' basis. This is reflected in the distribution of funding for medical services. Of the \$15.5 billion spent on medical services in 2005–06, 79.0% (\$12.2 billion) was funded by the Australian Government (Figure 15). This was made up almost exclusively of medical benefits paid under Medicare, with some funding from the DVA for medical services to eligible veterans and their dependants, as well as payments to general practitioners under alternative funding arrangements. Of the remaining expenditure, 11.3% was funded by individuals, 4.1% was from health insurance funds and 5.7% was other non-government funding (Figure 15).

Medical services out-of-pocket expenditure increased by 7.6% (\$123 million) in 2005–06 (Tables A2 and A3). Real growth in expenditure by individuals between 1995–96 and 2005–06 was 6.0% per year, 0.9 percentage points above the real growth in health expenditure (5.1%) (Tables 1 and 25).



Between 1995-96 and 2005-06, the Australian Government’s real expenditure on medical services grew by 2.2%, while expenditure by individuals rose by 4.2% and that of health insurance funds rose by 6.5% (Table 41).

From 1999-00, with the introduction of the ‘Lifetime Health Cover’ incentives and other measures which increased insurance coverage, real growth in funding by the health insurance funds accelerated sharply until 2003-04 when the growth rate decreased to 6.5% from 11.6% in the previous year. In 2004-05 real funding by health insurance funds declined by 0.2%, but in 2005-06 growth was 1.9% (Table 41).

Table 41: Recurrent funding of medical services, constant prices^(a), by source of funds, and annual growth rates, 1995–96 to 2005–06

Year	Australian Government ^(b)		Health insurance funds ^(b)		Individuals		Injury compensation insurers		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	9,361	..	322	..	1,091	..	569	..	11,342	..
1996–97	9,510	1.6	324	0.6	1,160	6.3	620	9.0	11,614	2.4
1997–98	9,714	2.1	292	-9.8	1,262	8.8	619	-0.1	11,887	2.4
1998–99	10,026	3.2	274	-6.0	1,318	4.4	651	5.1	12,268	3.2
1999–00	10,527	5.0	286	4.1	1,320	0.2	683	5.0	12,816	4.5
2000–01	10,524	—	361	26.4	1,365	3.4	657	-3.8	12,907	0.7
2001–02	10,714	1.8	498	38.0	1,431	4.8	754	14.8	13,397	3.8
2002–03	10,657	-0.5	556	11.6	1,616	13.0	793	5.1	13,622	1.7
2003–04	10,738	0.8	592	6.5	1,724	6.7	850	7.2	13,904	2.1
2004–05	11,589	7.9	591	-0.2	1,622	-5.9	844	-0.8	14,646	5.3
2005–06	11,590	—	602	1.9	1,653	1.9	832	-1.4	14,677	0.2
Average annual growth rate										
1995–96 to 1997–98		1.9	-4.7		7.5		4.3		2.4	
1997–98 to 2002–03		1.9	13.8		5.1		5.1		2.8	
1995–96 to 2005–06		2.2	6.5		4.2		3.9		2.6	

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) Funding by the Australian Government and private health insurance funds has been adjusted for the private health insurance rebate.

Note: Components may not add due to rounding.

Source: AIHW health expenditure database.

Bulk-billing influences the relative shares of funding by the Australian Government and individuals, because services that are bulk-billed do not attract any co-payment by individuals. The trends in the bulk-billing rate parallel trends in the proportion of medical services expenditure funded by individuals. So, the peak for individuals' payments in 2003–04 of 12.4% of medical services expenditure also represented the lowest bulk-billing rate in this period (Table 42).

In 1995–96, 71.1% of all medical services were bulk-billed. Bulk-billing rates continued to increase up to 1999–00 when rates peaked at 72.3% (Table 42). After this year, the overall bulk-billing rate declined to 2003–04, when 67.5% of all medical services were bulk-billed. Since then the rate has increased to 71.7% in 2005–06 (an increase of 0.6 percentage points since 1995–96) — a similar proportion to the levels of services that were bulk-billed in 1996–97.

The increase in the Australian Government proportion in 2004–05 and the decrease in the individual proportion reflects a number of factors including the Strengthening Medicare program which, from 1 January 2005, increased the benefit paid for general practitioner services from 85% to 100% of the schedule fee.

Table 42: Shares of recurrent funding for medical services, current prices, and proportion of medical services bulk-billed, 1995–96 to 2005–06 (per cent)

Year	Non-government					Total	Bulk-billing rate ^(b)
	Australian Government	Health insurance funds	Individuals ^(a)	Other ^(b)	Total		
1995–96	82.5	2.8	9.6	5.0	17.5	100.0	71.1
1996–97	81.9	2.8	10.0	5.3	18.1	100.0	71.8
1997–98	81.7	2.5	10.6	5.2	18.3	100.0	71.8
1998–99	81.7	2.2	10.7	5.3	18.3	100.0	72.0
1999–00	82.1	2.2	10.3	5.3	17.9	100.0	72.3
2000–01	81.5	2.8	10.6	5.1	18.5	100.0	71.4
2001–02	80.0	3.7	10.7	5.6	20.0	100.0	70.4
2002–03	78.2	4.1	11.9	5.8	21.8	100.0	67.8
2003–04	77.2	4.3	12.4	6.1	22.8	100.0	67.5
2004–05	79.1	4.0	11.1	5.8	20.9	100.0	70.2
2005–06	79.0	4.1	11.3	5.7	21.0	100.0	71.7

(a) Includes funding by injury compensation insurers.

(b) Bulk-billing rate for all services covered under Medicare, which is almost entirely medical services, but also includes optometrical and other selected allied health and dental services.

Source: AIHW health expenditure database.

Other health practitioners

Of the \$3.0 billion spent on other health practitioners in 2005–06, over half of the expenditure was funded by individual users of services (54.5% in 2005–06) (calculated from Table A3). Of the remaining \$1.4 billion, \$578 million (41.8%) was funded by private health insurance and Australian Government health insurance rebates.

In real terms, expenditure on other health practitioners rose at an average of 3.1% per year between 2003–04 to 2005–06 (Table A8), 0.7 percentage points lower than the growth in recurrent health expenditure (3.8%) over that period.

Medications

Medications comprise benefit-paid pharmaceuticals and other medications (pharmaceuticals and other medicines) for which no PBS or RPBS benefit was paid. Other medications include private and under co-payment prescriptions, and over-the-counter medicines such as pharmacy-only medicines, pain-killers, cough and cold medicines, vitamins and minerals, and a range of medical non-durables, such as bandages, bandaids and condoms. For more information see Table 65 and the Glossary.

In real terms, total expenditure on medications increased by 8.6% per year from 1995–96 to 2005–06, to reach \$11.4 billion in 2005–06 (Table 20). While total medication expenditure experienced fairly consistent growth in most years between 1995–96 and 2004–05, expenditure on benefit-paid pharmaceuticals and other medications fluctuated much more from year to year (Table A8). This is partly due to the effects of the co-payment in determining what items attract benefits. The benefit-paid pharmaceuticals category includes only those items listed under the Schedule of Pharmaceutical Benefits for which benefits

were actually paid. Items that are listed on the PBS but have a price below the statutory patient co-payment are recorded in the 'other medications' category, so when the co-payment is high there is more expenditure recorded in the 'other medications' category.

Benefit-paid pharmaceuticals

In real terms, recurrent expenditure on benefit-paid pharmaceuticals grew at an average of 9.1% per year from 1995-96 to 2005-06 compared to growth in total recurrent health expenditure of 4.8% (Tables 43 and A8). The period of most rapid growth was from 1997-98 to 2002-03, when growth averaged 12.4% per year – which was shared between the Australian Government (12.9% per year) and individuals' (9.6% per year).

In 2005-06, the total amount spent on pharmaceuticals for which benefits were paid was \$7,286 million in current prices (Figure 16). This was a growth in real terms of 2.7% from the previous year (Table 43). Benefits paid by the Australian Government for PBS and RPBS items accounted for 80.6% of this expenditure and 16.1% was due to patient contributions for PBS and RPBS items. The balance (3.3%) was due to Section 100 drugs (excluding highly specialised drugs which are included in hospital expenditure) and other Australian Government Department of Health and Ageing (DoHA) administered expense items.

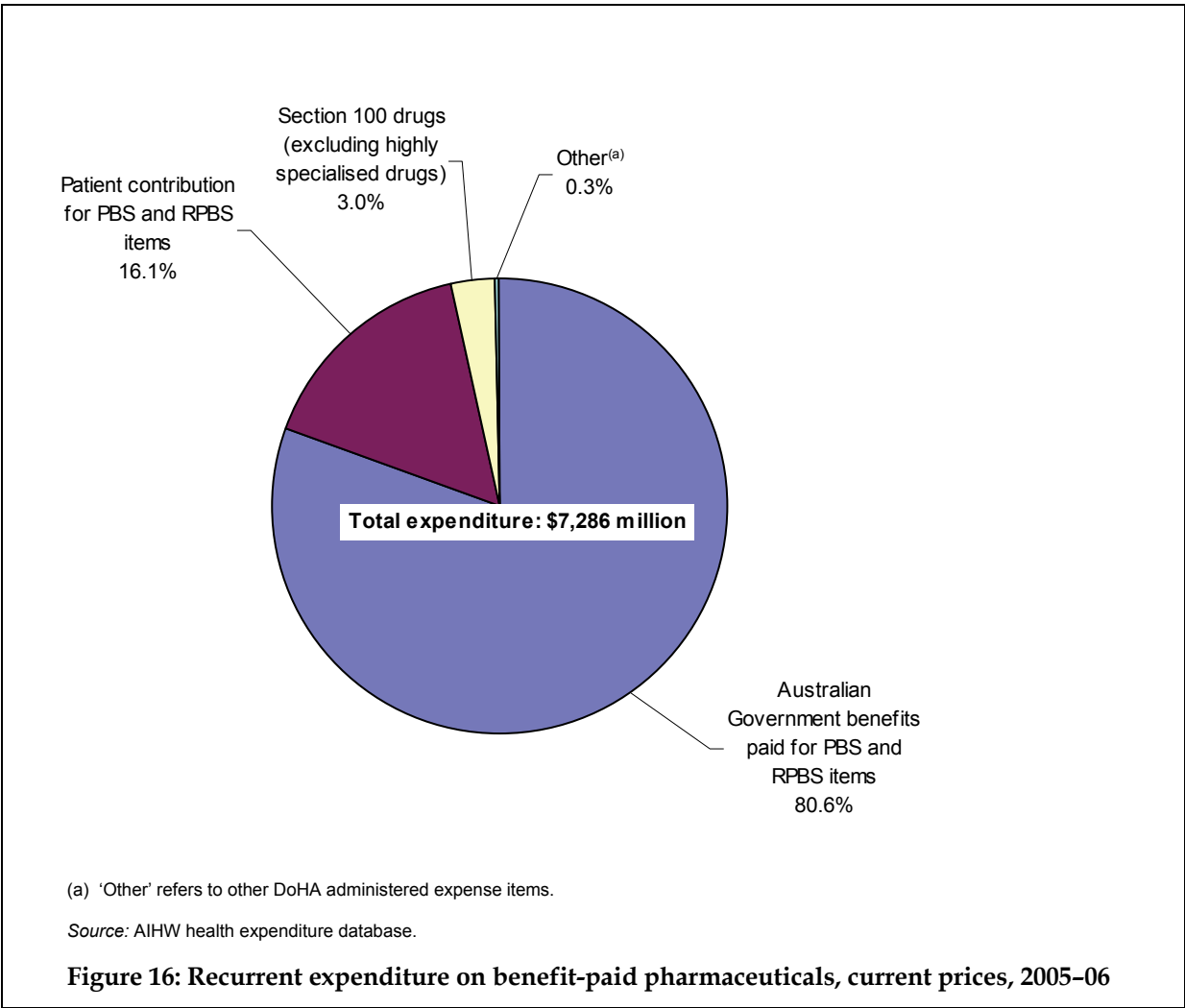


Table 43: Recurrent expenditure on benefit-paid pharmaceuticals, constant prices^(a), by source of funds, and annual growth rates, 1995–96 to 2005–06

Year	Australian Government		Individuals		Total recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	2,548	..	502	..	3,049	..
1996–97	2,760	8.3	558	11.2	3,318	8.8
1997–98	2,820	2.2	601	7.8	3,421	3.1
1998–99	3,108	10.2	631	4.9	3,739	9.3
1999–00	3,541	13.9	684	8.4	4,225	13.0
2000–01	4,333	22.4	778	13.8	5,111	21.0
2001–02	4,687	8.2	843	8.4	5,531	8.2
2002–03	5,176	10.4	952	12.9	6,129	10.8
2003–04	5,672	9.6	1,037	8.9	6,709	9.5
2004–05	5,930	4.6	1,151	10.9	7,081	5.5
2005–06	6,034	1.7	1,237	7.5	7,271	2.7
Average annual growth rate						
1995–96 to 1997–98		5.2		9.5		5.9
1997–98 to 2002–03		12.9		9.6		12.4
1995–96 to 2005–06		9.0		9.4		9.1

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

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

Source: AIHW health expenditure database.

All other medications

In real terms, recurrent expenditure on other medication items (see Table 65 for definition) grew by an average of 7.7% between 1995–96 and 2005–06 (Table 44). Expenditure by the Australian Government from 1997–98 in this category includes a proportion of the private health insurance rebate allocated to pharmaceuticals.

The main source of funding for other medication items was individuals' out-of-pocket expenditure. The most rapid period of growth for individual out-of-pocket expenditure (19.6%) was from 1995–96 to 1997–98 (Table 44).

Table 44: Recurrent expenditure of other medications, constant prices^(a), by source of funds, and annual growth rates, 1995–96 to 2005–06

Year	Australian Government		State/territory and local governments		Health insurance funds		Individuals and other non-govt		Total recurrent funding	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1995–96	—	..	13	..	52	..	1,881	..	1,946	..
1996–97	—	..	13	2.1	52	0.3	2,108	12.1	2,173	11.7
1997–98	4	..	19	44.4	36	-31.3	2,464	16.9	2,522	16.1
1998–99	8	126.0	—	..	33	-7.9	2,689	9.1	2,731	8.3
1999–00	15	84.0	—	..	34	3.8	2,953	9.8	3,003	10.0
2000–01	89	489.1	—	..	39	14.5	3,207	8.6	3,335	11.1
2001–02	57	-35.5	2	..	49	24.6	3,731	16.3	3,839	15.1
2002–03	63	10.1	—	..	56	14.2	3,428	-8.1	3,547	-7.6
2003–04	77	22.7	—	..	51	-8.4	3,589	4.7	3,717	4.8
2004–05	121 ^(b)	56.5	—	..	51	-0.2	3,913	9.0	4,085	9.9
2005–06	69	-43.0	—	..	45	-11.0	3,965	1.3	4,079	-0.2
Average annual growth rate										
1995–96 to 1997–98		..		21.4		-20.3		19.6		13.9
1997–98 to 2002–03		77.0		..		9.2		5.9		7.1
1995–96 to 2005–06		..		..		-1.3		7.7		7.7

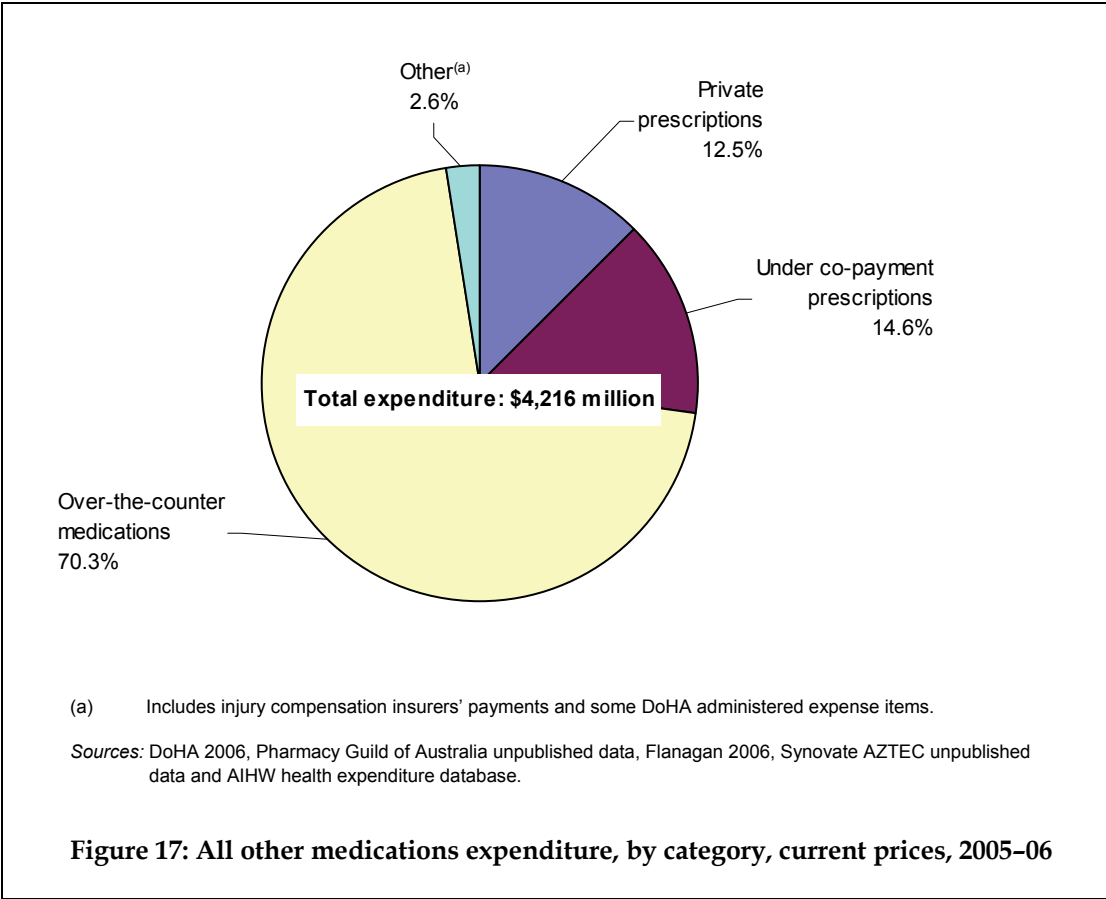
(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

(b) The large increase was due to pharmacy restructuring grants in this year.

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

Source: AIHW health expenditure database.

In 2005–06, expenditure on all other medication items was \$4,216 million. Over-the-counter medicines accounted for the largest share of this expenditure at 70.3%. Private prescriptions accounted for 12.5%, under co-payment prescriptions for 14.6% and the remainder (2.6%) comprised funding from injury compensation insurers and other DoHA administered expense items (Figure 17).



Pharmaceutical expenditure in the community and hospitals

In 2005-06, estimated expenditure on pharmaceuticals (excluding complementary and alternative medications, and over-the-counter medications for which a prescription was not required) was \$10,551 million (Table 45). The majority of this expenditure was for benefit-paid pharmaceuticals (69.1% or \$7,286 million), most of which was funded by the Australian Government (83.0%). Individuals' out-of-pocket expenses accounted for the remaining 17.0% of benefit-paid pharmaceuticals. Expenditure on in-hospital drugs comprised \$1,658 million spent on drugs by public hospitals and \$356 million spent by private hospitals. This total (\$10,551 million) does not include expenditures incurred by the Australian Government and state and territory governments in purchasing and administering vaccines under various state, territory and national public health programs.

Table 45: Expenditure on pharmaceuticals for which a script is required, dispensed in the community and by hospitals^(a), current prices, 2005–06 (\$ million)

Provider and funder	Benefit-paid pharmaceuticals	All other pharmaceuticals		Total pharmaceuticals
		Non-hospital ^(b)	Hospital ^(c)	
Community pharmacies				
Funded by				
Australian Government DVA	468	..	..	468
Australian Government DoHA ^{(d)(e)}	5,578	71	..	5,649
Health insurance funds	..	47	..	47
Individuals	1,240	1,072	..	2,312
Injury compensation insurers and other	..	62	..	62
<i>Total pharmacies</i>	<i>7,286</i>	<i>1,252</i>	<i>..</i>	<i>8,537</i>
Public hospitals^(f)	..	..	1,658	1,658
Private hospitals^(g)	..	..	356	356
Total	7,286	1,252	2,014	10,551

(a) Excludes complementary and alternative medicines and over-the-counter medicines for which a prescription is not required.

(b) Includes private prescriptions and under co-payment prescriptions.

(c) Does not include the costs of paying hospital staff to dispense these pharmaceuticals. Dispensary costs are, however, included in the first two columns of this table.

(d) Does not include \$529 million in payments for highly specialised drugs, which are included in the public hospitals and private hospitals rows.

(e) Includes \$232 million in Section 100 payments for human growth hormones, In-vitro fertilisation (IVF) and other subsidised pharmaceuticals.

(f) Includes \$422 million in Australian Government payments to states and territories for highly specialised drugs.

(g) Includes \$107 million in Australian Government payments for highly specialised drugs.

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

Source: AIHW health expenditure database.

Expenditure on benefit-paid items under the PBS and RPBS represented almost three-quarters (69.1%) of the total expenditure on pharmaceuticals for which a prescription was required (Table 45). Expenditure on benefit-paid items has two components – the cost to government and co-payments by users.

The cost to government under the PBS (not including expenditure under the RPBS) in 2004–05 was estimated at \$5,296 million (Table 46). In 2005–06, it increased to \$5,384 million. The relative funding shares of the PBS (that were met by the Australian Government through benefits and by individuals through their co-payments) changed little until 1 January 2005, when co-payments by general patients increased from \$23.70 per prescription to \$28.60 and by concessional patients from \$3.80 to \$4.60. From 1 January 2006, co-payments increased again to \$29.50 and \$4.70 respectively.

There have also been some changes over time in the proportion of total patient contribution paid by general and concessional patients and funding under the safety net arrangements. In 2001–02, concessional patients contributed \$362 million or 44.9% of total patient contributions. By 2005–06 their proportion of the total contribution had dropped to 43.5% (\$489 million). During the same period contributions provided by the Australian Government for general and concessional patients under the safety net arrangement increased from \$926 million (22.1% of Australian Government contribution to PBS benefits) to \$1,389 million (25.8%) in 2005–06 (calculated from Table 46).

Table 46: Pharmaceutical Benefits Scheme^(a), Australian Government and patients' payments, 2001–02 to 2005–06 (\$ million)

Benefit category	2001–02	2002–03	2003–04	2004–05	2005–06
Patient contributions					
General patients	444	489	545	597	634
Concessional patients	362	370	393	444	489
<i>Total patient contributions</i>	<i>806</i>	<i>860</i>	<i>938</i>	<i>1,041</i>	<i>1,123</i>
Government benefits					
General patients—no safety net	691	751	824	851	850
General patients—safety net	148	170	191	223	216
<i>Total general patients</i>	<i>840</i>	<i>920</i>	<i>1,015</i>	<i>1,073</i>	<i>1,066</i>
Concessional patients—no safety net	2,570	2,747	2,972	3,077	3,145
Concessional patients—safety net	778	908	1,005	1,145	1,173
<i>Total concessional patients</i>	<i>3,348</i>	<i>3,655</i>	<i>3,977</i>	<i>4,223</i>	<i>4,318</i>
<i>Total cost to government</i>	<i>4,188</i>	<i>4,575</i>	<i>4,992</i>	<i>5,296</i>	<i>5,384</i>
Total cost of PBS benefit-paid items (\$ million)^(b)	4,994	5,435	5,929	6,337	6,508

(a) Does not include RPBS or 'doctors bag' pharmaceuticals.

(b) Excludes Section 100 payments for human growth hormones, IVF and other non-PBS subsidised pharmaceuticals.

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

Source: DoHA unpublished.

Aids and appliances

Expenditure on health aids and appliances grew by 6.7% per year in real terms over the period 2003–04 to 2005–06 which was 2.9 percentage points above the growth in recurrent health expenditure (3.8%) over that period. The fastest year of growth was 1999–00 to 2000–01, when it grew by 30.3% (Table A8).

In 2005–06, expenditure on aids and appliances was \$2,787 million, of which 74.3% was funded by individuals' out-of-pocket expenditure (calculated from Table A3).

Community health and other

In 2004–05, expenditure by state, territory and local governments totalled \$2.9 billion out of a total of \$3.6 billion spent on community health services (Table A2). In 2005–06, community health was estimated at \$3.9 billion, which was a growth of 9.8% from 2004–05 to 2005–06 (Tables A2 and A3).

Public health

Public health covers those programs which aim to prevent illness and injury and protect or promote the health of the whole, or specified sub-groups, of the population. While reliable estimates are not available for earlier years, since 1999–00, estimates of public health expenditure have been compiled on a consistent basis in each state and territory and for the Australian Government using a single collection protocol developed through the National Public Health Expenditure Project (AIHW 2002, 2004, 2006b, 2007b).

Over the past three years, public health expenditure was estimated at:

- 2003–04 – \$1.3 billion
- 2004–05 – \$1.4 billion
- 2005–06 – \$1.5 billion.

Over these three years the Australian Government's funding of total public health expenditure has been respectively 52.0%, 60.1% and 54.1% (calculated from Tables A1, A2 and A3). Part of this Australian Government funding was directed to state and territory governments to fund public health initiatives (24.6%, 27.4% and 24.4% respectively of total public health expenditure). State and territory own source funding of public health was 43.0%, 36.0% and 42.8% respectively.

Dental services

Individuals funded 66.9% of the \$5.3 billion spent on dental services in 2005–06 (Table A3). For the period 2003–04 to 2005–06, real growth in dental services expenditure averaged 1.9% per year – 1.9 percentage points below the annual real growth in total recurrent health expenditure of 3.8% (Table A8). In nominal terms, average annual growth for dental services expenditure was 7.2% during this period, 1.0 percentage points lower than the growth for total recurrent health expenditure of 8.2% (Table A7).

Research

Total estimated expenditure on health research in 2005–06 was \$1,915 million (Table A3). In real terms, estimated expenditure grew at an average of 8.0% per year between 1995–96 and 2005–06 (Table 47). Two-thirds (66.6%) of the expenditure on health research in 2005–06 was funded by the Australian Government, 11.9% by state and territory and local governments and a further 21.5% was funded by non-government sources (calculated from Table 47).

Table 47: Recurrent funding for health research, constant prices^(a), and annual growth rates, by broad source of funds, 1995–96 to 2005–06

Year	Government						Total recurrent funding	
	Australian Government		State/territory and local		Non-government		Amount (\$m)	Growth (%)
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)		
1995–96	592	..	113	..	145	..	850	..
1996–97	607	2.6	134	18.7	156	7.2	897	5.5
1997–98	555	-8.5	124	-7.4	168	7.7	847	-5.5
1998–99	641	15.5	117	-5.6	153	-8.9	911	7.6
1999–00	702	9.5	139	18.8	241	57.9	1,083	18.8
2000–01	879	25.2	169	21.0	291	20.5	1,339	23.6
2001–02	929	5.6	177	5.0	311	7.0	1,417	5.9
2002–03	1,005	8.1	164	-7.3	329	5.6	1,497	5.6
2003–04	1,023	1.8	180	9.5	340	3.4	1,542	3.0
2004–05	1,133	10.8	208	15.6	374	10.1	1,715	11.2
2005–06	1,221	7.8	219	5.6	394	5.3	1,834	7.0
Average annual growth rate								
1995–96 to 1997–98		-3.1		4.9		7.5		-0.2
1997–98 to 2002–03		12.6		5.7		14.4		12.1
1995–96 to 2005–06		7.5		6.8		10.5		8.0

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

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

Source: AIHW health expenditure database.

