



Australian Health Expenditure:

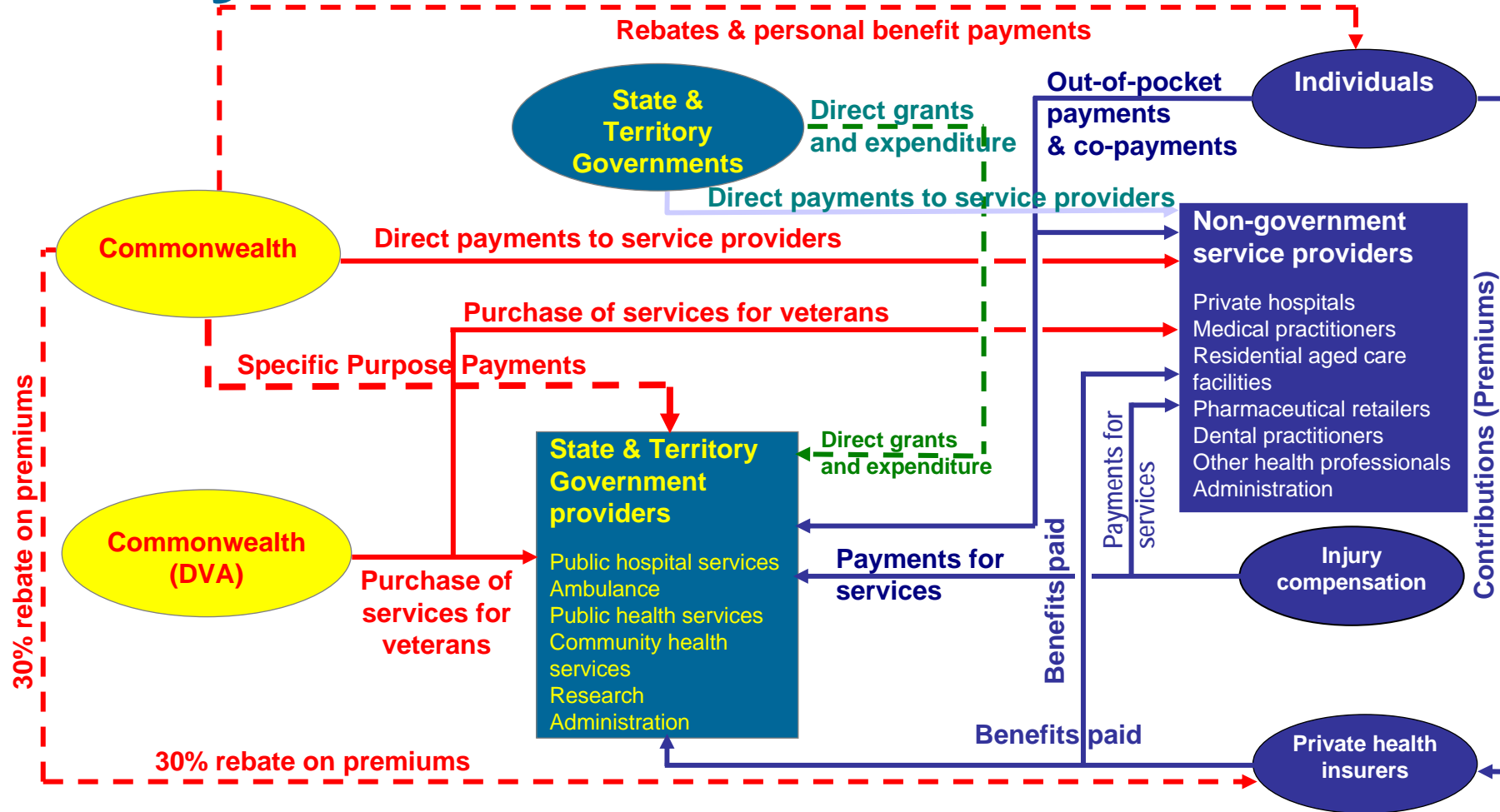
of course it still matters

DR RICHARD MADDEN

Director

Australian Institute of Health and Welfare

The Australian health care system and its flow of funds



Total health expenditure and GDP, current prices

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

(a) Based on preliminary AIHW and ABS estimates.



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Total health expenditure, current and constant prices^(a)

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

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

(b) Based on preliminary AIHW and ABS estimates.