4.2 Capital expenditure

Because investments in health facilities and equipment involve large outlays, and the lives of such facilities and equipment can be very long (up to 50 years is not uncommon for buildings), capital expenditure can fluctuate greatly from year to year (Table 48 and Figure 18). It is, therefore, meaningless to look at average growth rates over a relatively short period such as 10 years. Capital expenditure on health facilities and investments in 2005–06 was \$5,053 million (in 2004–05 prices), 6.0% of total health expenditure (Table A6).

Australian Government funding of capital is often by way of grants and subsidies to other levels of government or to non-government organisations.

State, territory and local governments, in contrast, devote much of their resources to new and replacement capital for government service providers (for example, hospitals and community health facilities). There were particularly high levels of capital expenditure in Queensland towards the end of the 1990s as some of the state's very old or run-down capital stock was replaced.

Typically, capital expenditure by the non-government sector accounts for around 60% of all capital expenditure in any year (Table 48). Non-government capital investment is largely in private hospitals, but also includes other types of facilities.

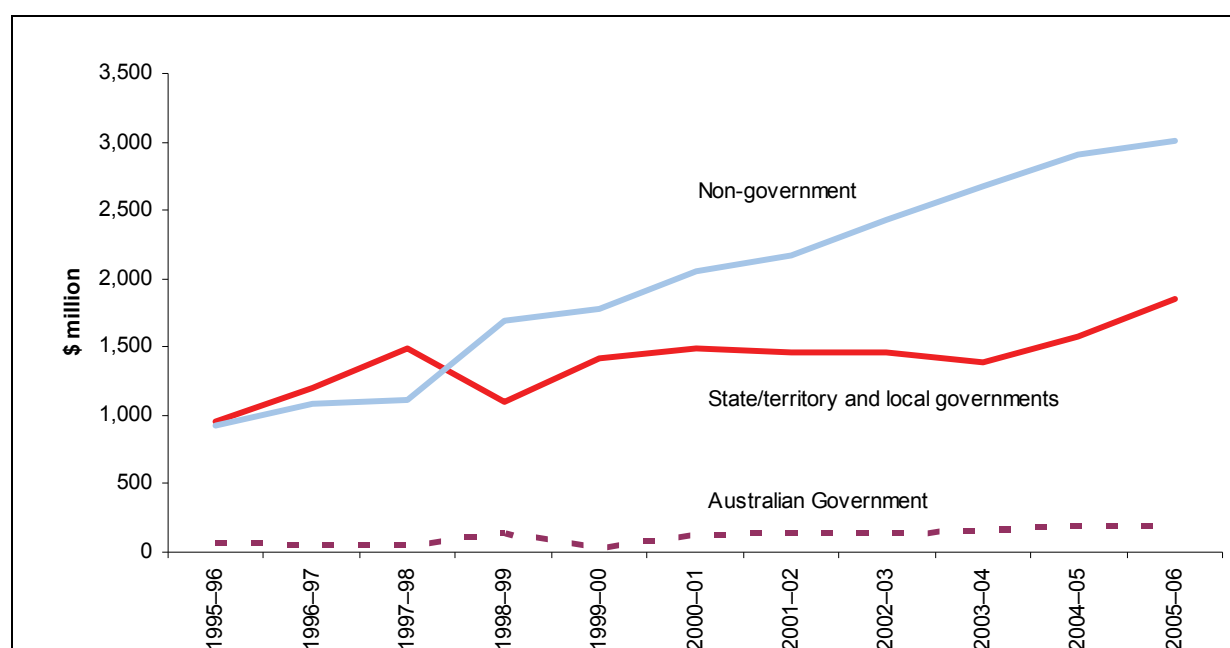
Table 48: Capital expenditure, constant prices^(a), by source of funds, 1995–96 to 2005–06 (\$ million)

Year	Government		Non-government	Total
	Australian Government	State/territory and local		
1995–96	53	950	919	1,921
1996–97	42	1,198	1,079	2,318
1997–98	49	1,488	1,116	2,653
1998–99	125	1,102	1,693	2,920
1999–00	30	1,412	1,778	3,221
2000–01	111	1,491	2,052	3,654
2001–02	136	1,457	2,163	3,756
2002–03	128	1,454	2,431	4,013
2003–04	147	1,386	2,676	4,209
2004–05	191	1,571	2,906	4,669
2005–06	184	1,857	3,012	5,053

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

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

Source: AIHW health expenditure database.



(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

Source: Table 48.

Figure 18: Capital expenditure, constant prices^(a), by broad source of funds, 1995–96 to 2005–06

4.3 Capital consumption by governments

Capital consumption is otherwise known as depreciation and represents the amount of fixed capital used up each year. The AIHW sources the data for government capital consumption from ABS government finance statistics (GFS). Within the National Health Accounts (NHA) tables, government capital consumption is separately reported to recurrent expenditure and sits alongside capital expenditure. Together capital expenditure, government capital consumption and recurrent expenditure add to total health expenditure. Ideally government capital consumption would be split by area of expenditure and reported as part of recurrent expenditure. But data are not yet available to do this, so until they are, government capital consumption will continue to be reported separately as one overall number.

Capital consumption (depreciation) by governments, in real terms, was estimated at \$1,294 million in 2005–06 (Table 49). This was an increase, in real terms, of 2.7% from 2004–05.

Table 49: Capital consumption by governments, current and constant prices^(a), and annual growth rates, 1999–00 to 2005–06

Year	Current prices	Constant prices	Real growth (%)
	\$ million	\$ million	
1999–00	942	977	..
2000–01	984	1,004	2.7
2001–02	1,029	1,053	4.9
2002–03	1,073	1,092	3.7
2003–04	1,160	1,186	8.6
2004–05	1,260	1,260	6.2
2005–06	1,323	1,294	2.7

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

Source: AIHW health expenditure database.

4.4 Medical expenses tax rebate

The medical expenses tax rebate becomes available to individuals to claim through the taxation system if they have out-of-pocket medical expenses over a specified limit in an income year. For the 2005–06 income year the tax rebate was 20 cents for each \$1 by which a taxpayer's net medical expenses exceeded \$1,500 (the threshold). Net medical expenses are the medical expenses that have been paid less any refunds that have been received, or could be received, from Medicare or a private health fund.

This tax rebate applies in regard to a wide range of health expenditures, not just expenses associated with doctors as its name might suggest. It is currently the only component of the category 'non-specific tax expenditure'. As the name indicates, 'non-specific tax expenditures' are those tax expenditures that cannot be specifically allocated to the various areas of health expenditure.

The medical expenses tax rebate in real terms was estimated at \$315 million in 2005–06. This was an increase in real terms of 8.8% from 2004–05. The average annual real increase over the decade from 1995–96 was 10.0% (Table 50).

Table 50: Non-specific tax expenditure, current and constant^(a) prices, and annual growth rates, 1995–96 to 2005–06

Year	Current prices	Constant prices	Real growth (%)
	\$ million	\$ million	
1995–96	91	121	..
1996–97	113	149	22.4
1997–98	128	166	11.9
1998–99	145	182	9.7
1999–00	162	199	8.9
2000–01	173	205	3.0
2001–02	203	231	13.0
2002–03	225	245	6.1
2003–04	251	262	6.8
2004–05	290	290	10.7
2005–06	329	315	8.8
Average annual growth rate			
1995–96 to 2005–06			10.0

(a) Constant price health expenditure for 1995–96 to 2005–06 is expressed in terms of 2004–05 prices.

Source: AIHW health expenditure database.

5 International comparisons

This chapter presents international comparisons of health expenditure for countries that are current members of the OECD and also countries in the Asia Pacific region. Differences between countries in terms of what is included as 'health expenditure' complicate the comparison to some extent, so caution is warranted when making comparisons.

Health expenditure by different countries can be compared as a proportion of GDP. This gives a measure of the proportion of a nation's productive effort that is spent on funding its health goods and services. Short-term fluctuations in the health to GDP ratio can, however, be misleading because they reflect movements in GDP as well as in health expenditure.

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

For the OECD countries, weighted averages as a whole have been calculated to take into account the proportional relevance of each component. For example, the weighted average of the per person health expenditure is total health expenditure divided by the total OECD population.

5.1 Health expenditure in OECD countries

The OECD median health to GDP ratio for 1995, 2000 and 2005 was respectively 7.5%, 8.1% and 9.0%. Australia's average was slightly lower in 1995 (7.4%), higher in 2000 (8.3%) and lower in 2005 (8.8%). In per person terms Australia's average was higher in each of the three years (Table 51).

The United States was by far the highest spender on health care, spending 15.3% of GDP in 2005 and an average expenditure per person that was more than double the amount for Australia (\$8,833 per person compared with \$4,121 for Australia) (Table 51).

In 2005, Australia had a health to GDP ratio that was comparable to Italy and New Zealand, was more than the United Kingdom and considerably lower than the United States (Table 51 and Figure 19).

Australia's three tiers of government funded an average of 67.0% of total health expenditure in 2005, which was 9.2 percentage points below the OECD median of 76.2%. Over the decade, the government contribution to the funding of health care in Australia edged up by 1 percentage point, while the government share for the OECD overall increased by 1.9 percentage points (Table 52).

Government health expenditure in 2005 as a proportion of GDP was 5.9% in Australia, 1 percentage point below the OECD median, and lower than the 6.9% of GDP that USA governments spend on health (Table 52).

Australia's per person out-of-pocket expenditure (\$335 in current prices) was \$84 below the weighted mean in 1995, but \$40 above the weighted mean in 2005 (Table 53). Australia's

out-of-pocket expenditure as a percentage of total expenditure and total household final consumption expenditure (HFCE) rose between the two periods from 15.9% to 18.2% and from 2.0% to 2.8%, respectively. For the OECD weighted averages, while out-of-pocket expenditure rose as a percentage of total HFCE (2.7% to 2.8%), it fell as a percentage of total health expenditure (16.6% to 15.5%) (Table 53).

5.2 International comparisons

The OECD averages in this publication are averages (means) of member countries for which data are available for all the years presented. The periods covered by the OECD data for a particular year differ from one country to another (see Box 5 for examples).

Box 5: Periods equating to OECD year 2005

Country	Financial year
<i>Australia</i>	<i>1 July 2005 to 30 June 2006</i>
<i>Canada</i>	<i>1 April 2005 to 31 March 2006</i>
<i>France</i>	<i>1 January 2005 to 31 December 2005</i>
<i>Germany</i>	<i>1 January 2005 to 31 December 2005</i>
<i>Japan</i>	<i>1 April 2005 to 31 March 2006</i>
<i>New Zealand</i>	<i>1 July 2005 to 30 June 2006</i>
<i>Sweden</i>	<i>1 January 2005 to 31 December 2005</i>
<i>United Kingdom</i>	<i>1 April 2005 to 31 March 2006</i>
<i>United States</i>	<i>1 October 2004 to 30 September 2005</i>

Table 51: Health expenditure as a proportion of GDP and per person, OECD countries, 1995 to 2005^(a)

Country	1995		2000		2005	
	Health to GDP (%)	Per person (A\$)	Health to GDP (%)	Per person (A\$)	Health to GDP (%)	Per person (A\$)
United States	13.3	4,826	13.2	5,985	15.3	8,833
Switzerland	9.7	3,394	10.4	4,167	11.6	5,764
France	9.9	2,726	9.6	3,258	11.1	4,656
Germany	10.1	2,937	10.3	3,451	10.7	4,536
Belgium	8.2	2,416	8.6	3,014	10.3	4,677
Austria	9.8	2,970	10.0	3,701	10.2	4,856
Portugal	7.8	1,447	8.8	2,129	10.2	2,806
Greece	7.5	1,650	9.3	2,555	10.1	4,114
Canada	9.0	2,715	8.8	3,287	9.8	4,590
Iceland	8.2	2,446	9.3	3,533	9.5	4,751
Denmark	8.1	2,433	8.3	3,119	9.1	4,289
Norway	7.9	2,497	8.4	4,037	9.1	6,022
Sweden	8.1	2,288	8.4	2,976	9.1	4,027
New Zealand	7.2	1,642	7.7	2,103	9.0	3,233
Italy	7.3	2,062	8.1	2,722	8.9	3,494
Australia^(b)	7.4	2,111	8.3	2,956	8.8	4,121
United Kingdom	7.0	1,827	7.3	2,435	8.3	3,759
Spain	7.4	1,575	7.2	1,991	8.2	3,112
Turkey	3.4	247	6.6	591	7.6	809
Finland	7.5	1,886	6.6	2,249	7.5	3,217
Ireland	6.7	1,599	6.3	2,387	7.5	4,038
Czech Republic	7.0	1,208	6.5	1,272	7.2	2,041
Slovak Republic	..	..	5.5	779	7.1	1,569
Mexico	5.6	512	5.6	663	6.4	932
Poland	5.5	550	5.5	773	6.2	1,196
Korea	4.1	701	4.8	1,022	6.0	1,819
Hungary	7.3	904	6.9	1,123	n.a.	n.a.
Japan	6.9	2,041	7.7	2,577	n.a.	n.a.
Luxembourg	5.6	2,682	5.8	3,909	n.a.	n.a.
Netherlands	8.3	2,404	8.0	2,958	n.a.	n.a.
Weighted average (29 countries)^{(c)(d)}	9.6	2,485	9.9	3,136	11.1	4,485
Median (29 countries)^(c)	7.5	2,062	8.1	2,722	9.0	4,038

(a) See definition of 'OECD financial year' in Box 5.

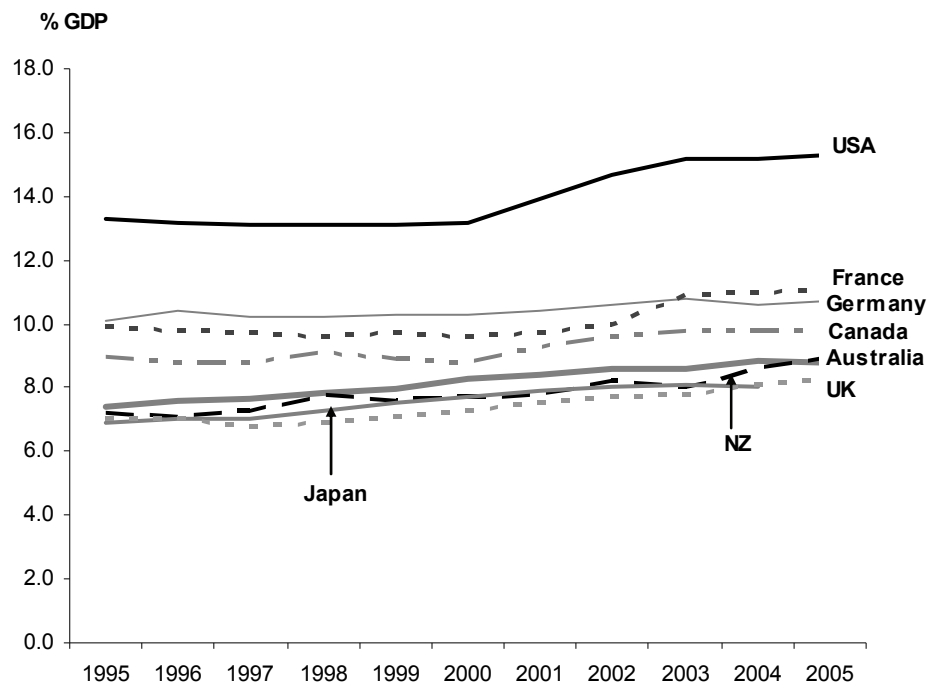
(b) Expenditure based on the OECD System of Health Accounts (SHA) framework.

(c) The 29 countries included in the averages exclude the Slovak Republic. Averages for 2005 incorporate 2004 data for Hungary, Japan, Luxembourg and the Netherlands.

(d) Average weighted by GDP or population.

Note: Expenditures converted to Australian dollar values using GDP purchasing power parities.

Sources: AIHW health expenditure database; OECD 2007.



(a) See definition of 'OECD financial year' in Box 5.

Sources: AIHW health expenditure database; OECD 2007.

Figure 19: Health expenditure as a proportion of GDP, selected OECD countries, 1995 to 2005^(a)

Table 52: Government health expenditure as a proportion of total health expenditure and GDP, OECD countries, 1995 to 2005^(a) (per cent)

Country	1995		2000		2005	
	Share of total health expenditure (%)	Share of GDP (%)	Share of total health expenditure (%)	Share of GDP (%)	Share of total health expenditure (%)	Share of GDP (%)
Greece	52.0	3.9	44.2	4.1	42.8	4.3
United States	45.3	6.0	43.7	5.8	45.1	6.9
Mexico	42.1	2.4	46.6	2.6	45.5	2.9
Korea	35.7	1.5	46.8	2.2	53.0	3.2
Switzerland	53.8	5.2	55.6	5.8	59.7	6.9
Australia^(b)	66.0	4.9	67.0	5.5	67.0	5.9
Poland	72.9	4.0	70.0	3.9	69.3	4.3
Canada	71.4	6.4	70.4	6.2	70.3	6.9
Spain	72.2	5.4	71.6	5.2	71.4	5.9
Turkey	70.3	2.4	62.9	4.2	71.4	5.4
Belgium	78.5	6.5	76.0	6.6	72.3	7.4
Portugal	62.6	4.9	72.5	6.4	72.7	7.4
Slovak Republic	..	..	89.4	4.9	74.4	5.3
Austria	71.5	7.0	75.9	7.6	75.7	7.7
Italy	70.8	5.1	72.5	5.8	76.6	6.8
Germany	81.6	8.2	79.7	8.2	76.9	8.2
Finland	75.6	5.6	75.1	4.9	77.8	5.9
Ireland	71.8	4.8	72.9	4.6	78.0	5.8
New Zealand	77.2	5.5	78.0	6.0	78.1	7.0
France	78.6	7.7	78.3	7.5	79.8	8.9
Iceland	83.9	6.9	82.0	7.6	82.5	7.9
Norway	84.2	6.6	82.5	6.9	83.6	7.6
Denmark	82.5	6.7	82.4	6.8	84.1	7.7
Sweden	86.6	7.0	84.9	7.1	84.6	7.7
United Kingdom	83.9	5.8	80.9	5.9	87.1	7.2
Czech Republic	90.9	6.4	90.3	5.9	88.6	6.4
Hungary	84.0	6.1	70.7	4.9	n.a.	n.a.
Japan	83.0	5.7	81.3	6.2	n.a.	n.a.
Luxembourg	92.4	5.1	89.3	5.2	n.a.	n.a.
Netherlands	71.0	5.9	63.1	5.0	n.a.	n.a.
Weighted average (28 countries)^{(c)(d)}	60.9	5.8	59.4	5.9	59.9	6.7
Median (28 countries)^(c)	74.3	5.7	74.0	5.9	76.2	6.9

(a) See definition of 'OECD financial year' in Box 5.

(b) Expenditure based on the OECD SHA framework.

(c) The 28 countries included in the averages exclude the Slovak Republic and the Netherlands. Averages for 2005 incorporate 2004 data for Hungary, Japan and Luxembourg.

(d) Average weighted by total health expenditure or GDP.

Sources: AIHW health expenditure database; OECD 2007.

Table 53: Out-of-pocket health expenditure per person, and as shares of total health expenditure and household final consumption expenditure^(a), OECD countries, 1995 and 2005^(b)

Country	1995			2005		
	Per person out-of-pocket expenditure (A\$)	Share of total health expenditure (%)	Share of total HFCE (%)	Per person out-of-pocket expenditure (A\$)	Share of total health expenditure (%)	Share of total HFCE (%)
Switzerland	1,119	33.0	5.5	1,761	30.5	6.1
United States	725	15.0	2.9	1,162	13.1	2.9
Belgium	n.a.	n.a.	n.a.	994	21.2	4.2
Norway	380	15.2	2.5	943	15.7	3.5
Iceland	393	16.1	2.4	831	17.5	2.9
Austria	496	16.7	3.0	794	16.4	3.1
Australia^(c)	335	15.9	2.0	750	18.2	2.8
Italy	549	26.6	3.3	709	20.3	3.1
Spain	371	23.5	3.0	697	22.4	3.2
Korea	385	54.9	4.4	686	37.7	4.4
Canada	432	15.9	2.6	665	14.5	2.6
Portugal	n.a.	n.a.	n.a.	625	22.3	3.6
Denmark	396	16.3	2.6	614	14.3	2.7
Germany	286	9.8	1.8	595	13.1	2.4
Finland	387	20.5	3.1	573	17.8	2.7
Ireland	230	14.4	1.9	542	13.4	2.4
New Zealand	265	16.2	2.0	541	16.7	2.6
Mexico	288	56.2	4.8	477	51.2	4.8
Slovak Republic	..	..	..	355	22.6	2.8
Netherlands	n.a.	n.a.	n.a.	345	n.a.	1.5
France	218	8.0	1.4	322	6.9	1.4
Poland	149	27.1	2.5	312	26.1	2.6
Czech Republic	110	9.1	1.3	222	10.9	1.6
Turkey	74	29.7	1.4	160	19.9	2.2
Greece	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary	145	16.0	2.2	n.a.	n.a.	n.a.
Japan	313	15.3	1.9	n.a.	n.a.	n.a.
Luxembourg	166	6.2	0.8	n.a.	n.a.	n.a.
Sweden	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
United Kingdom	199	10.9	1.2	n.a.	n.a.	n.a.
Weighted average (23 countries)^{(d)(e)}	419	16.6	2.7	710	15.5	2.8
Median (23 countries)^(d)	335	16.1	2.5	595	17.3	2.7

(a) Total HFCE covers all goods and services, including health.

(b) See definition of 'OECD financial year' in Box 5.

(c) Expenditure based on the OECD SHA framework.

(d) The 23 countries included in the averages exclude Belgium, Greece, Netherlands, Portugal, Slovak Republic, Sweden and the United Kingdom. Averages for 2005 incorporate 2004 data for Hungary, Japan and Luxembourg.

(e) Averages weighted by population for per person out-of-pocket expenditure and by health expenditure or HFCE for other categories.

Note: Expenditures converted to Australian dollar values using GDP purchasing power parities.

Sources: AIHW health expenditure database; OECD 2007.

Table 54: Components of growth in health expenditure, selected OECD countries, 1995 to 2005^(a), (per cent)

Country	Nominal growth	Inflation			Real growth		Total
		General	Excess health	Health	Population component	Utilisation component	
Australia ^(b)	8.2	2.8	0.3	3.1	1.2	3.7	5.0
Canada	6.2	2.0	0.1	2.1	1.0	3.1	4.1
Denmark ^(c)	5.5	2.1	0.0	2.0	0.4	3.0	3.4
Finland	5.2	1.4	1.8	3.2	0.3	1.6	1.9
France	5.0	1.4	-0.1	1.4	0.5	3.0	3.6
Italy	6.3	2.8	0.4	3.2	0.2	2.8	3.0
Spain ^(c)	6.8	3.1	-0.2	2.9	0.6	3.2	3.8
Sweden ^(d)	6.0	1.3	2.0	3.4	0.2	2.4	2.6
Switzerland ^(e)	4.1	0.5	0.2	0.7	0.5	2.8	3.4
United States	6.9	2.0	1.2	3.2	1.1	2.5	3.6

(a) See definition of 'OECD financial year' in Box 5.

(b) Expenditure based on the OECD SHA framework.

(c) 1995 to 2001.

(d) 1995 to 2002.

(e) 1995 to 2003.

Sources: AIHW health expenditure database; OECD 2007.

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

For the decade to 2005, Australia had an average annual excess health inflation rate of 0.3% which was the fifth highest for this group of 10 countries (Table 54).

In order to compare the level of expenditure without the complication of different rates of population growth, it is useful to examine real growth in average per person expenditure on health. For the decade to 2005, Australia had an average annual real growth in per person expenditure of 3.7% (Table 54). This represents extra volumes of health services delivered per Australian – this was the highest of the 10 countries in this group.

5.3 Health expenditure in the Asia–Pacific region

There is a very broad range of economies within the Asia–Pacific region, including highly developed economies like Australia and Japan (Tables 51 to 53) as well as developing economies like Malaysia, Thailand, Vietnam, Indonesia and Bangladesh (Table 55).

In 2004 Australia had the second highest health to GDP ratio, at 8.8%. For the other countries in Table 55, Myanmar (2.2%), Indonesia (2.8%) and Bangladesh (3.1%) had a relatively low health to GDP ratios.

Australia (\$3,906 per person) had the highest average expenditure on health while Myanmar (\$6 per person) had the lowest.

There are many reasons underlying the substantial differences between the levels of resourcing for health in these countries. In many cases, low GDP means few resources are available to devote to health. But on top of this, in some countries governments do not place a high priority on health services.

Table 55: Health expenditure comparison for selected Asia-Pacific countries, 2004

Country	Health to GDP (%)	Per person (A\$)	Government to total (%)	Per person out-of-pocket (A\$)	Out-of-pocket to total (%)
Australia^(a)	8.8	3,906	66.9	707	18.1
Singapore	3.7	1,282	34.0	820	63.9
Malaysia	3.8	245	58.8	75	30.5
Fiji	4.6	201	62.3	76	37.7
Tonga	6.3	159	79.5	28	17.4
Samoa	5.3	148	76.8	27	18.1
Thailand	3.5	120	64.7	32	26.4
China	4.7	95	38.0	51	53.6
Vanuatu	4.1	79	76.8	11	13.3
Timor-Leste	11.2	59	78.9	3	5.4
Sri Lanka	4.3	58	45.6	26	45.7
Mongolia	6.0	51	66.6	16	30.8
Philippines	3.4	49	39.8	23	46.9
Solomon Islands	5.9	47	94.5	1	3.1
Indonesia	2.8	44	34.2	22	49.1
India	5.0	43	17.3	33	77.6
Papua New Guinea	3.6	41	84.3	3	7.3
Vietnam	5.5	41	27.1	26	64.2
Cambodia	6.7	32	25.8	20	63.4
Lao	3.9	23	20.5	16	71.8
Bhutan	4.6	21	64.2	7	35.8
Nepal	5.6	19	26.3	12	65.0
Bangladesh	3.1	19	28.1	12	63.5
Myanmar	2.2	6	12.9	5	86.5

(a) Expenditure based on the OECD SHA framework.

Sources: AIHW health expenditure database, WHO database.

5.4 Australian System of Health Accounts

The AIHW is responsible for collecting, collating and reporting expenditure on health in Australia each year. It is also the national coordinating body for the provision of most data on social expenditures to the OECD. The AIHW's responsibilities in this regard include expenditure on welfare services, social security and housing as well as health.

The format that the AIHW uses for its national reports of expenditure on health is based on one adopted by the World Health Organization (WHO) during the 1970s, known as the Australian National Health Accounts (NHA). Australia's reporting format has not changed markedly since the AIHW's first national health expenditure report in 1986, despite considerable change in the way health care is delivered. The WHO has recently moved to adopt a reporting framework based on a system of health accounts developed by the OECD.