Total health expenditure, current prices, by broad source of funds (%)

Government

Year	Australian Government ^(a)	State/territory and local	Total	Non-govt ^(a)
1991–92	42.8	24.6	67.3	32.7
1992–93	43.6	23.4	66.9	33.1
1993–94	45.1	21.3	66.4	33.6
1994–95	44.8	21.6	66.3	33.7
1995–96	45.1	22.0	67.1	32.9
1996–97	43.7	22.9	66.7	33.3
1997–98	44.7	23.8	68.5	31.5
1998–99	46.1	22.9	69.0	31.0
1999–00	46.9	23.0	69.9	30.1
2000–01	46.8	22.6	69.4	30.6
2001–02 ^(b)	46.1	22.3	68.4	31.6

(a) Australian Government and non-govt expenditure has been adjusted for tax expenditures.

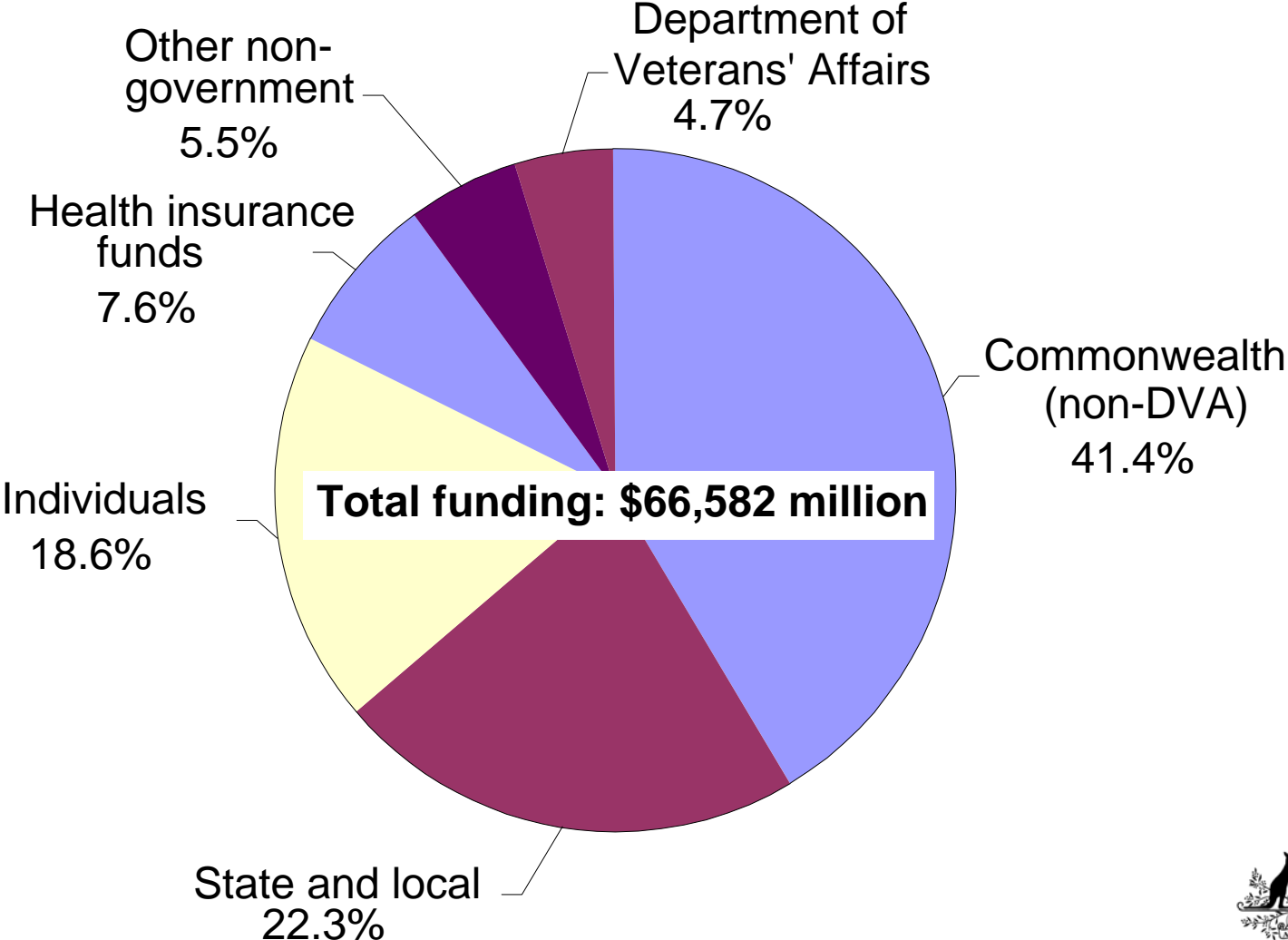
(b) Based on preliminary AIHW and ABS estimates.