In 2000, the OECD published guidelines for a new method of international reporting for health expenditure. That publication, *A system of health accounts* (OECD 2000), was developed to encourage international consistency in the way health expenditure was reported throughout the OECD membership. This International Classification for Health Accounts (ICHA) classifies expenditure on health in terms of:

- health care by function (ICHA-HC)
- health care service provider industries (ICHA-HP)
- sources of funding health care (ICHA-HF).

The functional classification refers to the goals or purposes of health care. At the broadest level these are disease prevention, health promotion, treatment, rehabilitation and long-term care.

The provider classification is a list of health care provider types which has been refined and modified from the International Standard Industrial Classification (UN 2002).

The funder classification follows the System of National Accounts 1993 (OECD 1994) guidelines for the allocation of funds by sector.

The major difference between estimates derived using the Australian NHA and the OECD System of Health Accounts (SHA) is the value of total expenditure. The NHA includes all the 'health' functional classifications. It also includes the following 'health-related' functional classifications in its estimates of total health expenditure:

- capital expenditure of health care provider institutions
- research and development in health
- food, hygiene and drinking water control
- environmental health
- administration and provision of social services in kind to assist living with disease and impairment
- administration and provision of health-related cash-benefits.

'Education and training of health personnel' is excluded from the NHA estimates of total health expenditure.

The SHA, on the other hand, includes, as well as the 'health' functions, only HC.R.1 – 'Capital formation of health care provider institutions' – from the 'health-related' functions in its total health expenditure estimates. In 2005–06 (OECD year 2005), the estimate of total health expenditure using the NHA was \$86.9 billion, \$2,149 million or 2.5% higher than the SHA total for health expenditure (\$84.7 billion) (Tables 1 and 56).

The AIHW's health expenditure database for all years since 1998–99 is structured in a way that allows simultaneous reporting according to the NHA reporting matrix and the SHA classifications. Through the work of the Health Expenditure Advisory Committee (HEAC), an Australian System of Health Accounts is being developed that can be mapped to the OECD's SHA, but which uses terminology that is more relevant to the Australian domestic

situation. When this is achieved, the Australian SHA will be better able to provide more detailed and comprehensive data for both national purposes and international comparability.

The following three tables provide a snapshot of the data for 2004–05 and 2005–06, following the OECD format.

The definitions of OECD categories can be found at:
<http://www.oecd.org/dataoecd/49/51/21160591.pdf>.

Table 56: Total health expenditure, by financing agents, current prices, 2004–05 and 2005–06

SHA code	Description	2004–05		2005–06	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
<i>HF.1</i>	<i>General government</i>	52,990	66.9	56,808	67.0
HF.1.1	General government excluding social security funds	52,990	66.9	56,808	67.0
HF.1.1.1	Central government	34,010	42.9	35,492	41.9
HF.1.1.2, 1.1.3	Provincial/local government	18,980	24.0	21,316	25.2
HF.1.2	Social security funds	—	—	—	—
<i>HF.2</i>	<i>Private sector</i>	26,208	33.1	27,921	33.0
HF.2.1	Private social insurance	—	—	—	—
HF.2.2	Private insurance enterprises (other than social insurance)	6,038	7.6	6,284	7.4
HF.2.3	Private household out-of-pocket expenditure	14,329	18.1	15,415	18.2
HF.2.4	Non-profit institutions serving households (other than social insurance)	—	—	—	—
HF.2.5	Corporations (other than health insurance)	5,841	7.4	6,222	7.3
<i>HF.3</i>	<i>Rest of the world</i>	—	—	—	—
Total health expenditure		79,198	100.0	84,730	100.0

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

Source: AIHW health expenditure database.

Table 57: Total health expenditure, by mode of production, current prices, 2004–05 and 2005–06

SHA code	Description	2004–05		2005–06	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
Inpatient care^(a)					
HC.1.1, 2.1	Curative & rehabilitative care	26,493	33.5	28,900	34.1
HC.3.1	Long-term nursing care	387	0.5	415	0.5
Services of day-care					
HC.1.2, 2.2	Day cases of curative & rehabilitative care	—	—	—	—
HC.3.2	Day cases of long-term nursing care	—	—	—	—
Outpatient care					
HC.1.3, 2.3	Outpatient curative & rehabilitative care	25,080	31.7	26,746	31.6
HC.1.3.1	Basic medical and diagnostic services	9,252	11.7	9,732	11.5
HC.1.3.2	Outpatient dental care	5,054	6.4	5,327	6.3
HC.1.3.3	All other specialised health care	2,781	3.5	2,994	3.5
HC.1.3.9	All other outpatient curative care	6,357	8.0	6,946	8.2
HC.2.3	Outpatient rehabilitative care	1,637	2.1	1,748	2.1
Home care					
HC.1.4, 2.4	Home care (curative & rehabilitative)	—	—	—	—
HC.3.3	Home care (long-term nursing care)	27	—	25	—
Ancillary services to health care					
HC.4.1	Clinical laboratory	1,374	1.7	1,478	1.7
HC.4.2	Diagnostic imaging	1,602	2.0	1,745	2.1
HC.4.3	Patient transport and emergency rescue	1,482	1.9	1,506	1.8
HC.4.9	All other miscellaneous ancillary services	66	0.1	32	—
Medical goods dispensed to outpatients					
HC.5.1	Pharmaceuticals and other medical non-durables	11,637	14.7	12,030	14.2
HC.5.2	Therapeutic appliances and other medical durables	2,617	3.3	2,797	3.3
<i>Total expenditure on personal health care</i>		<i>70,764</i>	<i>89.4</i>	<i>75,674</i>	<i>89.3</i>
HC.6	Prevention and public health services	1,245	1.6	1,263	1.5
HC.7	Health administration and health insurance	2,521	3.2	2,626	3.1
<i>Total expenditure on collective health care</i>		<i>3,766</i>	<i>4.8</i>	<i>3,889</i>	<i>4.6</i>
<i>Total current expenditure on health care</i>		<i>74,530</i>	<i>94.1</i>	<i>79,562</i>	<i>93.9</i>
Health-related functions					
HC.R.1	Capital formation of health care provider institutions	4,669	5.9	5,167	6.1
Total health expenditure		79,198	100.0	84,730	100.0

(a) In-patient includes all admitted patient services whether they are overnight admissions or same-day admissions.

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

Source: AIHW health expenditure database.

Table 58: Total health expenditure, by provider, current prices, 2004–05 and 2005–06

SHA code	Description	2004–05		2005–06	
		Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
HP.1	Hospitals	29,718	37.5	32,421	38.3
HP.2	Nursing and residential care facilities	28	—	27	—
HP.3	Providers of ambulatory health care	27,665	34.9	29,422	34.7
HP.3.1	Offices of physicians	11,155	14.1	11,732	13.8
HP.3.2	Offices of dentists	5,064	6.4	5,337	6.3
HP.3.3–3.9	All other providers of ambulatory health care	11,447	14.5	12,353	14.6
HP.4	Retail sales and other providers of medical goods	13,685	17.3	14,192	16.8
HP.5	Provision and administration of public health programs	1,245	1.6	1,260	1.5
HP.6	General health administration and insurance	6,856	8.7	7,406	8.7
HP.6.1	Government administration of health	3,378	4.3	3,734	4.4
HP.6.2	Social security funds	—	—	—	—
HP.6.3, 6.4, 6.9	Other social insurance	3,478	4.4	3,672	4.3
HP.7	Other industries (rest of the economy)	—	—	—	—
HP.9	Rest of the world	2	—	1	—
Total health expenditure		79,198	100.0	84,730	100.0

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

Source: AIHW health expenditure database.

6 Classification of residential aged care expenditure

6.1 Background

In previous editions of the Institute's *Health expenditure Australia* and *Welfare expenditure Australia* reports, expenditure for high-level care services in residential aged care facilities was classified to health and expenditure for low-level care services was classified to welfare services. All expenditure on residential aged care facilities is now classified to welfare services in accordance with the classification practices of the Department of Finance and Administration (DoFA), the ABS, the DoHA, Productivity Commission and Department of Treasury. This chapter provides:

- some historical background on aged care policy that relates to the classification of aged care expenditure between health and welfare services
- an explanation as to why all residential aged care expenditure is now being classified as welfare services.

The DoFA classifies all Australian Government residential aged care expenditure under Government Purpose Classification (GPC) 2622 'Welfare services for the aged', and therefore all residential aged care expenditure is included under the social security and welfare function for reporting in the annual Final Budget Outcome papers and other Budget papers produced by the Treasury. These data are passed to the ABS which reports residential aged care expenditure under 'Welfare services for the aged'.

The DoHA reports residential aged care subsidies under Outcome 3 Aged Care and Population Ageing in its annual reports. It does not split these subsidies between 'health' and 'welfare' services.

The Productivity Commission publishes information on aged care expenditure in a number of contexts. In the *Report on Government Services (SCRGSP 2007)*, the Productivity Commission reports all residential aged care expenditure under the Community services category, not the Health category. In its report *Economic implications of an ageing Australia* (Productivity Commission 2005), projection of aged care expenditure (including all residential aged care expenditure) was separate from health expenditure.

In the Intergenerational Reports (Treasury 2002, 2007), the Department of Treasury provides information on the impact of an ageing population on the long-term sustainability of government finances. It includes projections for spending and revenue. Information on Australian Government aged care spending and revenue is included in a section titled 'Health and aged care' with information on aged care (including residential aged care) reported separately to health.

The AIHW has been splitting residential aged care expenditure into health and welfare based on the Resident Classification Scale (RCS) categories. That is, expenditure for residents classified as RCS 1 to 4 (high level care needs) was allocated to health expenditure and expenditure for those classified as RCS 5 to 8 (low level care) was allocated to welfare services expenditure.

Table 59: Classification of residential aged care expenditure by various Australian Government agencies

Australian Government agencies	Classification	Publication
DoFA	GPC2622—Welfare services for the aged	Final Budget Outcome, Treasury (annual)
ABS	Same as DoFA	Government Finance Statistics (annual)
DoHA	Not split between health and welfare	Annual report: Outcome 3 Aged Care and Population ageing
Productivity Commission	Community services category Non-health	<i>Report on Government Services (annual)</i> <i>Economic Implications of an Ageing Australia</i> (Productivity Commission 2005)
Treasury	Aged care	Intergenerational Report (Treasury 2002 & 2007)
AIHW	Part health and part welfare	' <i>Health expenditure Australia</i> ', and ' <i>Welfare expenditure Australia</i> '

Except for the AIHW, in recent times Australian Government agencies have been reporting residential aged care expenditure in community services/welfare services or aged care categories. Section 6.2 provides a summary of history from 1974 to the present on changes in aged care policy and its influence on classification. Section 6.3 provides a summary of the results obtained from more recent evidence on the nature of care provided to the aged in residential care facilities which inform discussion on the classification of residential aged care expenditure to welfare services.

6.2 History

Up to 1996, there were two separate Acts underpinning funding on nursing homes and hostels for the aged or people with disabilities. Payment of nursing home benefits was provided for under the *National Health Act 1953* (AGD 1953) and was allowed under the hospital benefits provision of section 51 (xxiiiA) of the Constitution. These were benefits paid by the government to individual patients in nursing homes (under section 49B of the *National Health Act 1953*). The fact that the hospital benefits provision of the constitution was used was an indication that nursing home benefits were seen as having a health purpose. On the other hand, the deficit funding arrangements under the *Nursing Homes Assistance Act 1974* (AGD 1974) authorise assistance to particular categories of nursing homes, rather than to individuals. It is likely, however, that it too came under Section 51 (xxiiiA).

The government's involvement in respect of hostels was under the *Aged or Disabled Persons Care Act 1954* (AGD1954). This legislation was probably enacted pursuant to the provisions of section xxiii of the Constitution, which gives the Parliament of the Commonwealth power to legislate with respect to Invalid and old-age pensions. It took the form of capital and recurrent funding to institutions that provided care to aged and/or disabled people.

The classification to health and welfare services in relation to the Australian Government's expenditure on services to the aged and the frail has changed over time. The Australian Government viewpoint on nursing homes during the earlier period, particularly 1974 to 1984 was that nursing homes were clearly 'health' institutions. This was evident both from the admissions procedures adopted in respect of patients and the nature of the type of care that was required to be delivered to patients. However, this view has gradually changed when

new evidence on the nature of care provided to older people living in residential care facilities that it is more ‘welfare services’. The change became more evident after the *1986 Nursing Homes and Hostels Review* (DCSH 1986).

The *Aged Care Act 1997* (AGD 1997), which replaced the two Acts above, unified nursing home and hostel sectors. The Australian Government’s new residential aged care facilities funding arrangements enabled a single form of funding in respect of care provided to all people cared for in residential aged care facilities (formerly hostels and nursing homes). Funding varied according to each resident’s assessed need. The instrument used in assessing needs is called the Resident Classification Scale (RCS). There are 8 RCS categories from RCS 1 to RCS 8. These are ranked progressively in terms of intensity of need. RCS 1 to 4 are described as high-level care, and RCS 5 to 8 are low-level care. Funding for residents assessed in category 1 was the highest. Residents classified in category 8 do not attract any funding.

Table 60: Changes in aged care arrangements and policy since 1974

Year	Committee/Department/Act	Review	Changes
1974	Hospitals and Allied Services Advisory Committee (HASAC)	Nursing home staffing levels and physical standards	Eligibility certified by a registered medical practitioner Minimum three hours care by registered nurse per week, and seven hours care by unregistered nurses
1982	The House of Representative Standing Committee on Expenditure	Accommodation and home care for the aged	Recommendations of uniform standard ‘nursing hours’
1985	The Senate Select Committee on Private Hospitals and Nursing Homes	Accommodation and home care for the aged	Recommendations of uniform standard ‘nursing hours’
1986	Department of Community Services and Health	Nursing Homes and Hostels Review	Home and Community Care (HACC) extended through community housing for the elderly, self-contained units and hostels to nursing home care Various programs supporting residential facilities for the aged and disabled were amalgamated into a single ‘Residential Care Program’ The differential between ‘personal care subsidy’ for residents in hostels, and ‘ordinary nursing home benefit’ provided to moderately dependent patients in nursing homes, was narrowed ‘Ordinary nursing care’ and ‘extensive nursing care’ categories were differentiated. This allowed ordinary care beds to be progressively absorbed into providing ‘extensive nursing care’
1997	Aged Care Act 1997	Structure of aged care services	Nursing home and hostel sectors were unified Providers offered both high and low care Single funding to all people cared for in residential aged care facilities, through the 8 Residential Classification Scale (RCS)
Current	The Australian Government 2004 Budget announcement	Implementation of changes over four years	Replacement of the 8 RCS funding classifications with the 3 Aged Care Funding Instruments (ACFI)—low, medium and high

Some have associated higher level care categories with higher needs for health services. However, just because illness is the cause of the need for care does not mean that the provided type of care has a health purpose. A service has a health purpose if the service is actively aiming to improve a person’s health or to prevent illness or injury. Most residential aged care services have a care focus rather than a cure focus. Most of the services are to cater

for needs for personal care that have developed because of declines in health status in the past, but are not directly attempting to reverse that health status decline.

The questions used to determine the resident's intensity of care needs, and thus the amount of funding paid, cover the areas listed below (Table 61). The majority of these activities (excluding 17 to 19) fall under the category of personal care assistance rather than health care. These activities can be performed by people without health qualifications, and this is another indication that the activities do not primarily have a health purpose. For funding purposes, each resident is classified according to the answers given to the RCS questionnaire. Each answer has a different weight applied and the sum of these weights gives an overall score for the resident.

Table 61: RCS question set and weightings for residential aged care population June 2003

RCS question	Description	A	B	C	D
1	Communication	0.00	0.28	0.36	0.83
2	Mobility	0.00	1.19	1.54	1.82
3	Meals and drinks	0.00	0.67	0.75	2.65
4	Personal hygiene	0.00	5.34	14.17	14.61
5	Toileting	0.00	5.98	10.65	13.70
6	Bladder management	0.00	2.22	3.82	4.19
7	Bowel management	0.00	3.32	5.72	6.30
8	Understanding and undertaking living activities	0.00	0.79	1.11	3.40
9	Problem wandering and intrusive behaviour	0.00	0.80	1.58	4.00
10	Verbally disruptive or noisy	0.00	1.19	1.75	4.60
11	Physically aggressive	0.00	2.34	2.69	3.05
12	Emotional dependence	0.00	0.28	1.50	3.84
13	Danger to self or others	0.00	1.11	1.54	1.98
14	Other behaviour	0.00	0.91	1.82	2.61
15	Social and human need—care recipient	0.00	0.95	1.98	3.01
16	Social and human need—families and friends	0.00	0.28	0.55	0.91
17	Medication	0.00	0.79	8.55	11.40
18	Technical and complex nursing procedures	0.00	1.54	5.54	11.16
19	Therapy	0.00	3.64	6.10	7.01
20	Other services	0.00	0.71	1.46	2.93

Source: DoHA 2005b. Those residents classified in category D need more assistance with that particular area as compared in those classified in the lower need A, B and C categories. And A is lower need than B, and B lower need than C.

In the 2004 Budget, the Australian Government announced a number of further changes to the residential aged care system. These changes are being implemented progressively over four years and have implications for data reporting from 2004–05 onwards. The changes with data implications are:

- replacement of the eight RCS funding classifications with Aged Care Funding Instrument (ACFI) categories:
 - low
 - medium
 - high, and
- two new supplements, each paid at three levels (low, medium and high) for:
 - mental and behavioural conditions, including dementia, and
 - the other for complex health care needs, including palliative care.

From 20 March 2008 a new assessment instrument, the ACFI, which uses a different question set (12 questions) to the RCS classifications, will be introduced (DoHA 2007). From the date

of ACFI's introduction for the foreseeable future, the residential data set will be a mix of reporting based on a new question set (the ACFI) and reporting based on the previous question set (the 20 RCS questions) (Table 61).

6.3 Residential aged care expenditures: estimating the distribution of expenditure across different service needs

The AIHW has estimated the funding that is allocated for each RCS question for the residential aged care population as at June 2003. The 20 questions used as the basis for these calculations and details of the methodology used are available in *Welfare expenditure Australia 2005–06* (AIHW in press).

The following three areas could be considered health services: medication; technical and complex nursing procedures; and therapy. The other 17 areas, which mostly involve assistance with activities of daily living, could be considered welfare services. On that basis, the three areas allocated to health (RCS questions 17 to 19) accounted for 28% of the total government basic subsidy for residential aged care (Table 62). The other 17 areas accounted for 72% of the government basic subsidy.

This approach contrasts with the method of allocation used in previous *Health expenditure Australia* reports based on the RCS1–8 scale where RCS care need categories 1–4 were allocated to high level care and therefore to health, and RCS 5–8 categories were allocated to low level care and therefore to welfare services. This method resulted in a split of approximately 78% to health and 22% to welfare services.

Table 62: RCS questions and funding subsidies for residential aged care population June 2003

RCS question	Description	Residential aged care basic subsidy (\$m)	Per cent of total expenditure
1	Communication	27	0.6
2	Mobility	99	2.2
3	Meals and drinks	65	1.5
4	Personal hygiene	942	21.2
5	Toileting	618	13.9
6	Bladder management	191	4.3
7	Bowel management	363	8.2
8	Understanding and undertaking living activities	115	2.6
9	Problem wandering and intrusive behaviour	69	1.6
10	Verbally disruptive or noisy	118	2.7
11	Physically aggressive	50	1.1
12	Emotional dependence	132	3.0
13	Danger to self or others	78	1.8
14	Other behaviour	143	3.2
15	Social and human need—care recipient	148	3.3
16	Social and human need—families and friends	33	0.7
17	Medication	493	11.1
18	Technical and complex nursing procedures	376	8.5
19	Therapy	357	8.0
20	Other services	24	0.5
Total		4,441	100.0

Source: Calculated by AIHW based on data from the DoHA Aged and Community Care Management Information System (ACCMIS) database.

Given that over two-thirds of the expenditure for residential care facilities is of a welfare services nature rather than a health nature, it is no longer appropriate to continue to use the high level care/low level care split whereby 78% of residential aged care expenditure was allocated to health and 22% to welfare services. It has been decided, after consultation with DoHA, the ABS and the Health Expenditure Advisory Committee to classify all expenditure for residential aged care facilities under welfare services, as the majority of this expenditure has a welfare purpose. This is in accord with the classification practice of the DoFA, the ABS and other government agencies.

All data appearing in this report for prior years have been revised accordingly.

There is an argument for splitting residential aged care expenditure about two-thirds to welfare services and one-third to health, but such a split is difficult to estimate technically and is not in accord with existing management and program classifications so is not a practically realistic option.

Full details of expenditure on residential aged care are given in the *Welfare expenditure Australia* reports, but a summary of expenditure for this area is given below.

Table 63: Residential aged care expenditure^(a), current and constant prices^(b), 1999–00 to 2005–06

Period	Current prices (\$ m)	Constant prices (\$ m)
1999–00	5,043	5,979
2000–01	5,273	6,252
2001–02	5,599	6,225
2002–03	6,010	6,461
2003–04	7,018	7,279
2004–05	7,247	7,247
2005–06	7,492	7,185

(a) Residential aged care subsidies from DVA, DoHA, state and territory governments, non-government organisations, injury compensation insurers, and fees from residents. Also includes payments for the Extended Aged Care in the Home program.

(b) Constant price health expenditure for 1999–00 to 2005–06 is expressed in terms of 2004–05 prices.

Source: AIHW health expenditure database.

In 2005–06, recurrent expenditure on residential aged care facilities by the Australian government, state and territory governments, and co-contribution fees paid by residents was estimated at \$7,492 million (Table 63). In real terms, there was a 20.2% increase in recurrent expenditure on residential aged care facilities between 1999–00 (\$5,979 million in constant prices) and 2005–06 (\$7,185 million).

Implications of reclassification

Allocating all residential care subsidies to welfare services has a significant impact on the total amount of expenditure designated to health and to welfare services, and therefore the health expenditure and welfare services expenditure to GDP ratios (Table 64). Compared with the previous allocation method, the health expenditure to GDP ratio in 2004–05 is lower

by 0.65 percentage points and the welfare services expenditure to GDP ratio is higher by 0.65 percentage points (Table 64). However, under both approaches the combined health/welfare services expenditure to GDP ratio remains the same at 12%.

Table 64: Health and welfare services expenditure to GDP ratio based on two classification approaches, 2004–05 and 2005–06 (per cent)

	Based on residential aged care expenditure split between health and welfare by RCS 1-4/5-8		Based on all residential aged care expenditure allocated to welfare services	
	Health to GDP	Welfare services to GDP	Health to GDP	Welfare services to GDP
2004–05	9.7	2.4	9.05	3.0
2005–06	9.6	2.4	9.0	3.0

Source: Calculated by AIHW from the health and welfare expenditure databases and the DoHA ACCMIS database.

7 Technical notes

7.1 General

Health expenditure is reported domestically using the Australian National Health Accounts (NHA) framework. This framework, which has operated since the early 1960s, is based on a national health expenditure matrix showing areas of expenditure by sources of funding.

Since 1998, the AIHW, which has responsibility for developing estimates of national health expenditure, has collated and stored its health expenditure data in a way that enables it to simultaneously report national health expenditure according to the national framework and according to the OECD's System of Health Accounts (OECD 2000).

Health Expenditure Advisory Committee (HEAC)

In 2003, the AIHW established the HEAC, comprising data users and providers, to provide advice on health expenditure reporting in Australia. The committee, which meets twice a year, consists of representatives of Australian government agencies – DoHA, ABS, DVA, Commonwealth Grants Commission, Medicare Australia and the Private Health Insurance Administration Council (PHIAC) – and each state and territory health department. This committee has now expanded to include a representative from the Ministry of Health New Zealand, and a health economist. The terms of reference for this committee are to provide advice to the AIHW on:

- data sources, analysis and presentation of its estimates of health expenditure in Australia
- integration of the AIHW's health expenditure collections with all other Australian sub-national and national collections, and with international frameworks and collections of health expenditure statistics
- longer term directions related to the reporting of expenditure on health, both within Australia and to international bodies such as the OECD and WHO.

Government Health Expenditure National Minimum Data Set (GHE NMDS)

Under the auspices of the HEAC, the AIHW has begun developing a national minimum dataset (NMDS) for government funded health expenditure (GHE) which will enhance the current reporting of health expenditure data.

An NMDS is a mandated national data collection for all states and territories. It is dependent upon national agreement to collect and supply uniform core data towards a national collection. The most important aspect of an NMDS is the agreement between all relevant parties. An NMDS agreement includes data standards specified using data elements, as well as the scope for the application of those data elements (AIHW 2007c).

Current approach

Expenditure and funding data for health goods and services are published annually in the *Health expenditure Australia* reports. These data are obtained from a wide variety of sources in the public and private sectors. The state and territory health authorities currently supply

their data to the AIHW. The current data collection instrument contains a mix of provider (e.g. public hospitals) and function categories (e.g. mental health services).

Proposed approach for NMDS

Policy areas increasingly want health expenditure information that they can use to identify the cost of specific programs, such as immunisation programs or mental health programs, as well as how much was spent by providers such as hospitals.

The proposed approach comprises data provided under the GHE NMDS which will include government expenditure data from the public, private and community sector health systems, including expenditure on health services such as hospitals and residential care services, patient transport, medical, other health practitioners, dental, community and public health services, and research and administration costs and expenditure provided for health goods such as pharmaceuticals and aids and appliances. It will also include information on the source of public and private revenue. These data will be supplied to the AIHW by existing data providers.

There will be four categories to capture expenditure and revenue:

- provider/organisation
- program/function
- source of public and private revenue
- economic type framework.

The first three of these categories use classifications which correspond to those used by the OECD in its System of Health Accounts. The Economic type framework classification is an ABS classification. Some additional classification sources have also been used:

- ABS Australian and New Zealand Standard Industry Classification
- ABS Government Purpose Classification
- Australian Accounting Standards Board 1049 and 118
- existing National Health Data Dictionary items.

Provision of data under the GHE NMDS is expected to begin from the collection period 1 July 2008 to 30 June 2009.

7.2 Definition of health expenditure

‘Health expenditure’ is the sum of expenditure on health goods and services which are used up within a year and health-related investment which has a longer life.

Expenditure on health goods and services used up within a year includes expenditure on health goods (medications, aids and appliances), health services (clinical interventions); and other health services such as expenditure on public health, research and administration. These expenditures are collectively termed recurrent expenditure. Depreciation (or capital consumption) is part of recurrent expenditure but in these accounts only non-government capital consumption is incorporated in recurrent expenditure. Government capital consumption is reported separately.

Health-related investment is referred to as gross fixed capital formation or capital expenditure. In this publication the term 'capital expenditure' is used.

The AIHW's definition of health expenditure closely follows the definitions and concepts provided by the OECD's SHA (OECD 2000) framework. It excludes:

- expenditure that may have a 'health' outcome but that is incurred outside the health sector (such as expenditure on building safer transport systems, removing lead from petrol, and educating health practitioners)
- expenditure on personal activities not directly related to maintaining or improving personal health
- expenditure that does not have health as the main area of expected benefit.

Some of the expenditure from non-government health organisations, such as the National Heart Foundation and Diabetes Australia is not included in these accounts. In particular, as data are not available, most of the non-research expenditure funded by donations to these organisations is not included.

Total health expenditure reported for Australia (both domestically and internationally) is slightly underestimated in that it excludes health expenditure on health services provided by the Australian Defence Force, some school health expenditure and some health expenditure incurred by corrective services institutions in the various states and territories.

It is arguable that there is some over-estimation of health expenditure in the dental area. Expenditure on orthodontics is included in dental expenditure, but the principal purpose of most of this expenditure is cosmetic and health is only a secondary purpose. Thus it probably should not be part of health expenditure. On the other hand, expenditure on toothbrushes and toothpaste is not currently included in health expenditure but it could be argued that the primary purpose of this expenditure is health with the secondary purpose being personal care/hygiene.

Difficulties in separating expenditures incurred by local governments on particular health functions from those of state and territory governments mean that these funding sources are often combined. However, the ABS data indicate that the contribution of local governments is relatively small.

Table 65: Areas of health expenditure used in this report

Term	Definition
Public hospital	Includes public psychiatric and non-psychiatric hospitals. A public hospital is a health care facility established under Commonwealth, state or territory legislation as a hospital or a free-standing day procedure unit, operated by, or on behalf of state and territory governments and authorised to provide treatment and/or care to patients. Such hospitals are recognised under the AHCA's and they include some hospitals, such as some denominational hospitals which are privately owned.
Public hospital services	Services provided to a patient who is treated by a public hospital (as defined above), but excludes , where possible, dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.
Private hospital	A private hospital is a health care facility, established under Commonwealth, state or territory legislation as a hospital or free-standing day procedure unit and authorised to provide treatment and/or care to patients. A private hospital is not defined by whether it is privately owned but by whether it is <u>not</u> a public hospital (as defined above). Private hospital expenditure includes expenditures incurred for public patients being treated in a private hospital under contract.
Patient transport services	Expenditure by organisations primarily engaged in providing transportation of patients by ground or air, along with health (or medical) care. These services are often provided during a medical emergency but are not restricted to emergencies. The vehicles are equipped with lifesaving equipment operated by medically trained personnel. Includes public ambulance services or flying doctor services such as Royal Flying Doctor Service and Care Flight. Also includes patient transport programs such as patient transport vouchers or support programs to assist isolated patients with travel to obtain specialised health care. <i>(Note: Previously called 'Ambulance and other'.</i> For 2003–04 onwards, this category may include patient transport expenses that are included in the operating costs of public hospitals.
Medical services	Comprises medical services funded by the Medicare Benefits Scheme, compulsory Motor Vehicle Third Party Insurance, Workers Compensation Insurance, Health Services Australia and from patient out-of-pocket payments. Includes services listed in the Medical Benefits Schedule (MBS) that are provided by registered medical practitioners. Most medical services in Australia are provided on a fee-for-service basis and attract benefits from the Australian Government under Medicare. Also includes medical services provided to private admitted patients in hospitals, non-MBS medical services such as the provision of vaccines for overseas travel, as well as some expenditure that is not based on a fee-for-service (i.e. alternative funding arrangements). Excludes medical services provided to public admitted patients in public hospitals and medical services provided to public patients at outpatient clinics in public hospitals.
Other health practitioners	Services provided by health practitioners (other than doctors and dentists). These include chiropractors, optometrists, physiotherapists, speech therapists, audiologists, dietitians, podiatrists, homeopaths, naturopaths, practitioners of Chinese medicine and other forms of traditional medicine, etc.
Medications	Comprises benefit-paid pharmaceuticals and other medications.
Benefit-paid pharmaceuticals	Pharmaceuticals in the PBS and the RPBS (see Glossary) for which the Australian Government paid a benefit.
Other medications	Pharmaceuticals for which no PBS or RPBS benefit was paid and other medications. Includes: <ul style="list-style-type: none"> • pharmaceuticals listed in the PBS or RPBS, the total costs of which are equal to, or less than, the statutory patient contribution for the class of patient concerned • pharmaceuticals dispensed through private prescriptions that do not fulfil the criteria for payment of benefit under the PBS or RPBS • over-the-counter medicines including pharmacy-only medicines, aspirin, cough and cold medicines, vitamins and minerals, herbal and other complementary medicines, and a range of medical non-durables, such as bandages, bandaids and condoms.

(continued)

Table 65 (continued): Areas of health expenditure used in this report

Term	Definition
Aids and appliances	<p>Durable medical goods dispensed to ambulatory patients that are used more than once, for therapeutic purposes, such as glasses, hearing aids, wheelchairs and orthopaedic appliances and prosthetics that are not implanted surgically but are external to the user of the appliance.</p> <p>Excludes prostheses fitted as part of admitted patient care in a hospital.</p>
Community health	<p>Non-residential health services offered by establishments to patients/clients, in an integrated and coordinated manner in a community setting, or the coordination of health services elsewhere in the community.</p> <p>Includes:</p> <ul style="list-style-type: none"> • well baby clinics • health services provided to particular groups such as Aboriginal and Torres Strait Islander people, women, youth and migrants, as well as family planning services, alcohol and drug treatment services, etc. • specialised mental health programs for patients with mental illness that are delivered in a community setting.
Public health	<p>Services provided and/or funded by governments that are aimed at protecting and promoting the health of the whole population or specified population subgroups and/or preventing illness or injury in the whole population or specified population subgroups.</p> <p>Public health services do not include treatment services.</p>
Dental services	<p>A range of services provided by registered dental practitioners.</p> <p>Includes oral and maxillofacial surgery items; orthodontic, pedodontic and periodontic services; cleft lip and palate services; dental assessment and treatment; and dental items listed in the MBS.</p>
State and territory dental services	<p>School dental programs, community dental services and hospital dental programs funded by state and territory health authorities.</p>
Health administration	<p>Activities related to the formulation and administration of government and non-government policy in health and in the setting and enforcement of standards for health personnel and for hospitals, clinics, etc.</p> <p>Includes the regulation and licensing of providers of health services.</p> <p>Where possible administrative costs related to the delivery of particular health goods and services are added to the direct expenditure on those goods and services.</p>
Health research	<p>Research undertaken at tertiary institutions, in private non-profit organisations and in government facilities that has a health socioeconomic objective.</p> <p>Excludes commercially oriented research carried out or funded by private business, the costs of which are assumed to be included in the prices charged for the goods and services (e.g. medications that have been developed and/or supported by research activities).</p>
Capital expenditure	<p>Expenditure on fixed assets (e.g. new buildings and equipment with a useful life of more than a year).</p>
Capital consumption	<p>Capital consumption is otherwise known as depreciation and represents the amount of fixed capital used up each year.</p>
Non-specific tax expenditure	<p>The only tax expenditure currently included here is the medical expenses tax rebate. This becomes available to individuals to claim through the taxation system if they have out-of-pocket medical expenses over a specified limit in an income year. For the 2005–06 income year, the tax rebate was 20 cents for each \$1 by which a taxpayer's net medical expenses exceeded \$1,500 (the threshold).</p> <p>The Australian Treasury estimates other tax expenditure in the health area, such as the cost of exempting low income earners from the Medicare levy. These tax expenditures are not included in the Australian NHA framework.</p>

7.3 Data and methods used to produce estimates

General

The total expenditure and revenue data used to generate the tables are, to the greatest extent possible, produced on an accrual basis; that is, expenditures reported for each area relate to expenses incurred in the year in which they are reported. This is not, however, achievable in all cases. For example, where the data on which the estimates are based are provided by a funding source, such as the private health insurance funds, they sometimes relate to the date of processing claims. These do not necessarily coincide with the date on which the related service was provided. As a further consequence, the contribution of that funding source may be understated in one year and overstated in another.

A very small part of public hospital expenditure is funded by private practitioner facility fees. This revenue is in turn partly funded by the Medicare Benefits Scheme and that money is reported separately in the medical services row of the health expenditure matrix.

Therefore there is a partial double count of the public hospital expenditure funded from private practitioner facility fees and medical services.

The AIHW gathers information on which to base its estimates of health expenditure from a wide range of sources. The ABS, the Department of Health and Ageing, and state and territory health authorities provided most of the basic data used in this publication. Other major data sources are the DVA, the PHIAC, Comcare, and the major workers' compensation and compulsory third-party motor vehicle insurers in each state and territory.

State and territory expenditure tables

The state and territory tables are intended to give some indication of differences in the overall levels of expenditure on health in the states and territories; they do not necessarily reflect levels of activity by state and territory governments. For example, service providers located in the different states and territories pursue a variety of funding arrangements involving inputs from both government and non-government sources. As a result, one state or territory may have a mix of services and facilities that is quite different from that in another state. The estimates will enable a state or territory government to monitor the impact of policies on overall expenditure on health goods and services provided within its borders.

It should be noted that estimates of funding by state and local government in respect of a particular state/territory table are derived by deducting from gross health expenditure estimates, any Australian Government grants and other revenue received by the state and territory health authorities. This funding relates to all funding by state/territory and local governments on services provided in the state or territory concerned. Some of the services concerned may actually be the subject of cross-border reimbursement arrangements between the states and territories.

Where funding data are provided only on a national basis, as is the case for some Australian Government programs, the AIHW calculates allocations for those expenditures by state and territory.

State government contracting of private hospital services

At present the matrices for each state and territory prior to 2002–03 indicate that state and territory governments provided no funding for services provided by private hospitals. This is incorrect, because there are at least two situations in which they do provide funding for services provided by private hospitals, namely where:

- (a) a state or territory government or an area health service has contracts with private hospitals to provide services to public patients
- (b) a public hospital purchases services from a private hospital in respect of some of its public patients.

The AIHW has begun to collect the first of these data flows from 2002–03 and they are included in both the national and the state and territory matrices from that year.

The second of these flows would currently be included in total expenditure, but they would be counted as funding for services provided by public hospitals (so long as the related purchases are being included in the reported expenses of the purchasing hospitals in the public hospital establishments data).

Allocation of expenditure by the Australian Government to states and territories

The bulk of the expenditures by the Australian Government can readily be allocated on a state and territory basis. These include:

- specific purpose payments (SPPs) to the states and territories for health purposes
- Medicare benefits payments
- pharmaceutical benefit payments
- Department of Veterans' Affairs expenditure.

Data on other health funding by the Australian Government are generally not available on a state and territory basis. In those cases, indicators are used to derive state and territory estimates. For example, non-Medicare payments to medical service providers aimed at enhancing or modifying medical practice are allocated according to the proportion of vocationally registered general practitioners in each state or territory.

Expenditure by state, territory and local governments

The ABS produces annual estimates of public finance, which contribute information used in the AIHW National Health Accounts. These include expenses and revenues for all levels of government.

Until 1996–97, public finance data were reported on a cash basis. From 1997–98, reporting has been on an accrual basis for most jurisdictions. Where states or territories have not reported on an accrual basis, their cash accounts have been modified by the ABS to conform to accrual definitions. State and territory data included in the ABS's public finance database are provided by each of the state and territory treasuries. The GPC developed by the ABS is used to allocate expenses and revenues by function.

There have always been difficulties in accurately allocating government expenditures in the public finance database according to purpose (function). This is particularly the case at the lower levels of disaggregation.

Since the move to accrual-based accounting, the emphasis of the ABS and the Treasury departments has been on ensuring that transaction-type classifications of expenditure are correct (that is, ensuring that expenses and revenues are correctly classified in the state and territory accounts). To date, less attention has been given to the verification of expenditure in the public finance database according to function. As a consequence, only the ABS's estimates of total health expenditure by state and local governments are used in this publication as a guide to the overall movements in state and local government recurrent funding for health from one year to the next.

The ABS provided research expenditure data from its Research and Experimental Development Survey series (ABS 2004a, 2004b, 2004c, 2004d, 2005a, 2006). Some of the state allocations in the supplied 2004–05 data were derived by the ABS.

Break in series for selected areas of expenditure between 2002–03 to 2003–04

Public hospitals and public hospital services

There is a break in series due to differences in definitions of public hospital and public hospital services between 2002–03 and 2003–04.

Prior to 2003–04, the AIHW Public Hospitals Establishments (PHE) collection data were used to derive public hospital expenditure estimates for each state and territory. The PHE data comprises expenditure on goods and services provided in hospitals, including expenditure on the components of community and public health services, dental and patient transport services and health research that are provided in public hospitals. This expenditure is referred to as 'public hospital' expenditure.

In contrast, 'public hospital services' estimates, provided directly from the state and territory health authorities, are reported for 2003–04 onwards and reflect the level of expenditure on goods and services provided in hospitals, however, these estimates *exclude*, where possible, any community and public health services, dental and patient transport services and health research expenditure undertaken in public hospitals. These expenditures are included under their respective categories in the health expenditure matrix. For example, patient transport services expenditure that prior to 2003–04 was captured as part of public hospital expenditure, would now be captured as part of patient transport services expenditure.

The AIHW PHE collection was the source of data for state and territory expenditure on public hospitals reported in Tables 33 to 37 and Figure 13.

State and territory funding for public hospitals was derived by subtracting Australian Government grants and any other public hospital revenue from the PHE data.

Community and public health services and dental and patient transport services

Due to the above-mentioned change in definitions for public hospitals and public hospital services, there is a resulting break in time series between 2002–03 and 2003–04 for community and public health services and for dental and patient transport services.

In addition, for community health services, an indeterminate amount of domiciliary care expenditure was included in the community health services data prior to 2003–04. Domiciliary care, which includes home and community care (HACC) funding, is considered

to be more a welfare service than a health service and for this report has been excluded where possible from the community health services estimates.

Although valid comparisons across the discontinuity can be made for total health expenditure, caution should be exercised when comparing data across the decade for these four areas of expenditure.

Funding by the non-government sector

Funding by the non-government sector is shown in the various state matrices in three broad 'source of funds' categories:

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

Health insurance funds

Funding by health insurance funds on health goods and services within a state or territory is assumed to be equal to the level of benefits paid by health insurance funds that operate from that state or territory. In the case of New South Wales and the Australian Capital Territory, the NSW funds cover ACT residents. Therefore private health insurance benefits cannot easily be split between NSW and the ACT. Data from *Australian Hospital Statistics* is used to separate private health insurance benefits for hospitals between the ACT and NSW, but for non-hospital benefits, the benefits for both NSW and ACT are included in the NSW tables B1 to B3 and no benefits are included in the ACT tables B19 to B21.

Private health insurance rebates

In all years from 1997-98, funding by health insurance funds has been reduced by the extent of the Australian Government subsidy through the Private Health Insurance Incentives Scheme (up until the end of 1998) and the 30% rebate on private health insurance contributions (since 1999).

Individuals

Estimates of expenditure by individuals on:

- dental services
- other health practitioners
- aids and appliances

for 2002-03 onwards mostly rely on detailed private health insurance data from PHIAC. The previous methods relied on high-level ABS data which proved to be unreliable and were subject to substantial revisions over time. The new methodology uses the growth in the cost of services combined with the change in proportion of the population who have ancillary cover from year to year to project forward the individual out-of-pocket expenditure for these categories. Funding of these services by private health insurance funds and injury

compensation insurers are deducted from these estimates to arrive at the estimates of individuals' out-of-pocket funding.

Estimates of expenditure by individuals on patient transport services are based on data from the Productivity Commission's Report on Government Services (SCRCSSP 1999 and 2003, SCRGSP 2007) from 1997-98 onwards. Prior to 1997-98, estimates were derived from PHIAC data.

Other non-government sources

Workers compensation and third party motor vehicle insurance payments comprise the majority of expenditure for this category. The Institute obtains these data from the respective injury compensation insurers in each state and territory.

Change in methodology for deflators

There are nine types of deflators (see Appendix D for more information) used in this report (Table 66). Most deflators are very specific to the type of expenditure they are applied to. For example, all hospitals use the government final consumption expenditure (GFCE) hospitals and nursing homes deflator.

There are four new deflators used in this report, which replace deflators used in *Health expenditure Australia 2004-05* (AIHW 2006a). See next page (Table 66) for further details.

Table 66: Area of health expenditure by type of deflator applied

Area of expenditure	Deflator applied
Public hospitals ^(a) / Public hospital services ^(a)	GFCE hospitals and nursing homes
Private hospitals	GFCE hospitals and nursing homes
Patient transport services	GFCE hospitals and nursing homes
Medical services	Medicare medical services fees charged
Dental services	Dental services ^(b)
Other health practitioners	Other health practitioners ^(b)
Community health and other	Professional health workers wage rate index ^(b)
Public health	GFCE hospitals and nursing homes
Benefit-paid pharmaceuticals	PBS pharmaceuticals
All other medications	HFCE on chemist goods
Aids and appliances	Aids and appliances ^(b)
Administration	Professional health workers wage rate index
Research	Professional health workers wage rate index
Capital expenditure	Gross fixed capital formation
Capital consumption	Gross fixed capital formation
Non-specific tax expenditure	Professional health workers wage rate index

(a) See Box 3 for details on the distinction between public hospitals and public hospital services.

(b) These deflators are new in this report and have replaced those used in *Health expenditure Australia 2004–05* (AIHW 2006a).

Blank cells in expenditure tables

The national and the state and territory tables in Appendixes A and B have some cells for which there is no expenditure recorded. The reasons for this are many, but the main ones are:

- (i) There are assumed to be no funding flows because they do not exist in the institutional framework for health care funding.
- (ii) The total funding is so small that it rounds to less than \$500,000.
- (iii) A flow of funds exists but it cannot be estimated from available data sources.
- (iv) Some cells relate to 'catch-all' categories and the data and metadata are of such high quality as to enable all expenditure to be allocated to specified areas. This, in turn, means that there is no residual to be allocated to the 'catch-all' categories.

As to (i), for example, there are no funding flows by the state, territory and local government for medical services and benefit-paid pharmaceuticals because these are funded by the Australian Government, individuals and private health insurance funds through Medicare and the PBS.

An example of (iii) is state and local government funding for private hospitals. There are known to be funding flows in this area because state and territory governments are known to contract with private hospitals to provide some hospital services to public patients. Data have been inserted in the matrices from 2002–03 onwards, but not for earlier years.

As to (iv), in some years some small miscellaneous expenditures by the Australian Government have been allocated to the category 'Other non-institutional n.e.c.'. These could not, at that time, be allocated to the specific health expenditure areas in the matrix. In other years, better quality of description may have allowed those types of expenditures to be more

precisely allocated. The expenditure category remains in order to show what total health expenditure is over a long time period.

Population

The per person estimates of expenditure are calculated using estimates of annual mean resident population, which are based on quarterly estimated resident population data from the ABS (ABS 2007b). See Appendix G for further details.

7.4 Revisions of definitions and estimates

Definitions

Patient transport services

In earlier health expenditure publications, the term 'ambulance and other' was used instead of 'patient transport services'. These terms are identical in definition. See Table 65 for further information on what comprises patient transport services.

Public and community health

In earlier health expenditure publications, public health expenditure was included with community health expenditure because of the difficulty in obtaining reliable data about these two categories of expenditure. These data were sourced from the ABS GFS and from the states and territories themselves.

Separate and timely data on public health expenditure data, based on nine core public health expenditure activities, have now become available from the AIHW's Public Health Expenditure Project. This project, which forms an integral part of the development of public health information under the former National Public Health Partnership, is funded by the DoHA. It aims to develop reliable and timely estimates of public health investment in Australia, both in the public sector and in the non-government sector.

The data for 1999-00 to 2004-05 have been published in the AIHW's *National public health expenditure* reports (AIHW 2002, 2004, 2007b). Data for 2005-06 will be released later in 2007. The estimates of public health expenditure in this report are based on the data in the National Public Health Expenditure Project. Note that, at present, public health expenditure data are collected only for key health departments and agencies of the Australian Government and states and territories and includes depreciation.

Other medications

Expenditure on other medications includes expenditure on over-the-counter medicines, complementary medicines, over-the-counter medical non-durables, as well as prescribed medications for which no benefits are paid under the PBS or RPBS, including PBS or RPBS items which have a price less than or equal to the co-payment (see Table 65 for further details).

Over-the-counter medications and medical non-durables

Over-the-counter medicines and medical non-durable goods are all therapeutic goods of a type that are sold at pharmacies or supermarkets and are used to treat or cure a condition. These include pharmacy-only medicines. Examples of over-the-counter medicines are analgesics, antacids and cough medicines. Examples of over-the-counter medical non-durable goods include non-prescription therapeutic goods that tend to be single-use items, such as bandages, elastic stockings, incontinence articles, condoms and other mechanical contraceptive devices. Goods that are for personal use such as tanning lotion are not considered to be therapeutic, whereas after-sun lotion to treat sunburn would be within the scope of health expenditure.

The AIHW has obtained over-the-counter data for 2001–02 to 2004–05 from *Retail pharmacy* (Flanagan 2002a, 2004a, 2005a) and *Retail world* (Flanagan 2002b, 2003, 2004b, 2005b), having previously obtained it from *Pharmacy 2000* (Feros 1998, 1999, 2000, 2001). Over-the-counter supermarket and pharmacy data for 2005–06 were obtained from Retail World (Flanagan 2006) and Synovate AZTEC (unpublished data) respectively.

The change in data source has enabled a more comprehensive breakdown of each category of products sold at pharmacies and supermarkets. For example, the estimates are now able to include the therapeutic proportion of the total sales of mouthwash sold at supermarkets. No data are yet available for health goods sold through retail outlets such as convenience stores and health food stores but such expenditure constitutes a small part of total over-the-counter sales of pharmaceuticals and medical non-durables.

Non-benefit prescriptions

Non-benefit prescription expenditure was derived from total prescription volume and the average price of private and under co-payment scripts. These data were provided by DoHA and the Pharmacy Guild of Australia's pharmacy survey.

Revision of estimates

Some components of total health expenditure have been revised since the publication of *Health expenditure Australia 2004–05* (AIHW 2006a).

High-level residential aged care

In earlier editions of *Health expenditure Australia* reports, high-level residential aged care was classified as part of health expenditure. For this report and in all subsequent reports this expenditure is now classified as welfare expenditure and reported as part of the *Welfare expenditure Australia* report series. The reclassification of high-level aged residential care from health to welfare expenditure has affected the health to GDP ratio. See Executive Summary and Chapter 6 for further details.

Private hospitals

The ABS Private Hospital Series (ABS, Cat. no. 4390.0) is the source for total spending on private hospitals in this report. In previous reports, the ABS Private Hospital survey was the source of the majority but not all funding on private hospitals. There were downward revisions of total spending on private hospitals of \$195 million for 2002–03, \$524 million for 2003–04 and \$587 million for 2004–05 from previously published estimates.

Individual out-of-pocket expenditure for dental services, other health practitioner services, aids and appliances, all other medications and patient transport services

A change in the methodology used to calculate individual out-of-pocket expenditure for dental services, other health practitioner services and aids and appliances for 2002–03 onwards and patient transport services for 1997–98 onwards has resulted in substantial revisions to all of these areas of health spending in this report. In earlier editions of *Health expenditure Australia*, ABS HFCE estimates were used to calculate individual out-of-pocket expenditure for these categories.

In this report for 2002–03 onwards, individual out-of-pocket expenditure on dental services, other health practitioners and aids and appliances were calculated from PHIAC data. This change in methodology has resulted in a \$486 million increase in individual expenditure on other health practitioner services in 2002–03 compared to a \$347 million increase for 2003–04 and a \$362 million increase for 2004–05. In contrast, this change in methodology has generally resulted in large downward revisions to individual out-of-pocket expenditure on aids and appliances. In 2003–04 this decrease was \$533 million while in 2004–05 it was \$1.1 billion. The change in methodology did not have a substantial impact on individual out-of-pocket-expenditure for dental services.

Revisions to non-benefit scripts expenditure for 2001–02 onwards for this report have had an impact on individual spending estimates for all other medications. For 2002–03 there was a decrease of \$562 million, while in 2004–05 there was an increase of \$309 million for individual spending on all other medications.

For 1997–98 onwards, Productivity Commission rather than PHIAC data were used to calculate individual out-of-pocket expenditure on patient transport services. This change in methodology has caused a downward revision to individual spending estimates for each year. For 2002–03 to 2004–05, \$171 million, \$212 million and \$258 million respectively, were the downward revisions for individual spending on patient transport services.

Revisions to state and territory estimates of health expenditure

The Institute received revised data from the Northern Territory health authority that has resulted in revisions to Northern Territory funding of recurrent health expenditure for 2002–03 to 2004–05. There was a downwards revision of \$18 million for 2002–03, an upward revision of \$112 million for 2003–04 and an upward revision of \$37 million for 2004–05.

State government funding and individual out-of-pocket funding for public hospital services has been revised for New South Wales and Victoria to ensure that the public hospital services expenditure and revenue data included in this report for 2003–04 onwards was based on data received from the state and territory health authorities. For New South Wales this resulted in an increase in state government funding and a decrease in out-of-pocket funding of public hospital services for 2003–04 and 2004–05. For Victoria this resulted in a decrease for both state government funding and out-of-pocket funding of public hospital services in 2003–04 and 2004–05. Prior to 2003–04, the AIHW Public Hospitals Establishments collection was the main source for public hospitals expenditure data.

Domiciliary care services expenditure that was previously reported as part of community health services expenditure by the state and territory health authorities has been removed where possible from 2003–04 data onwards. Domiciliary care has more of a welfare than a health purpose and consequently will be reported as part of the *Welfare expenditure Australia*

report series. As a result of this reclassification, there are quite large downward revisions for community health services funding by state and territories for 2003–04 onwards in this report. In 2004–05, the decrease was \$428 million while in 2003–04 it was \$471 million.

Premium rebates claimed through the taxation system

In *Health expenditure Australia 2004–05* (AIHW 2006a), premium rebates for 2004–05 that were claimed through the taxation system were reported to be \$314 million. This preliminary estimate has been revised down to \$155 million in this report. The large difference in the amount was due to moving from a cash accounting to an accrual accounting basis. The preliminary estimate for 2004–05 contained the amount for both cash and accrual as this was the year the change occurred. This meant there was effectively a double count of the expense amount in 2004–05 from bringing forward the accrual amount.

Summary of revisions to expenditure estimates following the release of *Health expenditure Australia 2004–05*

These were the revisions to total health expenditure from 1998–99 onwards (Table 67).

Table 67: Comparison of previously published estimates of total health expenditure, current prices, 1998–99 to 2004–05, with current estimates (\$ million)

Year	Previous estimate	Revised estimate	Change
1998–99	51,419	48,502	–2,917
1999–00	54,916	52,442	–2,474
2000–01	61,618	58,287	–3,331
2001–02	67,132	63,448	–3,684
2002–03	73,108	68,932	–4,176
2003–04	79,114	73,945	–5,169
2004–05	87,296	81,125	–6,171

Source: AIHW health expenditure database.

Revision of 1998–99 estimates

Overall, the estimates of health expenditure for 1998–99 were reduced by \$2,917 million. Reclassification of high-level residential aged care to welfare removed \$3,706 million.

There was an upwards revision of \$507 million to capital expenditure and an upwards revision of \$355 million to community health.

Revision of 1999–00 estimates

Overall, the estimates of health expenditure for 1999–00 were reduced by \$2,474 million. Reclassification of high-level residential aged care to welfare removed \$3,737 million.