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Total health expenditure, by source of funds, 2001–02



Health expenditure per person, current prices, by State and Territory (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
1996–97	2,512	2,467	2,446	2,223	2,404	2,758	2,477	2,603	2,458
1997–98	2,626	2,587	2,575	2,516	2,522	2,673	2,693	2,811	2,591
1998–99	2,777	2,748	2,753	2,612	2,629	2,800	2,878	2,885	2,741
1999–00	2,938	2,895	3,000	2,781	2,939	2,991	3,098	3,181	2,929
2000–01	3,084	3,223	3,169	3,033	3,235	3,154	3,090	3,476	3,147
2001–02 ^(a)	3,316	3,463	3,365	3,388	3,536	3,454	3,562	3,733	3,397

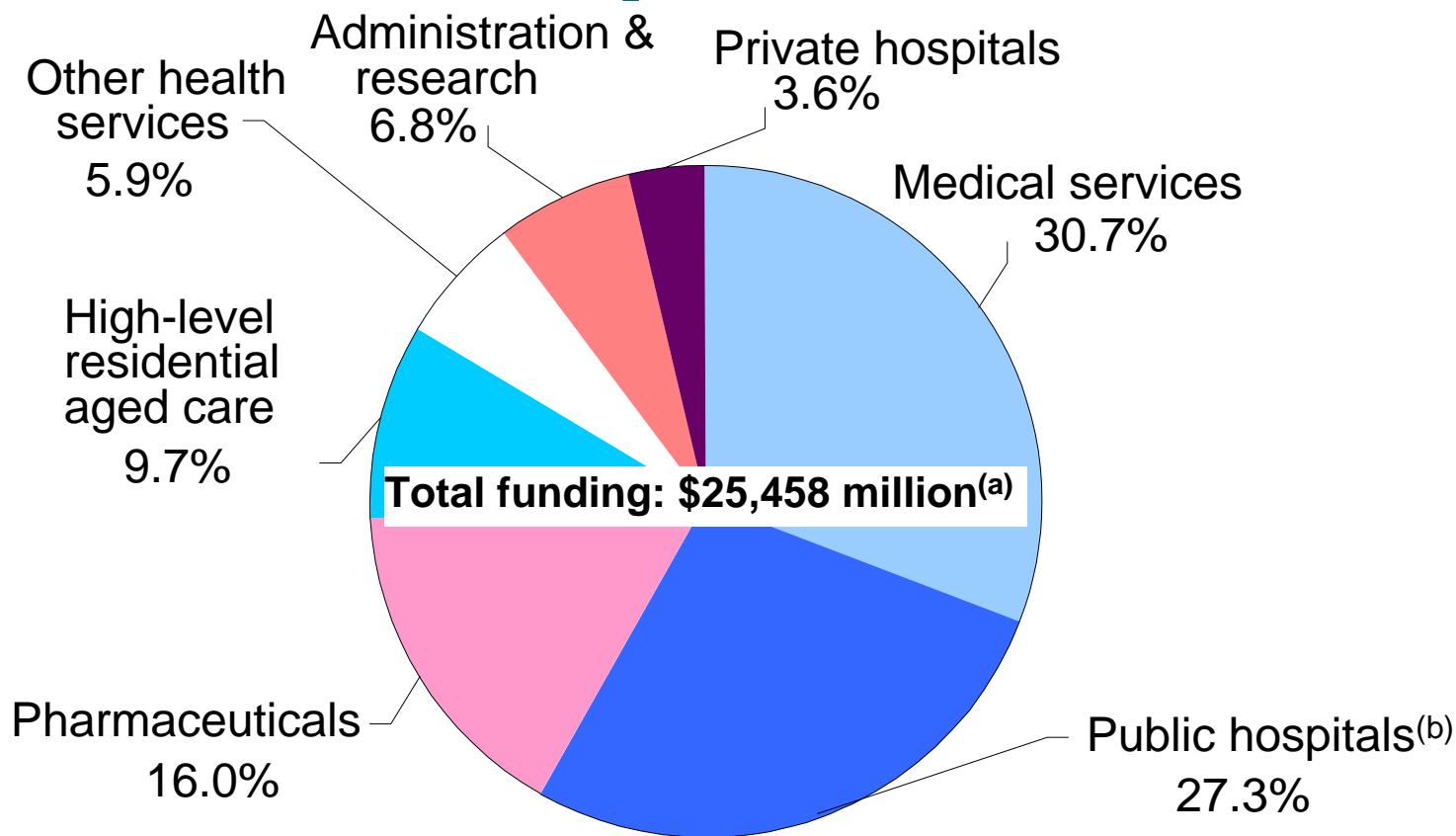
(a) Based on preliminary AIHW and ABS estimates.



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Commonwealth health outlays (excluding DVA), current prices, 2000–01



(a) Not including tax expenditures.

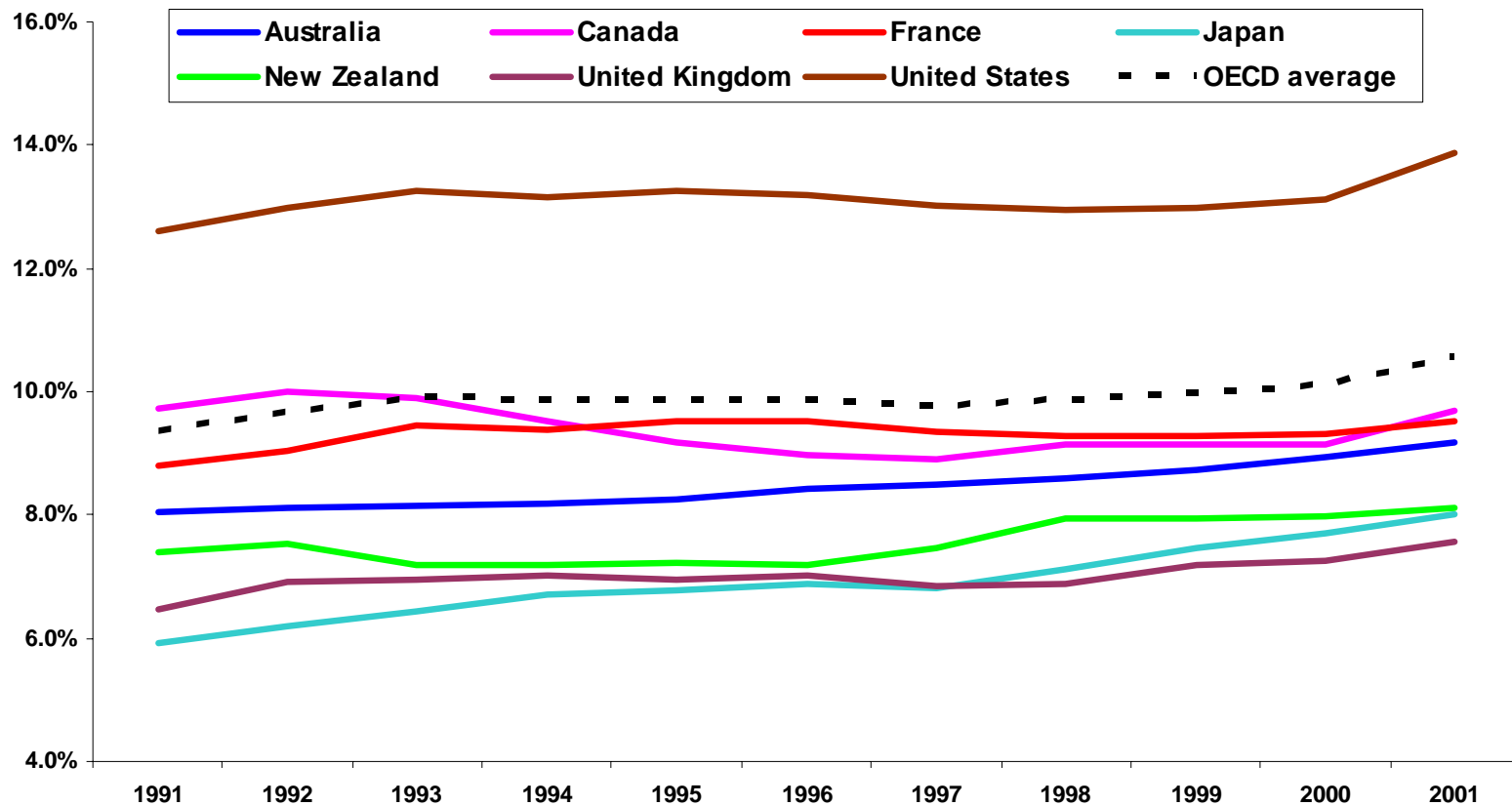
(b) Includes both public (non-psychiatric) and public (psychiatric) hospitals.