The major areas of revision were:

- capital expenditure (up \$841 million)
- community health (up \$446 million)
- other health practitioners (up \$87 million)
- administration (down \$44 million).

Revision of 2000–01 estimates

Overall, the estimates of health expenditure for 2000–01 were reduced by \$3,331 million. Reclassification of high-level residential aged care to welfare removed \$3,890 million.

The major areas of revision were:

- capital expenditure (up \$827 million)
- private hospitals (down \$108 million)
- patient transport services (down \$98 million)
- administration (down \$58 million).

Revision of 2001–02 estimates

Overall, the estimates of health expenditure for 2001–02 were reduced by \$3,684 million. Reclassification of high-level residential aged care to welfare removed \$4,140 million.

The major areas of revision were:

- capital expenditure (up \$531 million)
- other health practitioners (up \$264 million)
- aids and appliances (up \$172 million)
- patient transport services (down \$137 million)
- dental services (down \$131 million)
- all other medications (down \$88 million)
- private hospitals (down \$87 million).

Revision of 2002–03 estimates

Overall, the estimates of health expenditure for 2002–03 were reduced by \$4,176 million. Reclassification of high-level residential aged care to welfare removed \$4,548 million.

The major areas of revision were:

- capital expenditure (up \$914 million)
- all other medications (down \$563 million)
- other health practitioners (up \$485 million)
- private hospitals (down \$195 million)
- patient transport services (down \$168 million)
- dental services (down \$143 million)
- aids and appliances (up \$116 million).

Revision of 2003–04 estimates

Overall, the estimates of health expenditure for 2003–04 were reduced by \$5,169 million. Reclassification of high-level residential aged care to welfare removed \$5,072 million.

The major areas of revision were:

- capital expenditure (up \$897 million)
- aids and appliances (down \$532 million)

- private hospitals (down \$524 million)
- community health and other (down \$494 million)
- other health practitioners (up \$344 million).

Revision of 2004–05 estimates

Overall, the estimates of health expenditure for 2004–05 were reduced by \$6,171 million. Reclassification of high-level residential aged care to welfare removed \$5,586 million.

The major areas of revision were:

- aids and appliances (down \$1,012 million)
- capital expenditure (up \$838 million)
- private hospitals (down \$587 million)
- community health and other (down \$584 million)
- other health practitioners (up \$344 million)
- all other medications (up \$307 million).

Appendix tables

Note: Components in some appendix tables may not add to totals due to rounding.

Appendix A: National health expenditure matrices, 2003–04 to 2005–06

Table A1: Total health expenditure, current prices, by area of expenditure and source of funds^(a), 2003-04 (\$ million)

Area of expenditure	Government					Non-government				
	Australian Government					Health insurance funds				
	Direct outlays	Premium rebates ^(b)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(c)	Total	Total health expenditure
Total hospitals	9,820	1,385	11,206	10,313	21,519	3,186	485	1,205	4,876	26,395
Public hospital services ^(d)	8,916	147	9,063	10,099	19,162	339	227	709	1,275	20,437
Private hospitals	904	1,238	2,142	214	2,357	2,848	258	495	3,601	5,958
Patient transport services	105	39	144	807	951	91	179	75	345	1,296
Total institutional	9,925	1,424	11,350	11,120	22,470	3,277	664	1,280	5,221	27,691
Medical services	9,726	239	9,965	—	9,965	550	1,600	788	2,937	12,902
Dental services	77	311	388	446	834	716	3,087	9	3,811	4,645
State/territory provider	..	..	..	446	446	..	14	..	14	460
Private provider	77	311	388	..	388	716	3,073	9	3,797	4,185
Other health practitioners	523	151	674	—	674	348	1,355	272	1,974	2,649
Community health and other ^(e)	332	—	332	2,636	2,968	1	109	171	280	3,247
Public health	657	—	657	543	1,200	—	63	—	63	1,263
Medications	5,713	21	5,735	—	5,735	49	4,445	57	4,551	10,286
Benefit-paid pharmaceuticals	5,660	—	5,660	—	5,660	—	1,035	—	1,035	6,695
All other medications	53	21	75	—	75	49	3,409	57	3,516	3,591
Aids and appliances	130	111	241	—	241	256	1,791	34	2,081	2,323
Administration	952	258	1,209	396	1,606	594	—	—	594	2,200
Research	979	—	979	172	1,151	—	—	326	326	1,477
Total non-institutional	19,089	1,092	20,181	4,193	24,373	2,513	12,448	1,656	16,618	40,991
Total recurrent expenditure	29,014	2,516	31,530	15,313	46,843	5,790	13,112	2,936	21,839	68,682
Capital expenditure	148	..	148	1,356	1,504	n.a.	n.a.	2,598	2,598	4,102
Capital consumption	68	..	68	1,092	1,160	..	..	..	..	1,160
Total health expenditure^(a)	29,230	2,516	31,747	17,761	49,508	5,790	13,112	5,535	24,437	73,945
Non-specific tax expenditure	251	..	251	..	251	..	-251	..	-251	..
Total health expenditure	29,481	2,516	31,998	17,761	49,759	5,790	12,861	5,535	24,186	73,945

Notes: See page 125.

Table A2: Total health expenditure, current prices, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government					Non-government					Total health expenditure
	Australian Government					Health insurance funds					
	Direct outlays	Premium rebates ^(b)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(c)	Total		
Total hospitals	10,491	1,569	12,060	11,121	23,181	3,351	469	1,418	5,237	28,418	
Public hospital services ^(d)	9,555	180	9,735	10,896	20,631	385	228	848	1,460	22,091	
Private hospitals	936	1,388	2,324	225	2,550	2,966	241	570	3,777	6,327	
Patient transport services	119	44	163	893	1,056	94	189	75	357	1,413	
Total institutional	10,610	1,613	12,223	12,014	24,237	3,445	657	1,493	5,595	29,831	
Medical services	11,312	277	11,589	—	11,589	591	1,622	844	3,057	14,646	
Dental services	82	341	423	500	923	729	3,403	9	4,141	5,064	
State/territory provider	..	..	..	500	500	..	14	..	14	513
Private provider	82	341	423	..	423	729	3,389	9	4,127	4,550	
Other health practitioners	473	168	641	—	641	359	1,508	285	2,151	2,792	
Community health and other ^(e)	407	—	408	2,855	3,262	—	116	172	288	3,551	
Public health	866	—	866	519	1,386	—	55	—	55	1,440	
Medications	6,027	24	6,051	—	6,051	51	5,007	57	5,115	11,166	
Benefit-paid pharmaceuticals	5,930	—	5,930	—	5,930	—	1,151	—	1,151	7,081	
All other medications	97	24	121	—	121	51	3,856	57	3,964	4,085	
Aids and appliances	256	120	376	—	376	256	1,941	37	2,234	2,610	
Administration	981	284	1,265	509	1,774	607	—	—	607	2,382	
Research	1,133	—	1,133	208	1,341	—	—	374	374	1,715	
Total non-institutional	21,538	1,214	22,752	4,590	27,342	2,593	13,652	1,777	18,023	45,365	
Total recurrent expenditure	32,148	2,827	34,975	16,604	51,579	6,038	14,309	3,270	23,617	75,196	
Capital expenditure	191	..	191	1,571	1,763	n.a.	n.a.	2,906	2,906	4,669	
Capital consumption	98	..	98	1,162	1,260	..	..	..	..	1,260
Total health expenditure^(a)	32,437	2,827	35,264	19,337	54,601	6,038	14,309	6,176	26,523	81,125	
Non-specific tax expenditure	290	..	290	..	290	..	-290	..	-290	..	
Total health expenditure	32,727	2,827	35,554	19,337	54,891	6,038	14,019	6,176	26,233	81,125	

Notes: See page 125.

Table A3: Total health expenditure, current prices, by area of expenditure and source of funds^(a), 2005-06 (\$ million)

Area of expenditure	Government						Non-government					
	Australian Government						Health insurance funds					
	Direct outlays	Premium rebates ^(b)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(c)	Total	Total health expenditure		
Total hospitals	10,862	1,750	12,612	12,618	25,230	3,462	667	1,642	5,772	31,003		
Public hospital services ^(d)	9,898	207	10,105	12,374	22,479	409	386	1,046	1,840	24,319		
Private hospitals	963	1,544	2,507	244	2,751	3,054	282	597	3,932	6,683		
Patient transport services	118	47	165	899	1,064	92	209	74	375	1,439		
Total institutional	10,980	1,797	12,777	13,518	26,295	3,555	876	1,716	6,147	32,441		
Medical services	11,918	321	12,239	—	12,239	636	1,745	879	3,261	15,499		
Dental services	96	384	480	515	995	760	3,573	10	4,342	5,337		
State/territory provider	..	..	..	515	515	..	19	..	19	534
Private provider	96	384	480	..	480	760	3,554	10	4,323	4,804		
Other health practitioners	517	194	711	—	711	384	1,653	288	2,324	3,035		
Community health and other ^(e)	419	—	419	3,167	3,586	—	173	139	313	3,899		
Public health	798	—	798	632	1,429	—	47	—	47	1,476		
Medications	6,093	24	6,117	—	6,117	47	5,276	62	5,384	11,501		
Benefit-paid pharmaceuticals	6,046	—	6,046	—	6,046	—	1,240	—	1,240	7,286		
All other medications	48	24	71	—	71	47	4,036	62	4,144	4,216		
Aids and appliances	276	133	409	—	409	264	2,072	42	2,378	2,787		
Administration	1,080	323	1,403	455	1,858	639	—	—	639	2,497		
Research	1,275	—	1,275	229	1,504	—	—	412	412	1,915		
Total non-institutional	22,472	1,380	23,852	4,997	28,848	2,729	14,539	1,831	19,100	47,948		
Total recurrent expenditure	33,452	3,177	36,629	18,514	55,143	6,284	15,415	3,547	25,246	80,389		
Capital expenditure	183	..	183	1,898	2,080	n.a.	n.a.	3,087	3,087	5,167		
Capital consumption	88	..	88	1,234	1,323	..	..	..	..	1,323
Total health expenditure^(a)	33,723	3,177	36,900	21,646	58,546	6,284	15,415	6,634	28,333	86,879		
Non-specific tax expenditure	329	..	329	..	329	..	-329	..	-329	..		
Total health expenditure	34,052	3,177	37,229	21,646	58,875	6,284	15,086	6,634	28,004	86,879		

Notes: See page 125.

Table A4: Total health expenditure, constant prices^(h), by area of expenditure and source of funds^(e), 2003–04 (\$ million)

Area of expenditure	Government					Non-government					Total health expenditure
	Australian Government					Health insurance funds					
	Direct outlays	Premium rebates ^(b)	Total	State and local	Total	Health insurance funds	Individuals	Other ^(c)	Total		
Total hospitals	10,184	1,436	11,620	10,699	22,320	3,304	503	1,250	5,057	27,377	
Public hospital services ^(d)	9,246	153	9,399	10,478	19,877	351	235	736	1,323	21,199	
Private hospitals	938	1,284	2,221	221	2,443	2,953	268	514	3,734	6,177	
Patient transport services	109	41	149	837	986	94	186	78	358	1,344	
Total institutional	10,292	1,477	11,770	11,536	23,306	3,398	688	1,328	5,415	28,720	
Medical services	10,481	257	10,738	—	10,738	592	1,724	850	3,166	13,904	
Dental services	82	331	413	474	887	762	3,284	9	4,054	4,942	
State/territory provider	..	..	..	474	474	..	15	..	15	489
Private provider	82	331	413	..	413	762	3,269	9	4,040	4,452	
Other health practitioners	538	155	694	—	694	358	1,394	280	2,031	2,725	
Community health and other ^(e)	346	—	346	2,755	3,101	1	113	178	292	3,393	
Public health	682	—	682	562	1,244	—	66	—	66	1,309	
Medications	5,727	22	5,749	—	5,749	51	4,567	59	4,677	10,426	
Benefit-paid pharmaceuticals	5,672	—	5,672	—	5,672	—	1,037	—	1,037	6,709	
All other medications	55	22	77	—	77	51	3,529	59	3,640	3,717	
Aids and appliances	133	114	247	—	247	263	1,837	35	2,135	2,382	
Administration	993	269	1,262	414	1,676	620	—	—	620	2,296	
Research	1,023	—	1,023	180	1,202	—	—	340	340	1,542	
Total non-institutional	20,005	1,150	21,154	4,385	25,539	2,646	12,984	1,752	17,381	42,921	
Total recurrent expenditure	30,297	2,627	32,924	15,921	48,845	6,044	13,672	3,080	22,796	71,641	
Capital expenditure	147	..	147	1,386	1,533	n.a.	n.a.	2,676	2,676	4,209	
Capital consumption	67	..	67	1,119	1,186	..	..	..	(f)	1,186
Total health expenditure^(g)	30,512	2,627	33,138	18,425	51,564	6,044	13,672	5,756	25,472	77,036	
Non-specific tax expenditure	262	..	262	..	262	..	-262	..	-262	..	
Total health expenditure	30,774	2,627	33,400	18,425	51,826	6,044	13,410	5,756	25,210	77,036	

Notes: See page 125.

Table A5: Total health expenditure, constant prices^(h), by area of expenditure and source of funds^(e), 2004–05 (\$ million)

Area of expenditure	Government					Non-government					Total health expenditure
	Australian Government					Health insurance funds					
	Direct outlays	Premium rebates ^(b)	Total	State and local	Total	Total	Individuals	Other ^(c)	Total		
Total hospitals	10,491	1,569	12,060	11,121	23,181	3,351	469	1,418	5,237	28,418	
Public hospital services ^(d)	9,555	180	9,735	10,896	20,631	385	228	848	1,460	22,091	
Private hospitals	936	1,388	2,324	225	2,550	2,966	241	570	3,777	6,327	
Patient transport services	119	44	163	893	1,056	94	189	75	357	1,413	
<i>Total institutional</i>	<i>10,610</i>	<i>1,613</i>	<i>12,223</i>	<i>12,014</i>	<i>24,237</i>	<i>3,445</i>	<i>657</i>	<i>1,493</i>	<i>5,595</i>	<i>29,831</i>	
Medical services	11,312	277	11,589	—	11,589	591	1,622	844	3,057	14,646	
Dental services	82	341	423	500	923	729	3,403	9	4,141	5,064	
State/territory provider	..	..	..	500	500	..	14	..	14	513
Private provider	82	341	423	..	423	729	3,389	9	4,127	4,550	
Other health practitioners	473	168	641	—	641	359	1,508	285	2,151	2,792	
Community health and other ^(e)	407	—	408	2,855	3,262	—	116	172	288	3,551	
Public health	866	—	866	519	1,386	—	55	—	55	1,440	
Medications	6,027	24	6,051	—	6,051	51	5,007	57	5,115	11,166	
Benefit-paid pharmaceuticals	5,930	—	5,930	—	5,930	—	1,151	—	1,151	7,081	
All other medications	97	24	121	—	121	51	3,856	57	3,964	4,085	
Aids and appliances	256	120	376	—	376	256	1,941	37	2,234	2,610	
Administration	981	284	1,265	509	1,774	607	—	—	607	2,382	
Research	1,133	—	1,133	208	1,341	—	—	374	374	1,715	
<i>Total non-institutional</i>	<i>21,538</i>	<i>1,214</i>	<i>22,752</i>	<i>4,590</i>	<i>27,342</i>	<i>2,593</i>	<i>13,652</i>	<i>1,777</i>	<i>18,023</i>	<i>45,365</i>	
Total recurrent expenditure	32,148	2,827	34,975	16,604	51,579	6,038	14,309	3,270	23,617	75,196	
Capital expenditure	191	..	191	1,571	1,763	n.a.	n.a.	2,906	2,906	4,669	
Capital consumption	98	..	98	1,162	1,260	..	..	..	..	1,260
Total health expenditure^(g)	32,437	2,827	35,264	19,337	54,601	6,038	14,309	6,176	26,523	81,125	
Non-specific tax expenditure	290	..	290	..	290	..	-290	..	-290	..	
Total health expenditure	32,727	2,827	35,554	19,337	54,891	6,038	14,019	6,176	26,233	81,125	

Notes: See page 125.

Table A6: Total health expenditure, constant prices^(h), by area of expenditure and source of funds^(e), 2005–06 (\$ million)

Area of expenditure	Government					Non-government					Total health expenditure
	Australian Government					Health insurance funds					
	Direct outlays	Premium rebates ^(b)	Total	State and local	Total	Total	Individuals	Other ^(c)	Total		
Total hospitals	10,417	1,679	12,096	12,102	24,197	3,321	640	1,575	5,536	29,733	
Public hospital services ^(d)	9,493	198	9,691	11,868	21,559	392	370	1,003	1,765	23,323	
Private hospitals	924	1,481	2,405	234	2,639	2,929	270	572	3,771	6,410	
Patient transport services	113	45	158	863	1,021	88	200	71	359	1,380	
<i>Total institutional</i>	<i>10,530</i>	<i>1,723</i>	<i>12,254</i>	<i>12,964</i>	<i>25,218</i>	<i>3,409</i>	<i>840</i>	<i>1,646</i>	<i>5,895</i>	<i>31,113</i>	
Medical services	11,286	305	11,590	—	11,590	602	1,653	832	3,087	14,677	
Dental services	93	369	461	495	956	730	3,432	9	4,171	5,127	
State/territory provider	..	..	..	495	495	..	18	..	18	513
Private provider	93	369	461	..	461	730	3,414	9	4,153	4,614	
Other health practitioners	493	185	678	—	678	366	1,577	275	2,218	2,896	
Community health and other ^(e)	401	—	401	3,034	3,435	—	166	133	300	3,735	
Public health	765	—	765	606	1,371	—	45	—	45	1,416	
Medications	6,080	23	6,103	—	6,103	45	5,142	60	5,247	11,350	
Benefit-paid pharmaceuticals	6,034	—	6,034	—	6,034	—	1,237	—	1,237	7,271	
All other medications	46	23	69	—	69	45	3,905	60	4,010	4,079	
Aids and appliances	269	130	398	—	398	257	2,018	41	2,316	2,714	
Administration	1,035	309	1,344	435	1,780	612	—	—	612	2,392	
Research	1,221	—	1,221	219	1,440	—	—	394	394	1,834	
<i>Total non-institutional</i>	<i>21,642</i>	<i>1,321</i>	<i>22,963</i>	<i>4,788</i>	<i>27,751</i>	<i>2,673</i>	<i>14,033</i>	<i>1,744</i>	<i>18,390</i>	<i>46,141</i>	
Total recurrent expenditure	32,172	3,044	35,217	17,753	52,969	6,022	14,873	3,390	24,285	77,254	
Capital expenditure	184	..	184	1,857	2,041	n.a.	n.a.	3,012	3,012	5,053	
Capital consumption	88	..	88	1,206	1,294	..	..	..	..	1,294
Total health expenditure^(g)	32,444	3,044	35,489	20,816	56,304	6,022	14,873	6,402	27,297	83,601	
Non-specific tax expenditure	315	..	315	..	315	..	-315	..	-315	..	
Total health expenditure	32,760	3,044	35,804	20,816	56,620	6,022	14,558	6,402	26,982	83,601	

Notes: See page 125.

Table A7: Annual growth in health expenditure, current prices, by area of expenditure, 1995-96 to 2005-06 (per cent)

Area of expenditure	Average annual growth												
	1995-96 1996-97	1996-97 1997-98	1997-98 1998-99	1998-99 1999-00	1999-00 2000-01	2000-01 2001-02	2001-02 2002-03	2002-03 2003-04	2003-04 2004-05	2004-05 2005-06	2005-06 2006-07		
Total hospitals	8.7	7.1	6.9	4.5	6.5	9.0	10.2	..	7.7	9.1	..	7.5	8.4
Public hospitals ^(f) / Public hospital services ^(e)	8.4	7.8	6.6	4.1	6.2	8.3	10.5	..	8.1	10.1	..	7.4	9.1
Private hospitals	9.7	4.7	8.2	6.2	7.6	11.2	9.4	8.2	6.2	5.6	7.7	8.1	5.9
Patient transport services	-22.1	28.9	-14.1	20.2	11.4	15.4	7.2	..	9.1	1.8	..	5.2	5.4
<i>Total institutional</i>	7.3	7.8	6.2	5.0	6.6	9.2	10.1	9.0	7.7	8.7	7.8	7.5	8.2
Medical services	4.1	4.1	5.9	7.3	5.1	9.8	7.2	7.5	13.5	5.8	7.0	6.2	9.6
Dental services	7.5	1.6	3.4	7.7	19.6	16.3	7.3	..	9.0	5.4	..	8.9	7.2
State/territory provider	45.2	10.4	-7.1	24.6	-10.1	14.0	6.7	..	11.6	3.9	..	10.6	7.7
Private provider	3.9	0.4	4.9	5.5	24.1	16.5	7.3	..	8.7	5.6	..	8.7	7.1
Other health practitioners	17.7	-5.6	4.2	1.4	20.1	15.1	12.4	..	5.4	8.7	..	9.0	7.0
Community health and other ^(e)	28.4	2.6	34.8	3.5	8.4	8.9	13.1	..	9.3	9.8	..	13.7	9.6
Public health	-3.4	9.1	11.5	17.6	10.8	7.6	10.1	..	14.1	2.5	..	8.9	8.1
Medications	10.2	8.7	9.3	12.4	18.7	11.2	4.4	8.9	8.6	3.0	9.5	10.6	5.7
Benefit-paid pharmaceuticals	9.0	3.3	9.9	13.2	21.1	8.3	10.9	9.5	5.8	2.9	9.3	10.7	4.3
All other medications	12.3	18.2	8.3	11.1	15.0	16.0	-5.8	7.9	13.8	3.2	9.8	10.5	8.4
Aids and appliances	6.3	5.3	25.6	11.5	35.0	-2.2	8.4	..	12.4	6.8	..	12.2	9.5
Administration	-3.1	13.4	-15.3	39.8	8.8	-5.1	13.9	9.6	8.3	4.8	6.7	6.3	6.5
Research	7.1	-4.5	11.1	22.1	28.2	10.0	10.1	7.5	16.1	11.7	11.6	11.6	13.9
<i>Total non-institutional</i>	7.7	4.5	8.5	10.3	13.8	9.3	7.9	6.4	10.7	5.7	8.5	8.8	8.2
Total recurrent expenditure	7.6	5.9	7.5	8.1	10.9	9.3	8.8	7.4	9.5	6.9	8.2	8.3	8.2
Capital expenditure	18.1	14.5	10.7	9.0	17.6	3.8	8.0	4.7	13.8	10.7	11.0	11.6	12.2
Capital consumption	-7.0	9.1	52.5	6.6	4.5	4.5	4.3	8.2	8.5	5.0	8.8	9.4	6.8
Total health expenditure^(g)	7.9	6.4	8.3	8.1	11.1	8.9	8.6	7.3	9.7	7.1	8.3	8.5	8.4

Notes: See page 125.

Table A9: Proportions of recurrent health expenditure, current prices, by area of expenditure, 1995-96 to 2005-06 (per cent)

Area of expenditure	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Total hospitals	40.1	40.5	41.0	40.8	39.4	37.8	37.7	38.3	38.4	37.8	38.6
Public hospitals ^(f) / Public hospital services ^(d)	31.4	31.6	32.2	31.9	30.8	29.4	29.2	29.7	29.8	29.4	30.3
Private hospitals	8.7	8.9	8.8	8.8	8.7	8.4	8.6	8.6	8.7	8.4	8.3
Patient transport services	1.8	1.3	1.6	1.3	1.4	1.4	1.5	1.5	1.9	1.9	1.8
<i>Total institutional</i>	<i>41.9</i>	<i>41.8</i>	<i>42.5</i>	<i>42.0</i>	<i>40.8</i>	<i>39.3</i>	<i>39.2</i>	<i>39.7</i>	<i>40.3</i>	<i>39.7</i>	<i>40.4</i>
Medical services	21.5	20.8	20.4	20.1	20.0	19.0	19.1	18.8	18.8	19.5	19.3
Dental services	6.5	6.5	6.2	6.0	5.9	6.4	6.8	6.7	6.8	6.7	6.6
State/territory provider	0.6	0.8	0.8	0.7	0.8	0.6	0.7	0.6	0.7	0.7	0.7
Private provider	5.9	5.7	5.4	5.3	5.2	5.8	6.2	6.1	6.1	6.1	6.0
Other health practitioners	3.7	4.0	3.6	3.5	3.3	3.5	3.7	3.8	3.9	3.7	3.8
Community health and other ^(e)	3.7	4.4	4.3	5.3	5.1	5.0	5.0	5.2	4.7	4.7	4.9
Public health	1.8	1.6	1.7	1.7	1.9	1.9	1.9	1.9	1.8	1.9	1.8
Medications	12.7	13.0	13.4	13.6	14.1	15.1	15.4	14.8	15.0	14.8	14.3
Benefit-paid pharmaceuticals	8.2	8.3	8.1	8.3	8.7	9.5	9.4	9.6	9.7	9.4	9.1
All other medications	4.5	4.7	5.3	5.3	5.5	5.7	6.0	5.2	5.2	5.4	5.2
Aids and appliances	3.0	2.9	2.9	3.4	3.5	4.3	3.8	3.8	3.4	3.5	3.5
Administration	3.6	3.2	3.5	2.7	3.5	3.5	3.0	3.1	3.2	3.2	3.1
Research	1.7	1.7	1.6	1.6	1.8	2.1	2.1	2.1	2.2	2.3	2.4
<i>Total non-institutional</i>	<i>58.1</i>	<i>58.2</i>	<i>57.5</i>	<i>58.0</i>	<i>59.2</i>	<i>60.7</i>	<i>60.8</i>	<i>60.3</i>	<i>59.7</i>	<i>60.3</i>	<i>59.6</i>
Total recurrent expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: See page 125.

Notes to Appendix A tables

- (a) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health care. They do not show gross outlays on health goods and services by the different service provider sectors.
- (b) Includes the 30% rebate on health insurance premiums that can be claimed either directly from the Australian Government through the taxation system or it may involve a reduced premium being charged by the private health insurance fund (with a subsequent reimbursement to the fund by the Australian Government).
- (c) 'Other' includes expenditure on health goods and services by workers' compensation and compulsory third-party motor vehicle insurers as well as other sources of income (for example, interest earned) for service providers.
- (d) Public hospital services (2003-04 to 2005-06) excludes any dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.
- (e) 'Other' denotes 'other non-institutional n.e.c.'.
- (f) Non-government capital consumption (depreciation) is incorporated in recurrent expenditure.
- (g) Total health expenditure has not been adjusted for the funding of non-specific tax expenditure.
- (h) Constant price health expenditure for 1995-96 to 2005-06 is expressed in terms of 2004-05 prices.
- (i) Public hospitals (1995-96 to 2002-03) includes any dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.

Note: Due to changes in methods, care must be taken comparing the growth between 2002-03 and 2003-04 (see section 7.3 in the Technical notes for further information).

Appendix B: State and territory health expenditure matrices, 2003–04 to 2005–06

Table B1: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure
	Australian Government			State and local	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total						
Total hospitals	515	3,246	3,760	3,943	981	112	552	1,646	9,348
Public hospital services ^(c)	289	2,852	3,141	3,943	172	61	363	596	7,680
Private hospitals	226	393	619	—	809	51	190	1,049	1,669
Patient transport services	22	34	56	247	74	14	24	112	414
<i>Total institutional</i>	536	3,280	3,816	4,189	1,055	126	576	1,758	9,763
Medical services	219	3,280	3,500	—	157	582	419	1,159	4,658
Dental services	23	124	147	126	279	1,053	2	1,333	1,607
State/territory provider	..	..	..	126	..	3	..	3	129
Private provider	23	124	147	..	279	1,050	2	1,331	1,478
Other health practitioners	39	190	229	—	124	444	93	661	890
Community health and other ^(d)	—	70	70	797	—	49	6	55	922
Public health	—	221	221	105	—	50	—	50	376
Medications	164	1,832	1,995	—	24	1,432	6	1,462	3,458
Benefit-paid pharmaceuticals	164	1,803	1,967	—	—	359	—	359	2,326
All other medications	—	28	28	—	24	1,073	6	1,103	1,131
Aids and appliances	—	88	88	—	102	405	6	512	600
Administration	5	389	393	—	198	—	—	198	591
Research	—	273	273	57	—	—	99	99	429
<i>Total non-institutional</i>	450	6,466	6,917	1,084	884	4,015	630	5,529	13,530
Total recurrent expenditure	986	9,746	10,733	5,274	1,939	4,141	1,206	7,287	23,293
Capital expenditure	—	35	35	371	n.a.	n.a.	666	666	1,072
Capital consumption	—	15	15	373	..	..	..	(e)	388
Total health expenditure^(f)	986	9,796	10,783	6,018	1,939	4,141	1,872	7,952	24,752
Non-specific tax expenditure	..	107	107	—	..	-107	..	-107	..
Total health expenditure	986	9,903	10,890	6,018	1,939	4,034	1,872	7,845	24,752

Notes: See page 152.

Table B2: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government			State and local	Health insurance funds			Total		
	DVA	Other	Total		Individuals	Other ^(b)	Total			
Total hospitals	549	3,482	4,031	4,288	8,319	1,034	80	666	1,780	10,099
Public hospital services ^(c)	326	3,035	3,361	4,288	7,649	194	46	427	668	8,317
Private hospitals	223	447	670	—	670	840	34	239	1,113	1,783
Patient transport services	22	38	60	244	305	77	14	25	116	420
<i>Total institutional</i>	571	3,520	4,091	4,533	8,624	1,111	93	691	1,896	10,520
Medical services	237	3,855	4,092	—	4,092	173	591	435	1,199	5,291
Dental services	25	137	162	143	305	285	1,151	2	1,438	1,743
State/territory provider	..	..	..	143	143	..	4	..	4	147
Private provider	25	137	162	..	162	285	1,146	2	1,434	1,595
Other health practitioners	41	182	224	—	224	130	495	98	723	947
Community health and other ^(d)	—	93	93	847	940	—	55	6	61	1,001
Public health	—	291	291	97	388	—	41	—	41	429
Medications	168	1,921	2,089	—	2,089	24	1,597	7	1,628	3,717
Benefit-paid pharmaceuticals	168	1,877	2,045	—	2,045	—	394	—	394	2,438
All other medications	—	44	44	—	44	24	1,203	7	1,235	1,279
Aids and appliances	—	134	134	—	134	99	424	7	530	664
Administration	5	409	414	—	414	204	—	—	204	618
Research	—	320	320	67	387	—	—	124	124	511
<i>Total non-institutional</i>	476	7,341	7,818	1,153	8,971	917	4,353	679	5,950	14,921
Total recurrent expenditure	1,048	10,862	11,909	5,686	17,595	2,028	4,447	1,371	7,845	25,440
Capital expenditure	—	44	44	433	477	n.a.	n.a.	653	653	1,130
Capital consumption	—	23	23	389	412	..	..	..	(e)	412
Total health expenditure^(f)	1,048	10,928	11,975	6,508	18,484	2,028	4,447	2,024	8,498	26,982
Non-specific tax expenditure	..	122	122	..	122	..	-122	..	-122	..
Total health expenditure	1,048	11,050	12,097	6,508	18,606	2,028	4,325	2,024	8,376	26,982

Notes: See page 152.

Table B3: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Individuals	Other ^(b)	Total		
Total hospitals	529	3,715	4,243	4,549	8,792	1,051	135	751	1,937	10,730
Public hospital services ^(c)	307	3,217	3,524	4,549	8,074	201	101	524	826	8,899
Private hospitals	221	498	719	—	719	849	34	227	1,111	1,830
Patient transport services	23	41	64	276	340	77	15	28	120	460
<i>Total institutional</i>	551	3,755	4,307	4,826	9,132	1,128	151	779	2,057	11,190
Medical services	253	4,029	4,282	—	4,282	182	629	453	1,265	5,547
Dental services	30	152	181	134	315	293	1,191	2	1,485	1,801
State/territory provider	..	..	..	134	134	..	6	..	6	140
Private provider	30	152	181	..	181	293	1,185	2	1,479	1,661
Other health practitioners	42	202	243	—	243	138	541	102	781	1,024
Community health and other ^(d)	—	97	98	1,049	1,146	—	93	5	98	1,244
Public health	—	258	258	149	407	—	32	—	32	439
Medications	163	1,937	2,100	—	2,100	22	1,678	7	1,708	3,808
Benefit-paid pharmaceuticals	163	1,910	2,074	—	2,074	—	420	—	420	2,494
All other medications	—	27	27	—	27	22	1,258	7	1,287	1,314
Aids and appliances	—	144	144	—	144	101	447	8	556	700
Administration	5	442	447	—	447	206	—	—	206	653
Research	—	346	346	66	413	—	—	133	133	546
<i>Total non-institutional</i>	493	7,607	8,100	1,398	9,498	943	4,611	709	6,263	15,762
Total recurrent expenditure	1,044	11,363	12,407	6,224	18,631	2,071	4,762	1,488	8,321	26,951
Capital expenditure	—	42	42	576	618	n.a.	n.a.	718	718	1,336
Capital consumption	—	19	19	415	434	..	..	..	(e)	434
Total health expenditure^(f)	1,044	11,424	12,468	7,215	19,683	2,071	4,762	2,206	9,039	28,722
Non-specific tax expenditure	..	139	139	..	139	..	-139	..	-139	..
Total health expenditure	1,044	11,562	12,607	7,215	19,822	2,071	4,624	2,206	8,900	28,722

Notes: See page 152.

Table B4: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2003-04 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Individuals	Other ^(b)	Total		
Total hospitals	381	2,365	2,746	2,438	5,184	821	150	388	1,358	6,542
Public hospital services ^(c)	196	2,019	2,216	2,438	4,653	70	88	248	405	5,059
Private hospitals	185	345	531	—	531	751	62	140	953	1,483
Patient transport services	23	2	25	165	190	3	87	27	117	307
<i>Total institutional</i>	405	2,367	2,771	2,603	5,374	824	236	415	1,475	6,849
Medical services	151	2,348	2,499	—	2,499	154	368	134	655	3,155
Dental services	13	58	71	83	154	127	1,106	2	1,235	1,388
State/territory provider	..	..	..	83	83	..	3	..	3	86
Private provider	13	58	71	..	71	127	1,102	2	1,232	1,302
Other health practitioners	26	129	155	—	155	70	506	87	664	819
Community health and other ^(d)	1	40	40	533	573	—	1	3	5	578
Public health	—	155	155	145	300	—	2	—	2	302
Medications	103	1,337	1,439	—	1,439	6	1,154	26	1,185	2,624
Benefit-paid pharmaceuticals	103	1,322	1,424	—	1,424	—	257	—	257	1,681
All other medications	—	15	15	—	15	6	897	26	928	943
Aids and appliances	—	51	51	—	51	44	530	10	584	635
Administration	4	281	285	—	285	152	—	—	152	437
Research	—	257	257	22	280	—	—	62	62	342
<i>Total non-institutional</i>	297	4,657	4,954	783	5,736	552	3,666	325	4,544	10,280
Total recurrent expenditure	702	7,023	7,725	3,386	11,111	1,376	3,903	739	6,019	17,129
Capital expenditure	—	30	30	448	478	n.a.	n.a.	540	540	1,019
Capital consumption	..	14	14	224	238	..	..	..	(e)	238
Total health expenditure^(f)	702	7,067	7,769	4,058	11,827	1,376	3,903	1,280	6,559	18,386
Non-specific tax expenditure	..	64	64	..	64	..	-64	..	-64	..
Total health expenditure	702	7,131	7,833	4,058	11,891	1,376	3,839	1,280	6,495	18,386

Notes: See page 152.

Table B5: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government sector					Non-government sector					Total health expenditure
	Australian Government					Health insurance funds					
	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other ^(b)	Total		
Total hospitals	408	2,563	2,971	2,617	5,588	862	155	450	1,467	7,055	
Public hospital services ^(c)	221	2,176	2,396	2,617	5,014	85	104	290	479	5,493	
Private hospitals	187	387	574	—	574	777	51	160	988	1,562	
Patient transport services	27	2	29	179	208	4	93	24	121	329	
<i>Total institutional</i>	435	2,565	3,000	2,797	5,797	866	248	474	1,587	7,384	
Medical services	159	2,701	2,860	—	2,860	160	369	139	668	3,528	
Dental services	13	63	76	102	179	129	1,199	2	1,330	1,509	
State/territory provider	..	..	..	102	102	..	—	..	—	102
Private provider	13	63	76	..	76	129	1,199	2	1,330	1,406	
Other health practitioners	28	119	147	—	147	70	543	84	696	843	
Community health and other ^(d)	—	58	58	550	608	—	—	3	3	611	
Public health	—	202	202	144	346	—	—	—	—	346	
Medications	105	1,410	1,515	—	1,515	6	1,339	24	1,368	2,883	
Benefit-paid pharmaceuticals	105	1,383	1,488	—	1,488	—	287	—	287	1,775	
All other medications	—	27	27	—	27	6	1,052	24	1,081	1,108	
Aids and appliances	—	85	85	—	85	46	570	11	627	713	
Administration	5	294	298	—	298	154	—	—	154	452	
Research	—	336	336	78	414	—	—	142	142	556	
<i>Total non-institutional</i>	310	5,268	5,578	874	6,452	564	4,020	405	4,989	11,441	
Total recurrent expenditure	745	7,833	8,578	3,671	12,249	1,429	4,267	879	6,576	18,825	
Capital expenditure	—	43	43	328	371	n.a.	n.a.	737	737	1,108	
Capital consumption	..	21	21	240	261	..	..	..	(e)	261
Total health expenditure^(f)	745	7,897	8,642	4,239	12,881	1,429	4,267	1,616	7,313	20,194	
Non-specific tax expenditure	..	74	74	..	74	..	-74	..	-74	..	
Total health expenditure	745	7,971	8,716	4,239	12,955	1,429	4,193	1,616	7,239	20,194	

Notes: See page 152.

Table B6: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Health insurance funds	Individuals	Other ^(b)		Total
Total hospitals	353	2,710	3,063	2,936	5,999	907	207	443	1,557	7,556
Public hospital services ^(c)	163	2,270	2,432	2,936	5,369	97	151	310	558	5,926
Private hospitals	190	440	630	—	630	810	56	133	999	1,630
Patient transport services	29	3	32	195	227	5	104	22	131	358
<i>Total institutional</i>	382	2,712	3,094	3,731	6,226	911	312	465	1,688	7,914
Medical services	176	2,839	3,015	—	3,015	174	390	145	710	3,724
Dental services	14	72	86	118	205	136	1,260	2	1,398	1,603
State/territory provider	..	..	..	118	118	..	—	..	—	118
Private provider	14	72	86	..	86	136	1,260	2	1,398	1,485
Other health practitioners	29	132	161	—	161	75	591	81	747	909
Community health and other ^(d)	—	55	55	601	656	—	—	3	3	659
Public health	—	193	193	155	349	—	—	—	—	349
Medications	104	1,431	1,534	—	1,534	5	1,421	26	1,452	2,986
Benefit-paid pharmaceuticals	104	1,416	1,520	—	1,520	—	311	—	311	1,831
All other medications	—	14	14	—	14	5	1,110	26	1,141	1,155
Aids and appliances	—	93	93	—	93	48	609	13	670	764
Administration	4	313	317	—	317	169	—	—	169	486
Research	—	361	361	86	447	—	—	151	151	598
<i>Total non-institutional</i>	328	5,489	5,816	961	6,777	608	4,272	421	5,301	12,078
Total recurrent expenditure	710	8,201	8,911	4,092	13,003	1,519	4,583	886	6,989	19,992
Capital expenditure	—	40	40	552	592	n.a.	n.a.	741	741	1,333
Capital consumption	..	18	18	272	290	..	..	..	(e)	290
Total health expenditure^(f)	710	8,259	8,969	4,916	13,885	1,519	4,583	1,627	7,730	21,615
Non-specific tax expenditure	..	84	84	..	84	..	-84	..	-84	..
Total health expenditure	710	8,343	9,053	4,916	13,969	1,519	4,499	1,627	7,646	21,615

Notes: See page 152.

Table B7: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government			State and local	Health insurance funds			Total		
	DVA	Other	Total		Individuals	Other ^(b)	Total			
Total hospitals	325	1,833	2,158	1,548	3,706	630	59	99	789	4,494
Public hospital services ^(c)	64	1,545	1,609	1,526	3,134	30	16	25	70	3,204
Private hospitals	261	288	549	23	572	601	43	75	718	1,290
Patient transport services	25	6	31	259	290	1	4	10	15	305
<i>Total institutional</i>	349	1,839	2,189	1,807	3,996	637	63	109	803	4,799
Medical services	158	1,738	1,896	—	1,896	111	326	58	495	2,392
Dental services	17	59	76	120	196	133	348	1	482	677
State/territory provider	..	..	..	120	120	..	—	..	—	120
Private provider	17	59	76	..	76	133	348	1	482	557
Other health practitioners	27	107	134	—	134	65	266	29	360	493
Community health and other ^(d)	—	58	58	450	508	—	35	32	67	575
Public health	—	114	114	94	209	—	5	—	5	214
Medications	101	965	1,066	—	1,066	11	905	8	924	1,990
Benefit-paid pharmaceuticals	101	949	1,050	—	1,050	—	191	—	191	1,242
All other medications	—	16	16	—	16	11	714	8	732	748
Aids and appliances	—	46	46	—	46	47	347	4	398	444
Administration	5	222	227	57	284	123	—	—	123	407
Research	—	159	159	41	200	—	—	68	68	269
<i>Total non-institutional</i>	307	3,469	3,776	762	4,538	490	2,232	199	2,921	7,459
Total recurrent expenditure	657	5,308	5,965	2,569	8,534	1,121	2,295	308	3,724	12,258
Capital expenditure	—	36	36	264	301	n.a.	n.a.	924	924	1,225
Capital consumption	..	11	11	275	286	..	..	..	(e)	286
Total health expenditure^(f)	657	5,356	6,013	3,108	9,121	1,121	2,295	1,232	4,648	13,769
Non-specific tax expenditure	..	38	38	..	38	..	-38	..	-38	..
Total health expenditure	657	5,394	6,051	3,108	9,159	1,121	2,257	1,232	4,610	13,769

Notes: See page 152.

Table B8: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government sector					Non-government sector					Total health expenditure	
	Australian Government			State and local		Health insurance funds			Other ^(b)			Total
	DVA	Other	Total	Total	Total	Individuals	Other ^(b)	Total				
Total hospitals	341	2,000	2,341	1,563	3,905	664	69	113	846	4,751		
Public hospital services ^(c)	80	1,669	1,749	1,536	3,285	31	2	28	61	3,346		
Private hospitals	261	331	592	28	619	633	67	85	785	1,404		
Patient transport services	29	7	36	297	334	—	5	11	17	350		
<i>Total institutional</i>	370	2,007	2,378	1,861	4,238	664	74	125	863	5,101		
Medical services	171	2,098	2,269	—	2,269	122	333	68	523	2,792		
Dental services	18	66	84	128	212	138	396	1	535	747		
State/territory provider	..	..	..	128	128	..	—	..	—	128
Private provider	18	66	84	..	84	138	396	1	535	619		
Other health practitioners	30	102	132	—	132	70	308	34	412	544		
Community health and other ^(d)	—	74	74	516	591	—	32	33	64	655		
Public health	—	155	155	88	244	—	6	—	6	249		
Medications	107	1,049	1,157	—	1,157	12	1,049	7	1,067	2,224		
Benefit-paid pharmaceuticals	107	1,025	1,132	—	1,132	—	218	—	218	1,351		
All other medications	—	25	25	—	25	12	830	7	849	873		
Aids and appliances	—	70	70	—	70	48	375	4	427	497		
Administration	6	229	235	42	277	126	—	—	126	403		
Research	—	150	150	27	176	—	—	42	42	218		
<i>Total non-institutional</i>	332	3,995	4,326	801	5,127	515	2,499	188	3,202	8,330		
Total recurrent expenditure	702	6,002	6,704	2,662	9,366	1,179	2,573	313	4,065	13,431		
Capital expenditure	—	40	40	366	406	n.a.	n.a.	737	737	1,143		
Capital consumption	..	18	18	292	309	..	..	..	(e)	309
Total health expenditure^(f)	702	6,059	6,761	3,320	10,081	1,179	2,573	1,051	4,802	14,883		
Non-specific tax expenditure	..	46	46	..	46	..	—46	..	—46	..		
Total health expenditure	702	6,105	6,807	3,320	10,127	1,179	2,527	1,051	4,756	14,883		

Notes: See page 152.

Table B9: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds^(a), 2005-06 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Individuals	Other ^(b)	Total		
Total hospitals	320	2,146	2,466	2,090	4,555	684	133	199	1,015	5,571
Public hospital services ^(c)	52	1,776	1,828	2,062	3,890	28	44	69	141	4,032
Private hospitals	267	370	637	28	665	656	89	130	874	1,539
Patient transport services	27	7	34	264	298	—	6	8	14	312
<i>Total institutional</i>	347	2,153	2,499	2,354	4,854	684	139	206	1,029	5,883
Medical services	196	2,257	2,453	—	2,453	134	369	72	574	3,027
Dental services	22	76	97	132	229	146	425	1	572	801
State/territory provider	..	..	..	132	132	..	—	..	—	132
Private provider	22	76	97	..	97	146	425	1	572	669
Other health practitioners	33	113	147	—	147	77	344	32	453	600
Community health and other ^(d)	—	80	80	615	695	—	38	1	39	734
Public health	—	149	149	111	260	—	7	—	7	267
Medications	105	1,060	1,165	—	1,165	11	1,093	7	1,110	2,275
Benefit-paid pharmaceuticals	105	1,045	1,150	—	1,150	—	235	—	235	1,385
All other medications	—	15	15	—	15	11	858	7	875	890
Aids and appliances	—	77	77	—	77	50	398	4	452	529
Administration	5	256	262	51	312	132	—	—	132	444
Research	—	178	178	31	209	—	—	49	49	259
<i>Total non-institutional</i>	362	4,246	4,608	940	5,548	549	2,674	165	3,388	8,936
Total recurrent expenditure	709	6,399	7,107	3,295	10,402	1,233	2,812	371	4,417	14,819
Capital expenditure	—	36	36	425	461	n.a.	n.a.	659	659	1,120
Capital consumption	..	16	16	317	334	..	..	..	(e)	334
Total health expenditure^(f)	709	6,451	7,160	4,037	11,197	1,233	2,812	1,030	5,075	16,272
Non-specific tax expenditure	..	52	52	..	52	..	-52	..	-52	..
Total health expenditure	709	6,504	7,212	4,037	11,249	1,233	2,760	1,030	5,023	16,272

Notes: See page 152.

Table B10: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2003-04 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government			State and local	Health insurance funds			Total		
	DVA	Other	Total		Individuals	Other ^(b)	Total			
Total hospitals	179	944	1,123	1,064	2,187	328	79	57	464	2,651
Public hospital services ^(c)	97	803	900	895	1,795	21	30	20	70	1,865
Private hospitals	82	141	223	169	392	307	50	37	394	786
Patient transport services	5	10	16	44	60	10	40	4	55	115
<i>Total institutional</i>	184	954	1,138	1,109	2,247	339	119	61	519	2,766
Medical services	46	815	861	—	861	56	134	71	262	1,123
Dental services	7	38	45	51	96	87	306	2	395	491
State/territory provider	..	..	..	51	51	..	4	..	4	54
Private provider	7	38	45	..	45	87	302	2	391	436
Other health practitioners	10	55	65	—	65	39	40	19	97	162
Community health and other ^(d)	—	62	62	365	427	—	5	50	55	482
Public health	—	61	61	69	129	—	4	—	4	134
Medications	35	462	498	—	498	4	420	10	434	932
Benefit-paid pharmaceuticals	35	456	492	—	492	—	96	—	96	588
All other medications	—	6	6	—	6	4	324	10	338	344
Aids and appliances	—	26	26	—	26	29	286	4	319	344
Administration	2	112	114	112	226	55	—	—	55	281
Research	—	83	83	10	92	—	—	18	18	110
<i>Total non-institutional</i>	100	1,713	1,813	606	2,419	270	1,195	174	1,640	4,059
Total recurrent expenditure	285	2,667	2,951	1,715	4,666	608	1,314	236	2,159	6,825
Capital expenditure	—	17	17	114	131	n.a.	n.a.	258	258	389
Capital consumption	..	8	8	89	97	..	..	..	(e)	97
Total health expenditure^(f)	285	2,692	2,976	1,918	4,894	608	1,314	494	2,417	7,311
Non-specific tax expenditure	..	18	18	..	18	..	-18	..	-18	..
Total health expenditure	285	2,710	2,994	1,918	4,912	608	1,296	494	2,399	7,311

Notes: See page 152.

Table B11: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2004-05 (\$ million)

Area of expenditure	Government sector					Non-government sector					Total health expenditure	
	Australian Government			State and local		Health insurance funds			Other ^(b)			Total
	DVA	Other	Total	Total	Total	Individuals	Other ^(b)	Total				
Total hospitals	175	1,036	1,211	1,157	2,368	349	79	77	505	2,874		
Public hospital services ^(c)	86	873	960	986	1,946	23	55	27	106	2,052		
Private hospitals	88	163	251	171	422	325	24	50	400	822		
Patient transport services	6	12	18	51	70	11	43	5	59	129		
<i>Total institutional</i>	181	1,049	1,229	1,209	2,438	360	122	82	565	3,003		
Medical services	51	941	992	—	992	61	140	77	277	1,269		
Dental services	7	41	48	50	98	86	357	3	445	543		
State/territory provider	..	..	..	50	50	..	4	..	4	54
Private provider	7	41	48	..	48	86	352	3	441	489		
Other health practitioners	11	51	61	—	61	39	51	19	109	170		
Community health and other ^(d)	—	68	68	415	483	—	9	51	60	543		
Public health	—	82	82	61	143	—	4	—	4	148		
Medications	37	482	519	—	519	4	446	10	459	979		
Benefit-paid pharmaceuticals	37	472	509	—	509	—	107	—	107	616		
All other medications	—	10	10	—	10	4	339	10	353	363		
Aids and appliances	—	38	38	—	38	30	336	4	370	408		
Administration	3	117	120	121	241	59	—	—	59	300		
Research	—	110	110	17	127	—	—	29	29	156		
<i>Total non-institutional</i>	109	1,930	2,039	665	2,703	278	1,342	193	1,813	4,516		
Total recurrent expenditure	290	2,979	3,268	1,873	5,141	638	1,465	275	2,378	7,519		
Capital expenditure	—	23	23	181	204	n.a.	n.a.	392	392	597		
Capital consumption	..	11	11	102	113	..	..	..	(e)	113
Total health expenditure^(f)	290	3,013	3,302	2,156	5,458	638	1,465	667	2,770	8,228		
Non-specific tax expenditure	..	21	21	..	21	..	-21	..	-21	..		
Total health expenditure	290	3,034	3,323	2,156	5,479	638	1,444	667	2,749	8,228		

Notes: See page 152.

Table B12: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government			State and local	Health insurance funds			Total		
	DVA	Other	Total		Individuals	Other ^(b)	Total			
Total hospitals	142	1,084	1,226	1,343	2,570	357	115	93	565	3,135
Public hospital services ^(c)	58	905	963	1,141	2,104	29	77	35	140	2,244
Private hospitals	84	180	264	202	466	328	38	58	424	890
Patient transport services	7	10	17	56	72	8	47	6	60	132
<i>Total institutional</i>	149	1,094	1,243	1,399	2,642	364	162	99	625	3,267
Medical services	55	990	1,045	—	1,045	66	154	77	298	1,343
Dental services	9	47	56	51	106	91	380	3	474	580
State/territory provider	..	..	..	51	51	..	5	..	5	55
Private provider	9	47	56	..	56	91	375	3	469	525
Other health practitioners	12	56	67	—	67	40	55	20	115	183
Community health and other ^(d)	—	65	65	329	395	—	12	41	53	448
Public health	—	75	75	76	151	—	5	—	5	156
Medications	37	488	525	—	525	4	479	12	494	1,019
Benefit-paid pharmaceuticals	37	482	519	—	519	—	115	—	115	634
All other medications	—	6	6	—	6	4	363	12	379	384
Aids and appliances	—	41	41	—	41	30	366	5	400	442
Administration	2	133	136	128	264	63	—	—	63	327
Research	—	139	139	23	162	—	—	36	36	198
<i>Total non-institutional</i>	115	2,034	2,149	607	2,756	294	1,451	193	1,939	4,695
Total recurrent expenditure	264	3,129	3,392	2,006	5,398	658	1,613	292	2,563	7,962
Capital expenditure	—	27	27	154	181	n.a.	n.a.	572	572	752
Capital consumption	..	11	11	91	102	..	..	..	(e)	102
Total health expenditure^(f)	264	3,166	3,430	2,251	5,681	658	1,613	864	3,135	8,816
Non-specific tax expenditure	..	24	24	..	24	..	-24	..	-24	..
Total health expenditure	264	3,190	3,454	2,251	5,705	658	1,589	864	3,111	8,816

Notes: See page 152.

Table B13: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2003-04 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government				Health insurance funds					
	DVA	Other	Total	State and local	Total	Individuals	Other ^(b)	Total		
Total hospitals	107	807	915	744	1,658	268	24	50	343	2,001
Public hospital services ^(c)	71	700	771	740	1,511	28	14	14	57	1,568
Private hospitals	36	107	143	4	147	240	10	36	286	433
Patient transport services	7	3	10	36	47	2	34	8	43	90
<i>Total institutional</i>	<i>115</i>	<i>810</i>	<i>925</i>	<i>780</i>	<i>1,705</i>	<i>270</i>	<i>58</i>	<i>58</i>	<i>386</i>	<i>2,091</i>
Medical services	41	735	776	—	776	56	92	79	227	1,003
Dental services	6	32	38	42	80	72	120	1	192	273
State/territory provider	..	..	..	42	42	..	2	..	2	45
Private provider	6	32	38	..	38	72	118	1	190	228
Other health practitioners	8	48	56	—	56	40	32	29	101	157
Community health and other ^(d)	—	35	35	243	279	—	7	72	79	357
Public health	—	55	55	55	110	—	—	—	—	110
Medications	35	442	476	—	476	4	345	5	353	830
Benefit-paid pharmaceuticals	35	436	471	—	471	—	82	—	82	553
All other medications	—	6	6	—	6	4	263	5	271	277
Aids and appliances	—	21	21	—	21	24	148	7	180	200
Administration	2	95	97	130	227	49	—	—	49	276
Research	—	116	116	32	147	—	—	58	58	205
<i>Total non-institutional</i>	<i>92</i>	<i>1,578</i>	<i>1,670</i>	<i>502</i>	<i>2,173</i>	<i>245</i>	<i>745</i>	<i>249</i>	<i>1,239</i>	<i>3,412</i>
Total recurrent expenditure	207	2,389	2,595	1,283	3,878	515	803	307	1,625	5,503
Capital expenditure	—	12	12	117	129	n.a.	n.a.	108	108	237
Capital consumption	..	7	7	88	96	..	..	..	(e)	96
Total health expenditure^(f)	207	2,408	2,615	1,488	4,103	515	803	415	1,733	5,836
Non-specific tax expenditure	..	12	12	..	12	..	-12	..	-12	..
Total health expenditure	207	2,420	2,627	1,488	4,115	515	791	415	1,721	5,836

Notes: See page 152.