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Health expenditure as % GDP, selected OECD countries



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Components of growth in health expenditure, 1991 to 2001^(a) (%)

	Aust	Can	Fra	Ger	Jpn	Neth	NZ	Swe	UK	USA
Nominal growth in health expenditure	7.2	5.5	5.0	4.9	7.2	5.9	7.1	4.8	7.2	6.4
Health inflation	2.5	1.6	1.4	n.a.	2.9	1.8	3.0	n.a.	4.3	3.5
General inflation	1.8	1.5	1.4	1.4	0.3	1.9	1.9	1.7	2.7	2.0
Excess health inflation	0.7	0.1	0.0	n.a.	2.7	-0.1	1.1	n.a.	1.5	1.4
Real growth in health expenditure	4.6	3.8	3.6	n.a.	4.1	4.0	4.0	n.a.	2.8	2.9
Population growth	1.2	1.0	0.4	0.2	0.3	0.6	1.2	0.3	0.2	1.2
Per person real growth	3.4	2.8	3.2	n.a.	3.8	3.3	2.7	n.a.	2.6	1.6

(a) Germany from 1992, Japan to 1997, the Netherlands and the UK to 1996 and New Zealand to 1995



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Health inflation (%)

Period	Health inflation	General inflation ^(a)	Excess health inflation
1991–92 to 1992–93	0.8	1.1	–0.3
1992–93 to 1993–94	2.2	1.0	1.3
1993–94 to 1994–95	2.2	1.2	1.1
1994–95 to 1995–96	2.9	2.4	0.6
1995–96 to 1996–97	2.6	1.5	1.1
1996–97 to 1997–98	2.7	1.4	1.2
1997–98 to 1998–99	2.3	0.1	2.2
1998–99 to 1999–00	2.2	2.1	0.0
1999–00 to 2000–01	3.6	4.6	–1.0
2000–01 to 2001–02	3.2	2.5	0.7
Average annual rates of inflation			
1992–93 to 1997–98	2.5	1.5	1.0
1997–98 to 2001–02	2.8	2.3	0.5
1991–92 to 2001–02	2.5	1.8	0.7

(a) Based on the implicit price deflator for GDP



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Health capital outlays, constant prices^(a), by source of funds (\$m)

Year	State/Territory			Total
	Australian Govt	and local	Non-government	
1991–92	140	761	542	1,443
1992–93	113	856	716	1,686
1993–94	79	941	876	1,897
1994–95	7	1,026	832	1,865
1995–96	67	926	855	1,848
1996–97	52	1,155	1,015	2,222
1997–98	60	1,434	1,045	2,538
1998–99	158	1,420	1,054	2,631
1999–00	79	1,350	1,132	2,561
2000–01	84	1,373	1,174	2,631
2001–02 ^(b)	92	1,461	1,289	2,842

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

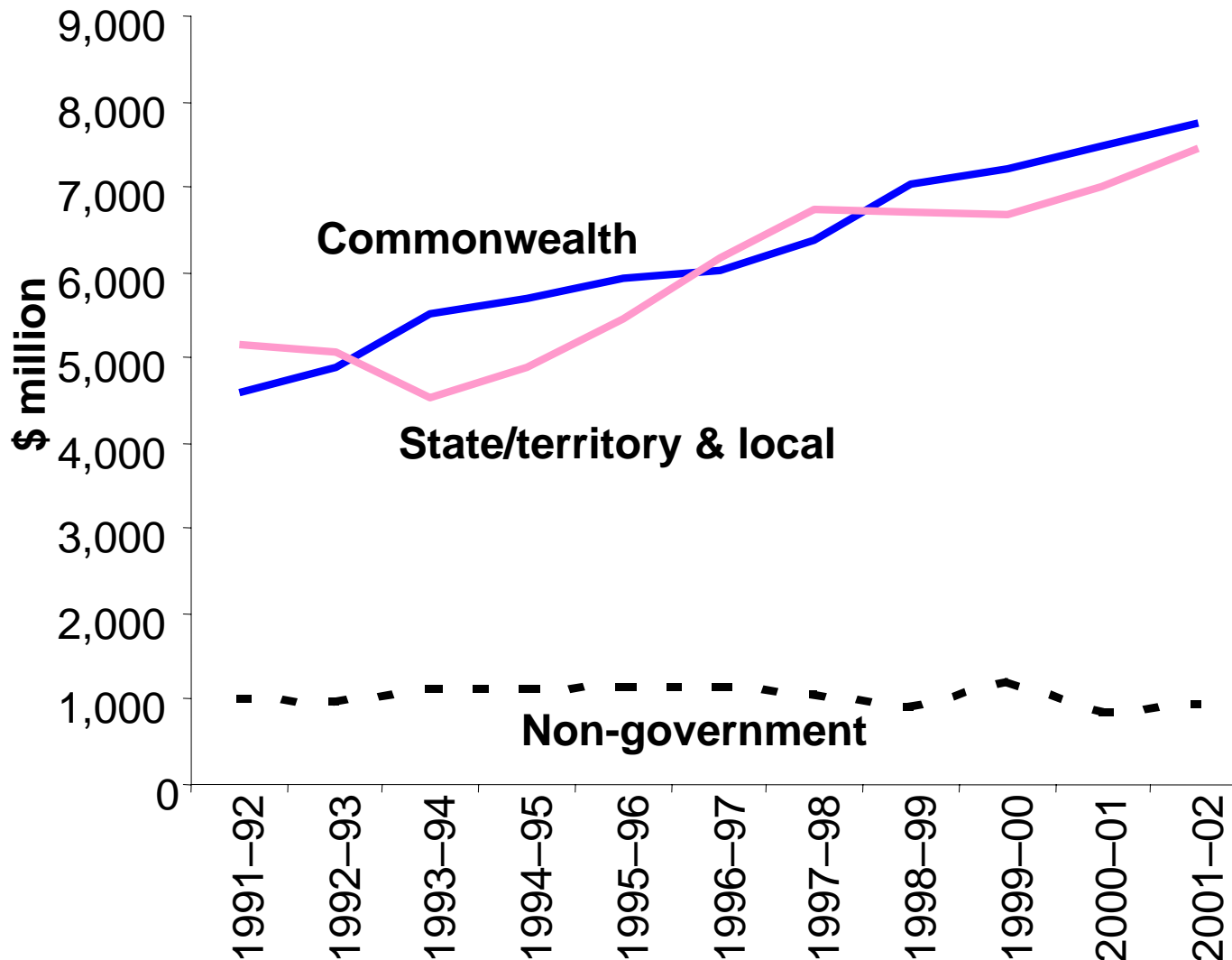
(b) Based on preliminary AIHW and ABS estimates.



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Funding of public non-psychiatric hospital expenditure^(a)