Table B14: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government sector					Non-government sector					
	Australian Government			State and local		Health insurance funds			Other ^(b)		Total health expenditure
	DVA	Other	Total	Total	Total	Individuals	Other ^(b)	Total			
Total hospitals	114	860	974	862	1,836	37	41	358	2,194		
Public hospital services ^(c)	75	739	814	857	1,671	12	19	61	1,732		
Private hospitals	39	121	160	4	165	25	22	297	462		
Patient transport services	7	4	11	48	59	32	7	41	100		
<i>Total institutional</i>	122	864	986	910	1,895	70	47	399	2,294		
Medical services	46	842	888	—	888	60	93	244	1,132		
Dental services	6	35	41	49	90	133	1	206	296		
State/territory provider	..	..	..	49	49	3	..	3	52
Private provider	6	35	41	..	41	130	1	203	244		
Other health practitioners	9	47	57	—	57	36	32	109	165		
Community health and other ^(d)	—	42	42	265	307	5	68	72	380		
Public health	—	70	70	48	118	3	—	3	120		
Medications	36	465	501	—	501	367	6	376	877		
Benefit-paid pharmaceuticals	36	455	491	—	491	91	—	91	582		
All other medications	—	10	10	—	10	276	6	285	295		
Aids and appliances	—	32	32	—	32	156	7	187	220		
Administration	2	100	102	200	302	—	—	48	350		
Research	—	105	105	13	118	—	25	25	143		
<i>Total non-institutional</i>	101	1,737	1,838	575	2,413	790	232	1,270	3,683		
Total recurrent expenditure	223	2,601	2,823	1,485	4,308	860	279	1,668	5,977		
Capital expenditure	—	18	18	203	221	n.a.	218	218	439		
Capital consumption	..	10	10	95	105	..	..	(e)	105
Total health expenditure^(f)	223	2,629	2,851	1,783	4,635	860	497	1,886	6,521		
Non-specific tax expenditure	..	14	14	..	14	-14	..	-14	..		
Total health expenditure	223	2,643	2,865	1,783	4,649	846	497	1,872	6,521		

Notes: See page 152.

Table B15: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government sector					Non-government sector					
	Australian Government			State and local		Health insurance funds			Other ^(b)		Total health expenditure
	DVA	Other	Total	Total	Total	Individuals	Other ^(b)	Total			
Total hospitals	120	917	1,037	964	2,000	286	34	61	381	2,382	
Public hospital services ^(c)	79	781	860	961	1,821	30	3	33	66	1,887	
Private hospitals	41	136	176	3	180	256	31	28	315	495	
Patient transport services	7	4	11	50	61	3	34	8	45	106	
<i>Total institutional</i>	<i>127</i>	<i>921</i>	<i>1,048</i>	<i>1,013</i>	<i>2,061</i>	<i>289</i>	<i>68</i>	<i>69</i>	<i>426</i>	<i>2,487</i>	
Medical services	51	886	937	—	937	62	97	103	262	1,199	
Dental services	8	38	46	49	95	74	140	1	216	311	
State/territory provider	..	..	..	49	49	..	3	..	3	52
Private provider	8	38	46	..	46	74	137	1	212	258	
Other health practitioners	10	52	61	—	61	42	38	36	116	177	
Community health and other ^(d)	—	44	44	274	318	—	16	75	91	409	
Public health	—	61	61	56	117	—	—	—	—	117	
Medications	36	479	515	—	515	4	384	6	394	909	
Benefit-paid pharmaceuticals	36	473	509	—	509	—	99	—	99	609	
All other medications	—	6	6	—	6	4	285	6	294	300	
Aids and appliances	—	35	35	—	35	26	164	9	199	234	
Administration	2	109	112	185	296	51	—	—	51	347	
Research	—	118	118	16	133	—	—	27	27	161	
<i>Total non-institutional</i>	<i>107</i>	<i>1,822</i>	<i>1,930</i>	<i>579</i>	<i>2,509</i>	<i>258</i>	<i>840</i>	<i>257</i>	<i>1,355</i>	<i>3,864</i>	
Total recurrent expenditure	234	2,744	2,977	1,592	4,570	547	908	326	1,781	6,351	
Capital expenditure	—	13	13	117	129	n.a.	n.a.	92	92	221	
Capital consumption	..	9	9	85	94	..	..	..	(e)	94
Total health expenditure^(f)	234	2,765	2,999	1,794	4,793	547	908	418	1,873	6,666	
Non-specific tax expenditure	..	16	16	..	16	..	-16	..	-16	..	
Total health expenditure	234	2,781	3,015	1,794	4,809	547	892	418	1,858	6,666	

Notes: See page 152.

Table B16: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government			State and local	Health insurance funds	Individuals	Other ^(b)	Total		
	DVA	Other	Total							
Total hospitals	40	224	265	171	435	86	18	22	126	562
Public hospital services ^(c)	15	190	205	152	357	8	11	12	31	389
Private hospitals	25	35	60	18	78	79	7	9	95	173
Patient transport services	2	—	3	18	21	—	—	1	1	22
<i>Total institutional</i>	42	225	267	189	456	86	18	23	128	584
Medical services	19	207	226	—	226	13	32	12	57	283
Dental services	2	7	8	9	18	15	47	—	62	80
State/territory provider	..	..	..	9	9	..	1	..	1	10
Private provider	2	7	8	..	8	15	46	—	61	69
Other health practitioners	4	13	17	—	17	8	25	7	39	56
Community health and other ^(d)	—	7	7	59	66	—	6	1	7	74
Public health	—	22	22	18	40	—	—	—	—	40
Medications	15	143	158	—	158	2	107	1	110	268
Benefit-paid pharmaceuticals	15	140	155	—	155	—	26	—	26	181
All other medications	—	3	3	—	3	2	80	1	83	86
Aids and appliances	—	6	6	—	6	7	39	2	48	55
Administration	1	32	33	37	70	17	—	—	17	87
Research	—	17	17	2	18	—	—	3	3	22
<i>Total non-institutional</i>	41	454	495	125	620	61	255	27	344	964
Total recurrent expenditure	83	679	763	314	1,077	148	274	50	472	1,548
Capital expenditure	—	7	7	18	24	n.a.	n.a.	53	53	78
Capital consumption	..	4	4	14	19	..	..	..	(e)	19
Total health expenditure^(f)	83	690	774	346	1,119	148	274	103	525	1,644
Non-specific tax expenditure	..	3	3	..	3	..	-3	..	-3	..
Total health expenditure	83	693	777	346	1,122	148	271	103	522	1,644

Notes: See page 152.

Table B17: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government			State and local	Health insurance funds			Total		
	DVA	Other	Total		Individuals	Other ^(b)	Total			
Total hospitals	36	242	278	198	476	86	9	24	120	596
Public hospital services ^(c)	15	205	220	175	396	9	1	19	29	425
Private hospitals	21	37	58	22	81	77	8	5	90	171
Patient transport services	2	1	3	27	29	—	—	1	2	31
<i>Total institutional</i>	38	243	281	225	506	87	9	26	121	627
Medical services	19	238	257	—	257	13	32	13	58	315
Dental services	2	7	9	11	19	15	50	—	65	84
State/territory provider	..	..	..	11	11	..	1	..	1	12
Private provider	2	7	9	..	9	15	49	—	64	73
Other health practitioners	4	13	17	—	17	8	28	7	43	60
Community health and other ^(d)	—	9	10	70	80	—	8	2	10	90
Public health	—	28	28	15	43	—	—	—	—	43
Medications	14	147	161	—	161	2	118	1	122	283
Benefit-paid pharmaceuticals	14	142	157	—	157	—	29	—	29	186
All other medications	—	4	4	—	4	2	89	1	93	97
Aids and appliances	—	10	10	—	10	7	42	2	51	61
Administration	1	31	32	38	70	16	—	—	16	86
Research	—	16	16	1	18	—	—	2	2	19
<i>Total non-institutional</i>	41	499	540	135	675	62	278	27	367	1,042
Total recurrent expenditure	79	742	821	359	1,180	148	287	53	489	1,669
Capital expenditure	—	10	10	22	31	n.a.	n.a.	97	97	128
Capital consumption	..	6	6	15	21	..	..	..	(e)	21
Total health expenditure^(f)	79	758	836	396	1,233	148	287	150	585	1,818
Non-specific tax expenditure	..	3	3	..	3	..	—3	..	—3	..
Total health expenditure	79	761	839	396	1,236	148	284	150	582	1,818

Notes: See page 152.

Table B18: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government sector				Non-government sector					Total health expenditure
	Australian Government				State and local	Health insurance funds	Individuals	Other ^(b)	Total	
	DVA	Other	Total	Total						
Total hospitals	33	258	291	235	527	90	8	33	131	657
Public hospital services ^(c)	14	216	230	225	455	10	3	22	35	489
Private hospitals	19	42	61	10	72	80	5	11	96	168
Patient transport services	3	1	4	13	16	—	—	1	2	18
<i>Total institutional</i>	37	258	295	248	543	90	9	34	133	676
Medical services	21	247	268	—	268	15	33	13	61	329
Dental services	2	8	10	13	22	16	53	—	69	91
State/territory provider	..	..	..	13	13	..	4	..	4	16
Private provider	2	8	10	..	10	16	50	—	65	75
Other health practitioners	4	15	19	—	19	9	32	8	48	67
Community health and other ^(d)	—	10	10	68	78	—	6	—	6	84
Public health	—	27	27	19	46	—	—	—	—	46
Medications	14	151	165	—	165	2	127	2	131	296
Benefit-paid pharmaceuticals	14	148	163	—	163	—	32	—	32	195
All other medications	—	3	3	—	3	2	95	2	99	102
Aids and appliances	—	11	11	—	11	8	47	2	57	68
Administration	1	40	41	39	80	17	—	—	17	98
Research	—	17	17	1	18	—	—	2	2	20
<i>Total non-institutional</i>	43	524	568	140	708	66	298	28	391	1,099
Total recurrent expenditure	80	783	863	388	1,251	156	307	62	524	1,775
Capital expenditure	—	11	11	26	37	n.a.	n.a.	175	175	212
Capital consumption	..	5	5	22	27	..	..	..	(e)	27
Total health expenditure^(f)	80	799	879	435	1,314	156	307	237	700	2,014
Non-specific tax expenditure	..	3	3	..	3	..	-3	..	-3	..
Total health expenditure	80	802	883	435	1,318	156	303	237	696	2,014

Notes: See page 152.

Table B19: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2003–04 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government			State and local	Health insurance funds	Individuals	Other ^(b)	Total		
	DVA	Other	Total							
Total hospitals	20	111	131	199	330	58	27	29	115	445
Public hospital services ^(c)	10	110	120	199	319	9	6	24	39	359
Private hospitals	11	—	11	—	11	49	21	6	76	87
Patient transport services	—	—	—	9	9	—	—	1	1	10
<i>Total institutional</i>	20	111	131	208	339	58	27	31	116	456
Medical services	22	132	154	—	154	—	57	8	65	219
Dental services	1	—	2	7	8	—	76	—	76	85
State/territory provider	..	..	..	7	7	..	1	..	1	7
Private provider	1	—	2	..	2	—	75	—	76	77
Other health practitioners	7	7	14	—	14	—	29	6	34	48
Community health and other ^(d)	—	4	4	93	96	—	5	6	11	108
Public health	—	15	15	18	33	—	1	—	1	34
Medications	6	66	72	—	72	—	50	1	52	124
Benefit-paid pharmaceuticals	6	65	72	—	72	—	18	—	18	89
All other medications	—	1	1	—	1	—	33	1	34	35
Aids and appliances	—	2	2	—	2	—	25	1	26	28
Administration	31	12	43	36	80	—	—	—	—	80
Research	2	67	69	9	78	—	—	16	16	94
<i>Total non-institutional</i>	70	305	374	162	537	—	244	38	282	819
Total recurrent expenditure	90	415	505	371	876	58	271	69	398	1,274
Capital expenditure	—	5	5	21	25	n.a.	n.a.	37	37	62
Capital consumption	..	3	3	14	17	..	..	..	(e)	17
Total health expenditure^(f)	90	423	513	406	918	58	271	106	435	1,354
Non-specific tax expenditure	..	8	8	..	8	..	—8	..	—8	..
Total health expenditure	90	431	521	406	926	58	263	106	427	1,354

Notes: See page 152.

Table B20: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government sector					Non-government sector					Total health expenditure
	Australian Government			State and local	Total	Health insurance funds	Non-government sector			Total	
	DVA	Other	Total				Individuals	Other ^(b)			
Total hospitals	21	119	140	214	354	63	24	41	128	482	
Public hospital services ^(c)	10	118	128	214	342	11	7	35	52	395	
Private hospitals	11	1	11	—	11	52	18	6	76	87	
Patient transport services	—	—	—	13	13	—	—	1	1	14	
<i>Total institutional</i>	21	119	140	227	366	63	25	42	129	495	
Medical services	13	151	164	—	164	—	59	9	68	232	
Dental services	1	—	1	8	9	—	82	—	82	91	
State/territory provider	..	..	..	8	8	..	1	..	1	8
Private provider	1	—	1	..	1	—	81	—	82	83	
Other health practitioners	–5	5	—	—	—	—	32	7	39	39	
Community health and other ^(d)	—	5	5	96	101	—	6	10	16	117	
Public health	—	19	19	20	38	—	1	—	1	39	
Medications	7	69	76	—	76	—	56	1	57	133	
Benefit-paid pharmaceuticals	7	68	75	—	75	—	19	—	19	94	
All other medications	—	1	1	—	1	—	36	1	38	39	
Aids and appliances	—	4	4	—	4	—	26	1	27	30	
Administration	36	13	48	79	128	—	—	—	—	128	
Research	2	88	90	2	93	—	—	7	7	100	
<i>Total non-institutional</i>	53	354	407	205	612	—	261	35	296	908	
Total recurrent expenditure	74	473	547	432	978	63	285	77	425	1,403	
Capital expenditure	—	6	6	31	36	n.a.	n.a.	50	50	87	
Capital consumption	..	4	4	14	17	..	..	..	(e)	17
Total health expenditure^(f)	74	482	556	476	1,032	63	285	127	475	1,507	
Non-specific tax expenditure	..	9	9	..	9	..	–9	..	–9	..	
Total health expenditure	74	491	565	476	1,041	63	276	127	466	1,507	

Notes: See page 152.

Table B21: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds^(a), 2005–06 (\$ million)

Area of expenditure	Government sector					Non-government sector				
	Australian Government			State and local		Health insurance funds			Non-government sector	
	DVA	Other	Total	Total	Total	Individuals	Other ^(b)	Total	Total health expenditure	
Total hospitals	21	123	144	261	406	75	4	52	131	537
Public hospital services ^(c)	11	123	133	261	394	13	1	45	60	454
Private hospitals	11	—	11	—	11	61	3	7	71	82
Patient transport services	—	—	—	15	15	—	—	1	1	16
<i>Total institutional</i>	21	123	144	277	421	75	4	52	132	553
Medical services	15	157	172	—	172	—	65	8	73	245
Dental services	2	—	2	8	10	—	85	—	86	96
State/territory provider	..	..	..	8	8	..	1	..	1	9
Private provider	2	—	2	..	2	—	85	—	85	87
Other health practitioners	2	5	8	—	8	—	35	7	42	50
Community health and other ^(d)	—	5	5	111	116	—	8	14	22	138
Public health	—	17	17	18	35	—	2	—	2	37
Medications	7	70	76	—	76	—	57	2	58	135
Benefit-paid pharmaceuticals	7	69	76	—	76	—	20	—	20	96
All other medications	—	—	—	—	—	—	37	2	38	39
Aids and appliances	—	4	4	—	4	—	27	1	28	32
Administration	34	16	50	52	102	—	—	—	—	102
Research	2	105	107	3	110	—	—	8	8	118
<i>Total non-institutional</i>	62	380	442	192	634	—	278	41	319	953
Total recurrent expenditure	83	503	586	469	1,055	75	283	93	451	1,506
Capital expenditure	—	6	6	48	54	n.a.	n.a.	79	79	132
Capital consumption	..	3	3	16	19	..	..	..	(e)	19
Total health expenditure^(f)	83	512	595	532	1,127	75	283	172	529	1,657
Non-specific tax expenditure	..	10	10	..	10	..	-10	..	-10	..
Total health expenditure	83	522	605	532	1,138	75	272	172	519	1,657

Notes: See page 152.

Table B22: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2002-03 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government			State and local	Total	Health insurance funds	Non-government sector			Total
	DVA	Other	Total				Individuals	Other ^(b)		
Total hospitals	2	93	95	187	282	13	13	10	36	318
Public hospital services ^(c)	1	88	89	185	274	1	4	5	10	284
Private hospitals	1	5	6	2	8	12	9	5	26	34
Patient transport services	—	4	4	25	29	—	1	1	2	31
<i>Total institutional</i>	2	97	99	212	311	13	14	11	38	349
Medical services	1	50	50	—	50	2	8	7	17	67
Dental services	—	1	2	6	8	3	29	—	32	40
State/territory provider	..	..	..	6	6	..	—	..	—	6
Private provider	—	1	2	..	2	3	29	—	32	34
Other health practitioners	—	4	4	—	4	2	12	3	17	21
Community health and other ^(d)	—	46	46	84	130	—	—	—	—	130
Public health	—	16	16	30	45	—	—	—	—	45
Medications	1	25	26	—	26	—	29	1	30	56
Benefit-paid pharmaceuticals	1	25	26	—	26	—	5	—	5	30
All other medications	—	—	—	—	—	—	24	1	25	26
Aids and appliances	—	2	2	—	2	2	11	3	15	17
Administration	—	12	12	24	36	1	—	—	1	37
Research	—	6	6	1	6	—	—	2	2	8
<i>Total non-institutional</i>	2	162	163	144	307	10	89	16	114	422
Total recurrent expenditure	4	258	262	356	618	22	103	27	152	771
Capital expenditure	—	5	5	7	12	n.a.	n.a.	14	14	26
Capital consumption	..	4	4	15	19	..	..	..	(e)	19
Total health expenditure^(f)	4	267	271	378	649	22	103	41	166	816
Non-specific tax expenditure	..	1	1	..	1	..	—1	..	—1	..
Total health expenditure	4	268	272	378	650	22	103	41	166	816

Notes: See page 152.

Table B23: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2003-04 (\$ million)

Area of expenditure	Government sector				Non-government sector				Total health expenditure	
	Australian Government			State and local	Total	Health insurance funds	Individuals	Other ^(b)		Total
	DVA	Other	Total							
Total hospitals	2	107	109	207	315	13	15	7	35	351
Public hospital services ^(c)	1	101	102	207	309	1	1	4	6	314
Private hospitals	1	6	7	—	7	13	14	3	30	36
Patient transport services	—	4	4	28	31	—	1	—	1	32
<i>Total institutional</i>	2	110	112	235	347	13	16	7	36	383
Medical services	1	52	52	—	52	2	7	8	18	70
Dental services	—	1	2	8	9	3	32	—	35	45
State/territory provider	..	..	..	8	8	..	—	..	—	8
Private provider	—	1	2	..	2	3	32	—	35	37
Other health practitioners	—	4	4	—	4	2	13	3	18	22
Community health and other ^(d)	—	55	55	97	152	—	—	—	—	152
Public health	—	14	14	38	53	—	—	—	—	53
Medications	1	29	30	—	30	—	31	—	32	62
Benefit-paid pharmaceuticals	1	28	29	—	29	—	5	—	5	34
All other medications	—	—	—	—	—	—	26	—	27	27
Aids and appliances	—	2	2	—	2	2	12	—	14	16
Administration	—	17	17	24	41	1	—	—	1	42
Research	—	5	5	—	5	—	—	1	1	7
<i>Total non-institutional</i>	2	180	181	168	349	10	96	13	120	469
Total recurrent expenditure	4	290	294	402	696	24	112	21	156	852
Capital expenditure	—	7	7	2	9	n.a.	n.a.	12	12	21
Capital consumption	..	5	5	15	20	..	..	..	^(e) ..	20
Total health expenditure^(f)	4	302	306	419	724	24	112	32	168	892
Non-specific tax expenditure	..	1	1	..	1	..	-1	..	-1	..
Total health expenditure	4	303	307	419	725	24	111	32	167	892

Notes: See page 152.

Table B24: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2004–05 (\$ million)

Area of expenditure	Government sector					Non-government sector					
	Australian Government			State and local		Health insurance funds			Other ^(b)		Total health expenditure
	DVA	Other	Total	Total	Total	Individuals	Other ^(b)	Total			
Total hospitals	1	112	113	221	335	13	15	6	33	368	
Public hospital services ^(c)	—	106	106	221	328	1	1	3	5	332	
Private hospitals	1	6	7	—	7	12	14	2	29	36	
Patient transport services	—	4	4	33	38	—	1	—	2	39	
<i>Total institutional</i>	1	117	118	255	372	13	16	6	35	407	
Medical services	1	65	66	—	66	2	8	10	20	86	
Dental services	—	2	2	9	11	3	36	—	39	50	
State/territory provider	..	..	..	9	9	..	—	..	—	9
Private provider	—	2	2	..	2	3	36	—	39	41	
Other health practitioners	—	4	4	—	4	2	15	3	19	23	
Community health and other ^(d)	—	57	57	95	152	—	1	—	1	154	
Public health	—	20	20	47	66	—	—	—	—	66	
Medications	1	33	34	—	34	—	36	—	36	70	
Benefit-paid pharmaceuticals	1	32	33	—	33	—	6	—	6	39	
All other medications	—	1	1	—	1	—	30	—	31	31	
Aids and appliances	—	3	3	—	3	2	13	—	15	18	
Administration	—	17	17	28	45	1	—	—	1	46	
Research	—	5	5	2	7	—	—	4	4	12	
<i>Total non-institutional</i>	2	204	206	182	388	10	108	18	136	525	
Total recurrent expenditure	3	321	324	436	761	23	125	23	171	932	
Capital expenditure	—	8	8	7	16	n.a.	n.a.	21	21	37	
Capital consumption	..	6	6	15	22	..	..	..	(e)	22
Total health expenditure^(f)	3	336	339	459	798	23	125	45	193	991	
Non-specific tax expenditure	..	1	1	..	1	..	—1	..	—1	..	
Total health expenditure	3	337	340	459	799	23	124	45	192	991	

Notes: See page 152.

Table B25: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds^(a), 2005-06 (\$ million)

Area of expenditure	Government sector					Non-government sector					
	Australian Government			State and local		Health insurance funds			Other ^(b)		Total health expenditure
	DVA	Other	Total	Total	Total	Individuals	Other ^(b)	Total			
Total hospitals	1	141	142	239	381	13	30	12	55	436	
Public hospital services ^(c)	—	134	134	239	373	1	5	9	15	387	
Private hospitals	1	7	8	—	8	13	25	3	40	49	
Patient transport services	—	4	4	31	35	—	2	—	2	36	
<i>Total institutional</i>	1	145	146	270	415	13	32	12	57	472	
Medical services	1	67	68	—	68	3	8	8	18	86	
Dental services	—	2	2	10	12	4	39	—	42	54	
State/territory provider	..	..	..	10	10	..	—	..	—	10
Private provider	—	2	2	..	2	4	38	—	42	44	
Other health practitioners	—	4	4	—	4	2	17	3	22	26	
Community health and other ^(d)	—	62	62	120	182	—	—	—	—	182	
Public health	—	18	18	47	65	—	1	—	1	66	
Medications	1	35	35	—	35	—	37	—	37	73	
Benefit-paid pharmaceuticals	1	34	35	—	35	—	6	—	6	41	
All other medications	—	—	—	—	—	—	31	—	31	32	
Aids and appliances	—	3	3	—	3	2	14	1	16	19	
Administration	—	39	39	—	39	1	—	—	1	41	
Research	—	7	7	3	10	—	—	6	6	16	
<i>Total non-institutional</i>	2	237	239	180	418	11	175	17	144	562	
Total recurrent expenditure	3	382	385	449	834	24	147	29	200	1,034	
Capital expenditure	—	9	9	—	8	n.a.	n.a.	51	51	59	
Capital consumption	..	7	7	16	23	..	..	..	(e)	23
Total health expenditure^(f)	3	397	400	465	865	24	147	80	251	1,116	
Non-specific tax expenditure	..	1	1	..	1	..	-1	..	-1	..	
Total health expenditure	3	398	401	465	866	24	146	80	250	1,116	

Notes: See page 152.

Notes to Appendix B tables

- (a) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health goods and services. They do not show gross outlays on health services by the different service provider sectors.
- (b) 'Other' includes expenditure on health goods and services by workers' compensation and compulsory motor vehicle third-party insurers as well as other sources of income (for example, interest earned) of service providers.
- (c) Public hospital services excludes any dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services.
- (d) 'Other' denotes 'other non-institutional n.e.c.'.
- (e) Non-government capital consumption (depreciation) is included as part of recurrent expenditure.
- (f) Total health expenditure has not been adjusted for the funding of non-specific tax expenditure.

Note: Benefits paid by private health insurance funds to ACT residents for non-hospital services are included in the NSW tables, B1 to B3, and not in the ACT tables, B19 to B21, as the NSW and ACT benefits are not able to be separated.

Appendix C: Detailed disaggregation of selected areas of health expenditure, 2004–05

Table C1: Hospital expenditure, current prices, by area of expenditure, 2004–05 (\$ million)

Area of expenditure	Total expenditure
Total hospitals	28,418
Admitted patients	21,474
Same day admissions	4,983
Curative care	4,964
Rehabilitative care	16
Long-term care	1
Palliative care	1
Other n.e.c.	2
Overnight admissions	16,491
Curative care	14,344
Rehabilitative care	1,130
Long-term care	781
Palliative care	202
Other n.e.c.	36
Non-admitted patients	9,791
Public hospital services^(a)	22,091
Admitted patients	15,464
Same day admissions	3,352
Curative care	3,345
Rehabilitative care	5
Long-term care	—
Palliative care	1
Other n.e.c.	1
Overnight admissions	12,111
Curative care	10,325
Rehabilitative care	847
Long-term care	742
Palliative care	169
Other n.e.c.	29
Non-admitted patients	6,627
Private hospitals	6,327
Admitted patients	6,011
Same day admissions	1,631
Curative care	1,618
Rehabilitative care	10
Long-term care	1
Palliative care	—
Other n.e.c.	1
Overnight admissions	4,380
Curative care	4,019
Rehabilitative care	283
Long-term care	38
Palliative care	33
Other n.e.c.	7
Non-admitted patients	3,163

Notes: See page 156.