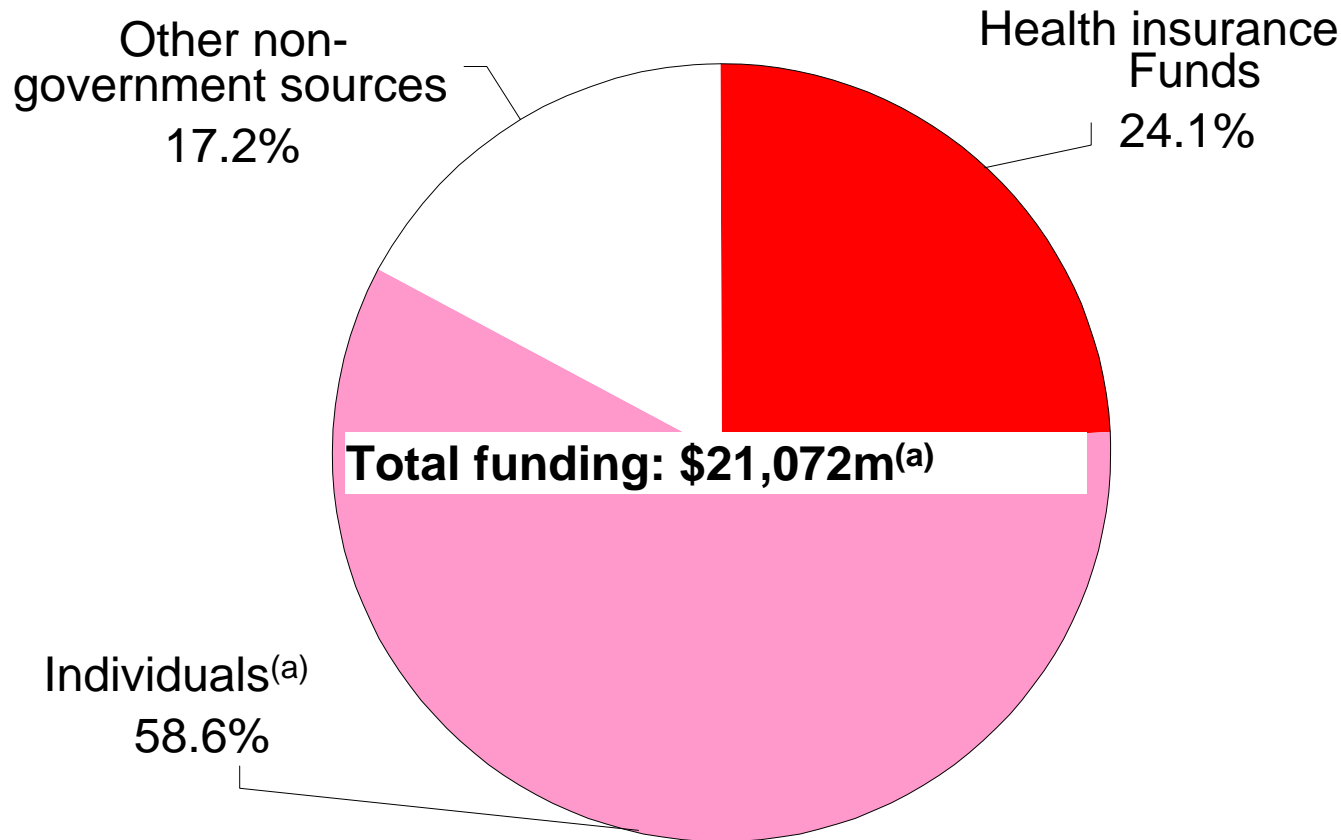
(a) In constant prices, referenced to the year 2000-01



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Non-government funding of health expenditure, current prices, 2001–02