Table C2: Health expenditure, current prices, by area of expenditure and source of funds^(b), 2004–05 (\$ million)

Area of expenditure	Government				Non-government				Total health expenditure	
	Australian Government			State and local	Health insurance funds			Total		
	Direct outlays	Premium rebates ^(c)	Total		Total	Individuals	Other ^(d)			
Medical services	11,312	277	11,589	—	11,589	591	1,622	844	3,057	14,646
In hospitals	1,413	277	1,690	—	1,690	591	862	—	1,453	3,143
General practitioners	21	4	25	—	25	9	7	—	15	40
Specialists	1,116	218	1,334	—	1,334	466	759	—	1,226	2,560
Imaging/pathology	277	54	332	—	332	116	96	—	212	544
Out of hospitals	8,213	—	8,213	—	8,213	—	760	—	760	8,973
General practitioners	3,271	—	3,271	—	3,271	—	255	—	255	3,526
Specialists	2,244	—	2,244	—	2,244	—	333	—	333	2,577
Imaging/pathology	2,698	—	2,698	—	2,698	—	172	—	172	2,870
Other medical	1,686	—	1,686	—	1,686	—	—	844	844	2,529
Other health practitioners	473	168	641	—	641	359	1,508	285	2,151	2,792
Allied health services (Medicare)	11	4	15	—	15	8	1	—	9	25
Optometrical services (Medicare)	216	77	292	—	292	164	2	—	165	458
Non-Medicare other health practitioner services	246	87	334	—	334	187	1,505	285	1,976	2,310
Medications	6,027	24	6,051	—	6,051	51	5,007	57	5,115	11,166
Benefit-paid pharmaceuticals	5,930	—	5,930	—	5,930	—	1,151	—	1,151	7,081
General patients	1,073	—	1,073	—	1,073	—	597	—	597	1,670
Safety-net	223	—	223	—	223	—	24	—	24	246
No safety net	851	—	851	—	851	—	573	—	573	1,424
Concessional patients	4,223	—	4,223	—	4,223	—	444	—	444	4,666
Safety-net	1,145	—	1,145	—	1,145	—	—	—	—	1,145
No safety net	3,077	—	3,077	—	3,077	—	444	—	444	3,521
Other	634	—	634	—	634	—	110	—	110	744
All other medications	97	24	121	—	121	51	3,856	57	3,964	4,085
Under co-payment pharmaceuticals	—	—	—	—	—	—	510	—	510	510
Private prescriptions	—	24	24	—	24	51	533	57	641	664
Other pharmacy medications	—	—	—	—	—	—	1,542	—	1,542	1,542
Other retail medications	—	—	—	—	—	—	1,272	—	1,272	1,272
All other medications n.e.c.	97	—	97	—	97	—	—	—	—	97

Notes: see page 156.

Notes to Appendix C tables

- (a) Public hospital services excludes dental services, community health services, patient transport services, public health and health research undertaken by the hospital. Can include services provided off the hospital site such as hospital in the home dialysis or other services. See Box 3 for details on distinction between public hospitals and public hospital services.
- (b) Tables show funding provided by the Australian Government, state and territory governments and local government authorities and by the major non-government sources of funding for health care. They do not show gross outlays on health goods and services by the different service provider sectors.
- (c) Includes the 30% rebate on health insurance premiums that can be claimed either directly from the Australian Government through the taxation system or it may involve a reduced premium being charged by the private health insurance fund (with a subsequent reimbursement to the fund by the Australian Government).
- (d) 'Other' includes expenditure on health goods and services by workers' compensation and compulsory third-party motor vehicle insurers as well as other sources of income (for example, interest earned) for service providers.

Appendix D: Price indexes and deflation

This report uses price indexes in several ways:

- Some indexes are presented as variables of interest in their own right. For example, Table 5 compares the rates of health inflation with general (or economy-wide) inflation and computes a measure of ‘excess health inflation’.
- Also, price indexes are used to compute constant price health expenditure aggregates (also called ‘real’ or ‘volume’ expenditures) from their current price counterparts. Computations of these kinds allow one to abstract from the effects of price change. For example, Table 3 and Figure 3 compare the growth in real health expenditure with that in real GDP over the past decade.

Price indexes

There is a wide variety of price indexes for the Australian health sector, and these may be distinguished in several ways:

- By the scope of the index – the economic variable to which the price indexes refer (such as all health expenditure, consumption, capital expenditure and so on); the economic agents over which the indexes are aggregated (such as all agents, households, all government, state and territory governments and so on); or by the segment of health services to which the indexes refer (such as all health services, medical services, pharmaceuticals and so on).
- By the technical manner in which the indexes are constructed – such as implicit price deflators (IPDs) or directly computed indexes (base-weighted, current-weighted or symmetric indexes; chained or unchained indexes and so on).

Different indexes are appropriate for different analytical purposes. For this report, the AIHW prefers indexes whose scope matches, say, the particular health services being analysed rather than broad-brush indexes that cover all health services. Chain indexes, which give better measures of pure price change, are preferred to, say, IPDs. But the suite of available indexes is not always ideal, and in some cases it has been necessary to resort to proxies for the preferred indexes.

Deflation and constant price expenditure aggregates

Expenditure aggregates in this report are expressed in current price terms, constant price terms or both. The transformation of a current price aggregate into its constant price counterpart is called ‘deflation’ and the price indexes used in this transformation are called ‘deflators’. The analytical benefit of a constant price estimate (of, say, expenditure on health goods, health services or capital) lies in the fact that the effects of price change have been removed to provide a measure of the volume of the goods, services or capital.

A variety of general price indexes or price indexes specific to health might be used to deflate current price aggregates into constant price terms. These include chain price indexes, IPDs and fixed-weight indexes such as the consumer price index (CPI) or its components. For this report, deflation has been undertaken using chain price indexes and IPDs only.

The chain price indexes used in this report are annually re-weighted Laspeyres (base period weighted) chain price indexes. The indexes are calculated at a detailed level, and they provide a close approximation to measures of pure price change. In this report, the chain price indexes have been used for deflation of such expenditure aggregates as:

- institutional services and facilities that are provided by or purchased through the public sector
- capital expenditure and capital consumption.

Some other constant price aggregates in this report have been derived using IPDs, when a directly constructed chain index is not available. An IPD is an index obtained by dividing a current price value by its corresponding chain volume estimate. Thus, IPDs are implicit rather than directly computed measures of price; they are not measures of pure price change as they are affected by compositional changes. The IPD for 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.

Neither the CPI nor its health services subgroup is appropriate for measuring movements in overall prices of health goods and services, or for deflating macro expenditure aggregates. This is because the CPI measures movements in the prices faced by households only. The overall CPI and its components do not, for example, include government subsidies, benefit payments and non-marketed services provided by governments.

Table D1 shows the indexes used to derive constant price expenditures for this report. Half of the indexes are sourced from the ABS, while the IPDs for Medicare medical services fees charged, PBS pharmaceuticals, dental services, other health practitioners, aids and appliances, and the total health price index, have been derived by the AIHW.

Change in methodology

The professional health workers wage rate IPD, sourced from the ABS, has replaced the IPD for total non-defence government final consumption expenditure. The wage rate index is used to derive constant price expenditures for community health services, health administration, health research and non-specific tax expenditures.

There are also new indexes for dental services, other health practitioners and aids and appliances that have been derived by the AIHW. Previously, for these areas of expenditure, ABS indexes for HFCE on dental services, doctors and other health practitioners and medicines, aids and appliances were used.

Table D1: Total health price index and industry-wide indexes (reference year 2004-05 = 100)

Year ended 30 June	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total health price index ^(a)	76.64	77.97	79.63	81.66	83.52	85.60	89.61	92.73	95.99	100.00	103.92
Government final consumption expenditure on hospitals and nursing homes	77.36	78.88	80.59	82.84	84.66	87.30	90.11	93.23	96.55	100.00	104.38
Medicare medical services fees charged ^(a)	69.41	70.54	71.74	73.67	75.70	79.02	83.60	88.10	92.78	100.00	105.62
Dental services ^(a)	66.18	68.93	71.58	73.92	77.89	82.27	86.24	90.12	93.96	100.00	104.06
Other health practitioners ^(a)	64.67	68.00	72.60	74.55	76.85	81.90	89.60	94.96	97.19	100.00	104.83
Professional health workers wage rates	75.05	76.21	76.99	79.53	81.72	84.71	88.02	91.72	95.79	100.00	104.38
PBS pharmaceuticals ^(a)	98.29	98.51	98.73	99.29	99.47	99.61	99.68	99.76	99.85	100.00	100.21
HFCE on chemist goods	85.30	88.40	89.80	89.60	90.30	93.10	93.50	94.80	97.00	100.00	102.70
Aids and appliances ^(a)	81.17	84.12	85.45	85.26	85.93	88.59	88.97	91.13	97.46	100.00	102.68
Australian Government gross fixed capital formation	150.40	140.00	132.70	126.90	121.20	121.00	116.60	110.20	101.70	100.00	99.10
State, territory and local government gross fixed capital formation	95.10	94.30	94.90	95.40	95.80	97.40	97.00	97.80	97.60	100.00	102.60
Private gross fixed capital formation	91.32	89.33	89.24	89.97	90.52	94.66	95.64	96.41	97.37	100.00	102.05
Gross domestic product	80.00	81.20	82.30	82.40	84.40	88.60	91.20	93.40	95.90	100.00	105.00

(a) IPD, constructed by AIHW.

Table D2: Growth rates for the total health price index and industry-wide indexes, 1995-96 to 2005-06 (per cent)

Index	1995-96 to 1996-97	1996-97 to 1997-98	1997-98 to 1998-99	1998-99 to 1999-00	1999-00 to 2000-01	2000-01 to 2001-02	2001-02 to 2002-03	2002-03 to 2003-04	2003-04 to 2004-05	2004-05 to 2005-06
Total health price index ^(a)	1.7	2.1	2.6	2.3	2.5	4.7	3.5	3.5	4.2	3.9
Government final consumption expenditure on hospitals and nursing homes	2.0	2.2	2.8	2.2	3.1	3.2	3.5	3.6	3.6	4.4
Medicare medical services fees charged ^(a)	1.6	1.7	2.7	2.8	4.4	5.8	5.4	5.3	7.8	5.6
Dental services ^(a)	4.2	3.8	3.3	5.4	5.6	4.8	4.5	4.3	6.4	4.1
Other health practitioners ^(a)	5.2	6.8	2.7	3.1	6.6	9.4	6.0	2.3	2.9	4.8
Professional health workers wage rates	1.5	1.0	3.3	2.8	3.7	3.9	4.2	4.4	4.4	4.4
PBS pharmaceuticals ^(a)	0.2	0.2	0.6	0.2	0.1	0.1	0.1	0.1	0.2	0.2
HFCE on chemist goods	3.6	1.6	-0.2	0.8	3.1	0.4	1.4	2.3	3.1	2.7
Aids and appliances ^(a)	3.6	1.6	-0.2	0.8	3.1	0.4	2.4	6.9	2.6	2.7
Australian Government gross fixed capital formation	-6.9	-5.2	-4.4	-4.5	-0.2	-3.6	-5.5	-7.7	-1.7	-0.9
State, territory and local government gross fixed capital formation	-0.8	0.6	0.5	0.4	1.7	-0.4	0.8	-0.2	2.5	2.6
Private gross fixed capital formation	-2.2	-0.1	0.8	0.6	4.6	1.0	0.8	1.0	2.7	2.1
Gross domestic product	1.5	1.4	0.1	2.4	5.0	2.9	2.4	2.7	4.3	5.0

(a) IPD, constructed by AIHW.

Appendix E: Capital in the Australian health sector

AIHW publications present some information on capital. For example:

- *Health expenditure Australia* shows time series of capital expenditure and consumption (depreciation). These series are derived from ABS national accounts data.
- *Australian hospital statistics* shows estimates of depreciation for public acute and psychiatric hospitals in each state and territory. These estimates are derived from public hospital establishments' data.

Those who analyse the economics of health in Australia would like integrated capital accounts – covering investment, re-evaluation of assets and depreciation. Ideally, these estimates would be dissected by segment of health, by state or territory, and by public/private sector.

Appendix F: Cross-border flows

Cross-border flows are defined as expenditures incurred by and revenues received for individual states and territories in respect of patients whose usual residence is not within the state or territory in which the expenditure is incurred. Such expenditures can result in funding transfers between the states and territories concerned. In the most recent *Australian hospital statistics 2005–06* report (AIHW 2007a) a table was included that showed a notional estimate of cross-border flows (based on Diagnostic Related Groups) between jurisdictions, for public patients, by state and territory of usual residence (see Table 7.10, p. 154).

Currently the *Health expenditure Australia* publications contain estimates of the amounts spent on the public hospitals located in each state and territory. They do not show estimates of the expenditure incurred by each state and territory government for hospital services for residents of that state or territory.

In future *Health expenditure Australia* publications it is proposed to include data on gross expenditures incurred and revenues received by individual states and territories for admitted patients whose usual residence is not within the state or territory in which the expenditure is incurred. These data would be accrual based and represent a move towards reporting on the basis of the state or territory of the usual residence of the patient. Expenditure would also continue to be reported on the basis of the state or territory where the expenditure occurred.

Appendix G: Mean resident population

The mean resident population is the population used internationally, such as by the OECD, to derive per capita GDP. 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. 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 assist international comparisons of the relative sizes and growth rates of different countries' health sectors. The ratio of Australia's health expenditure to GDP (health to GDP ratio) provides an indication of the proportion of overall economic activity contributed by the health sector.

The mean resident population (mean population) is calculated using quarterly estimated resident population data from the ABS according to the following formula:

$$\text{mean population} = \frac{a + 4b + 2c + 4d + e}{12}$$

where a is the population at the end of the quarter immediately preceding the 12-month period, and b, c, d and e are the populations at the end of each of the four succeeding quarters. The weights used in the formulation of the mean annual population have been derived using a mathematical technique which involves the fitting of two quadratic polynomial functions to a series of points (ABS 1997, p38).

Table G1: Australian mean resident population, 1995-96 to 2005-06

Year	Population ('000)
1995-96	18,194.8
1996-97	18,422.6
1997-98	18,617.0
1998-99	18,820.9
1999-00	19,043.9
2000-01	19,284.1
2001-02	19,538.7
2002-03	19,781.7
2003-04	20,026.1
2004-05	20,275.2
2005-06	20,559.8

Source: AIHW health expenditure database.

Table G2: Mean resident population, by state and territory, 1996-97 to 2005-06 ('000)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996-97	6,244.0	4,580.7	3,368.1	1,781.3	1,477.7	474.3	309.1	184.5	18,422.6
1997-98	6,309.2	4,618.1	3,422.2	1,808.9	1,485.6	472.9	309.1	188.4	18,617.0
1998-99	6,376.2	4,663.1	3,474.2	1,837.1	1,493.7	471.8	310.8	191.3	18,820.9
1999-00	6,449.8	4,715.3	3,531.4	1,863.2	1,502.1	471.6	313.8	194.2	19,043.9
2000-01	6,531.0	4,774.0	3,594.4	1,888.5	1,508.4	471.5	317.1	196.5	19,284.1
2001-02	6,605.9	4,835.4	3,672.2	1,914.4	1,516.5	472.3	320.9	198.5	19,538.7
2002-03	6,652.9	4,895.4	3,767.4	1,938.5	1,526.3	475.0	324.1	199.4	19,781.7
2003-04	6,692.5	4,956.1	3,862.7	1,968.2	1,536.3	480.7	326.2	200.9	20,026.1
2004-05	6,732.7	5,019.4	3,956.4	2,000.0	1,546.6	484.8	328.5	204.3	20,275.2
2005-06	6,789.0	5,091.0	4,048.9	2,038.6	1,560.5	488.5	332.2	208.7	20,559.8

Source: AIHW health expenditure database.

Table G3: Annual population growth, by state and territory, 1996-97 to 2005-06 (per cent)

Period	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
1996-97 to 1997-98	1.0	0.8	1.6	1.5	0.5	-0.3	—	2.1	1.1
1997-98 to 1998-99	1.1	1.0	1.5	1.6	0.5	-0.2	0.6	1.5	1.1
1998-99 to 1999-00	1.2	1.1	1.6	1.4	0.6	—	0.9	1.5	1.2
1999-00 to 2000-01	1.3	1.2	1.8	1.4	0.4	—	1.1	1.2	1.3
2000-01 to 2001-02	1.1	1.3	2.2	1.4	0.5	0.2	1.2	1.0	1.3
2001-02 to 2002-03	0.7	1.2	2.6	1.3	0.6	0.6	1.0	0.5	1.2
2002-03 to 2003-04	0.6	1.2	2.5	1.5	0.7	1.2	0.6	0.7	1.2
2003-04 to 2004-05	0.6	1.3	2.4	1.6	0.7	0.9	0.7	1.7	1.2
2004-05 to 2005-06	0.8	1.4	2.3	1.9	0.9	0.8	1.1	2.2	1.4
Average annual growth rate									
1997-98 to 2002-03	1.1	1.2	1.9	1.4	0.5	0.1	1.0	1.1	1.2
1996-97 to 2005-06	0.9	1.2	2.1	1.5	0.6	0.3	0.8	1.4	1.2

Source: AIHW health expenditure database.

Glossary

Accrual accounting	The method of accounting now most commonly used by governments in Australia. Relates expenses, revenues and accruals to the period in which they are incurred (see also Cash accounting).
Admitted patient	A patient who undergoes a hospital's formal admission process to receive treatment and/or care. This treatment and/or care are provided over a period of time and can occur in hospital and/or in the person's home (for hospital-in-the-home patients).
Aids and appliances	See Table 65.
Australian Government administered expenses	Expenses incurred by the Department of Health and Ageing in administering resources on behalf of the government to contribute to the specified outcome (for example, most grants in which the grantee has some control over how, when and to whom funds can be expended, including Public Health Outcome Funding Agreement payments and Specific purpose payments to state and territory governments) (see also Australian Government departmental expenses).
Australian Government departmental expenses	Those expenses incurred by the Department of Health and Ageing in the production of the department's outputs. This mostly consists of the cost of employees but also includes suppliers of goods and services, particularly those where the Australian Government retains full control of how, when and to whom funds are to be provided.
Australian Government expenditure	Total expenditure actually incurred by the Australian Government on its own health programs. It does not include the funding provided by the Australian Government to the states and territories by way of grants under section 96 of the Constitution.
Australian Government funding	The sum of Australian Government expenditure and section 96 grants to states and territories. This also includes the 30% Private Health Insurance premiums rebates.
Australian Health Care Agreements	The Australian Government, via a series of five-year agreements, provides funding to each state and territory to support the provision of free public hospital services and some related state health services to all Australians. See Box 4 for details.
Average annual growth rate	To calculate the average annual growth rate in, for example, health expenditure between 1995–96 and 2005–06 you would apply the following formula: $\left(\frac{\$ \text{million in 2005–06}}{\$ \text{million in 1995–96}}\right)^{(1/10)-1} * 100.$
Benefit-paid pharmaceuticals	See Table 65.

Capital consumption	See Table 65.
Capital expenditure	See Table 65. This term is used in this publication to refer to what the ABS call Gross fixed capital formation. See next entry.
Capital formation	Gross fixed capital formation is the value of acquisitions less disposals of new or existing fixed assets. Assets consist of tangible or intangible assets that have come into existence as outputs from processes of production, and that are themselves used repeatedly or continuously in other processes of production over periods of time longer than one year. See <i>Australian national accounts: concepts, sources and methods</i> (ABS cat. no. 5216.0, November 2000) for further details.
Cash accounting	Relates receipts and payments to the period in which the cash transfer actually occurred. Does not have the capacity to reflect non-cash transactions, such as depreciation (see also Accrual accounting).
Community health	See Table 65.
Constant prices	Constant price expenditure adjusts current prices for the effects of inflation, that is, it aims to remove the effects of inflation. Constant price estimates for expenditure aggregates have been derived using either the annually re-weighted chain price indexes produced by the ABS or either ABS or AIHW implicit price deflators (IPDs). The reference year for both the chain price indexes and the IPDs is 2004–05 in this report. Constant price estimates indicate what expenditure would have been had 2004–05 prices applied in all years. Hence, expenditures in different years can be compared on a dollar for dollar basis, using this measure of changes in the volume of health goods and services.
Current prices	The term ‘current prices’ refers to expenditures reported for a particular year, unadjusted for inflation. So changes in current price expenditures reflect changes in both price and volume.
Dental services	See Table 65.
Excess health inflation	The difference where the health inflation rate exceeds the general inflation rate, that is, the rate of increase in the price of goods and services in the health care sector exceeds the rate of increase in the price of goods and services in the economy as a whole.
General inflation	The increase in the general price level of goods and services in the economy.

Government Finance Statistics	Provides details of revenues, expenses, cash flows, assets and liabilities of the Australian public sector and comprises units which are owned and/or controlled by the Australian Government, state and territory governments and local governments. See ABS 2005b for further details.
Government Purpose Classification	An ABS classification that classifies current outlays, capital outlays and selected other transactions of the non-financial public sector in terms of the government purposes for which the transactions are made. See ABS 2005b for further details.
Gross domestic product (GDP)	A statistic commonly used to indicate national income. It is the total market value of goods and services produced within a given period after deducting the cost of goods and services used up in the process of production but before deducting allowances for the consumption of fixed capital.
Health administration	See Table 65.
Health inflation	The increase in the price level of goods and services in the health sector.
Health research	See Table 65.
Highly specialised drugs	Under Section 100 of the National Health Act, certain drugs can only be supplied to community patients through hospitals because only the hospitals can provide the facilities or staff necessary to oversee the appropriate use of the drugs. These drugs are funded by the Australian Government.
Household final consumption expenditure	Net expenditure on goods and services of a current nature by households and by private non-profit institutions serving households.
Injury compensation insurers	Workers' compensation and compulsory third-party motor vehicle insurers.
Inpatient	An OECD term that roughly equates with the Australian 'admitted patient' classification (see Admitted patient).
Institutional health	Includes expenditure on hospitals (both public and private) and patient transport services.
Jurisdictions	Australian, state, territory and local governments.
Local government	A public sector unit where the political authority underlying its function is limited to a local government area or other region within a state or territory, or the functions involve policies that are primarily of concern at the local level.

Medical durables	Therapeutic devices, such as glasses, hearing aids and wheelchairs that can be used more than once.
Medical services	See Table 65.
Medications	Comprises benefit-paid pharmaceuticals and other medications.
Nominal expenditure	Expenditure expressed in terms of current prices.
Non-admitted patient	Patients who receive care from a recognised non-admitted patient service/clinic of a hospital.
Non-institutional health	Includes expenditure on medical services, other health practitioners, medications (including benefit paid and all other medications), aids and appliances, community health, public health, dental services, administration, research and other non-institutional health n.e.c.
Non-specific tax expenditure	See Table 65.
Other health practitioners	See Table 65.
Other medications	See Table 65.
Other non-institutional health n.e.c.	Miscellaneous expenditures that could not, at that time, be allocated to the specific 'non-institutional' health expenditure areas in the matrix. In other years, better quality of description may have allowed those types of expenditures to be more precisely allocated. The expenditure category remains in order to show those data over long time series.
Outpatient	An OECD term that roughly equates with the Australian 'non-admitted patient' classification (see above).
Over-the-counter medicines	Therapeutic medicinal preparations that can be purchased from pharmacies and supermarkets.
Over-the-counter therapeutic medical non-durables	Non-prescription therapeutic goods that tend to be single-use items, such as bandages, elastic stockings, condoms and other mechanical contraceptive devices, from pharmacies or supermarkets.
Patient transport services	See Table 65.
Pharmaceutical Benefits Scheme (PBS)	A national, government-funded scheme that subsidises the cost of a wide range of pharmaceutical drugs, and that covers all Australians to help them afford standard medications.
Private Health Insurance Incentives Scheme (PHIIS)	The PHIIS, which was introduced 1 July 1997, sought to encourage more people to take out private health insurance by providing a subsidy to low-income earners who did, and a tax penalty to high-income earners who did not. Middle-income earners were not the target of this policy and as such they were neither eligible for the tax subsidy nor liable to incur a tax penalty regardless of their private health insurance status. The scheme ceased operation on 31 December 1998.

Private hospital	See Table 65.
Private patient	A person admitted to a private hospital, or a person admitted to a public hospital who is treated by a doctor of their own choice and/or who has private ward accommodation. This means that the patient will be charged for medical services, food and accommodation.
Public health	See Table 65.
Public health activities	<p>Nine types of activities undertaken or funded by the key jurisdictional health departments that address issues related to populations, rather than individuals. These activities comprise:</p> <ul style="list-style-type: none"> • communicable disease control • selected health promotion • organised immunisation • environmental health • food standards and hygiene • breast cancer screening • cervical screening • prevention of hazardous and harmful drug use • public health research. <p>These activities do not include treatment services.</p>
Public hospital	See Table 65.
Public hospital services	See Table 65.
Public (non-psychiatric) hospitals	See Table 65.
Public patient	A patient admitted to a public hospital who is treated by doctors of the hospital's choice and accepts shared ward accommodation if necessary. This means that the patient is not charged.
Purchasing power parity	This exchange rate is one which adjusts for differences in the prices of goods and services between countries. It shows how much the same good or service will cost across countries.
Real expenditure	Expenditure expressed in terms which has been adjusted for inflation (for example, in 2004–05 dollars). This enables comparisons to be made between expenditures in different years.

Rebates of health insurance premiums	<p>There are two types of rebates of health insurance premiums. This sometimes causes confusion.</p> <p>The first rebate is where the 30% rebate is taken as a reduced premium payable by the individual with private health cover (with the health funds being reimbursed by the Australian Government).</p> <p>The second rebate is taken as an income tax rebate, where individuals with private health cover elect to claim through the tax system at the end of the financial year for the 30% rebate, having paid the health funds 100% of their premiums up front.</p>
Recurrent expenditure	<p>Expenditure incurred by organisations on a recurring basis, for the provision of health services. This excludes capital expenditure. In the Australian health accounts it also excludes government depreciation (capital consumption).</p>
Repatriation Pharmaceutical Benefits Scheme (RPBS)	<p>This scheme provides assistance to eligible veterans (with recognised war or service-related disabilities) and their dependants for both pharmaceuticals listed on the PBS and a supplementary repatriation list, at the same cost as patients entitled to the concessional payment under the PBS.</p>
Specific-purpose payments (SPPs)	<p>Australian Government payments to the states and territories under the provisions of section 96 of the Constitution, to be used for purposes specified in agreements between the Australian Government and individual state and territory governments. Some are conditional on states and territories incurring a specified level or proportion of expenditure from their own resources.</p>
State and territory dental services	<p>See Table 65.</p>
Therapeutic	<p>Having to do with the treating or curing of a disease.</p>
Total health price index	<p>The ratio of total health expenditure in current prices to total health expenditure in chain volume terms.</p>

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