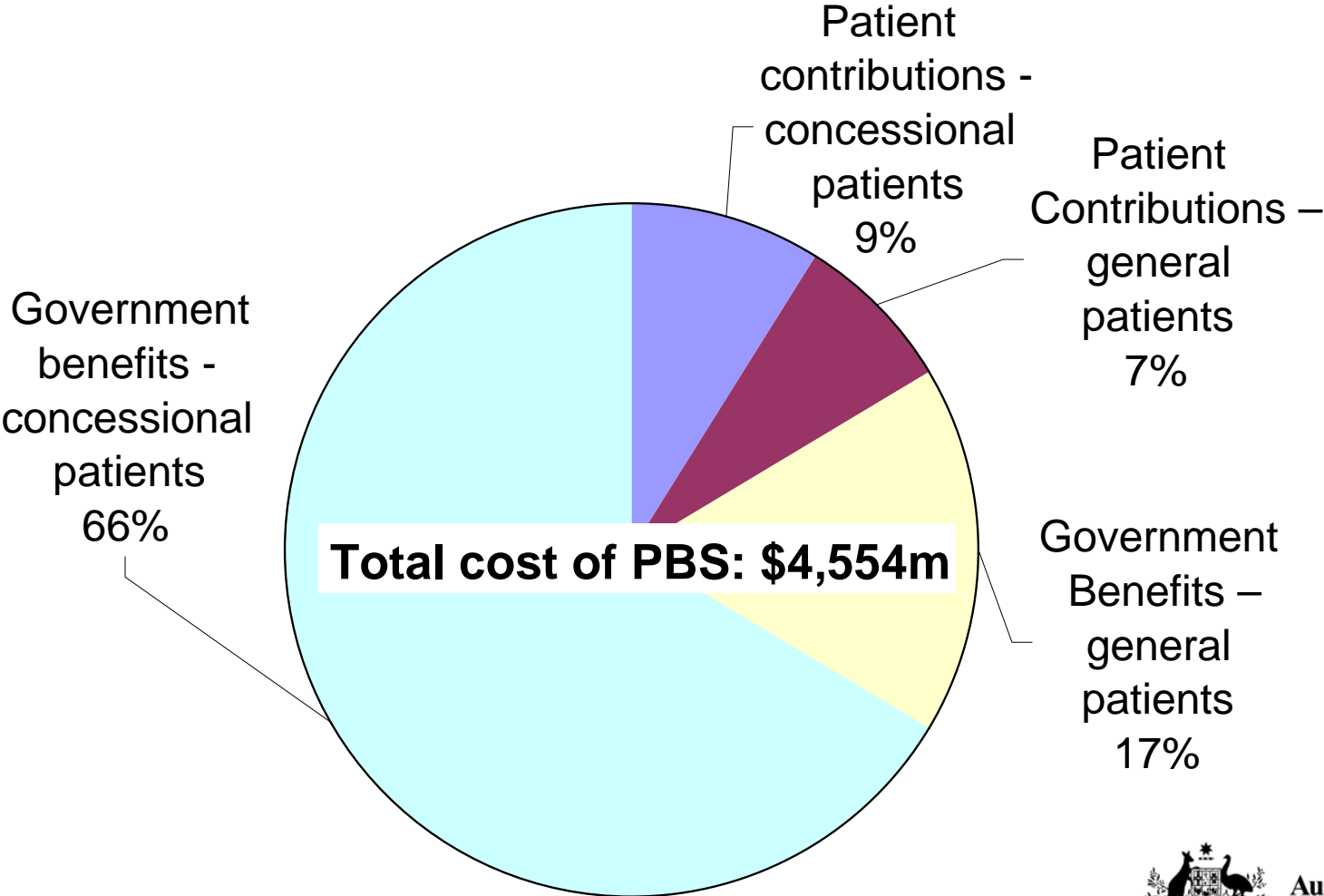
(a) Adjusted for tax expenditures.



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Cost of PBS items, by benefit category, 2000-01



Recurrent expenditure^(a) on benefit paid pharmaceuticals

Year	Australian Government		Individuals		Total	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
1991–92	1,554	..	363	..	1,917	..
1992–93	1,880	21.0	422	16.3	2,302	20.1
1993–94	1,929	2.6	404	-4.3	2,333	1.3
1994–95	2,124	10.1	469	16.2	2,593	11.2
1995–96	2,538	19.5	500	6.4	3,038	17.1
1996–97	2,749	8.3	556	11.2	3,305	8.8
1997–98	2,808	2.2	599	7.8	3,407	3.1
1998–99	3,096	10.3	628	5.0	3,725	9.3
1999–00	3,528	13.9	681	8.4	4,210	13.0
2000–01	4,316	22.3	775	13.8	5,091	20.9
2001–02	4,743	9.9	840	8.4	5,583	9.7
Average annual growth rate						
1992–93 to 1997–98		8.4		7.2		8.2
1997–98 to 2001–02		14.0		8.8		13.1
1991–92 to 2001–02		11.8		8.7		11.3

(a) In constant prices, referenced to the year 2000-01



Health expenditures for Indigenous and non-Indigenous people, by program, 1998–99

	Per person Indigenous (\$)	Per person non-Indigenous (\$)	Ratio Indigenous/ non-Indigenous
<i>Through State programs</i>			
Admitted patient expenditure	1,115	548	2.04
Other through State program exp.	1,090	372	2.93
<i>Total through State programs</i>	2,205	920	2.40
<i>Through Commonwealth programs</i>			
Indigenous specific C'wealth programs	298	1	..
Medicare/PBS	224	601	0.37
Other Commonwealth programs	169	336	0.50
<i>Total through C'wealth programs</i>	691	937	0.74
<i>Through local government programs</i>	20	11	1.78
<i>Services through private sector programs</i>	148	650	0.23
<i>Total recurrent expenditure</i>	3,065	2,518	1.22



Health demand drivers

- Ageing of the population;
- Incidence of major diseases;
- New Technology and its spread;
- Impact of public health measures;
- Evidence based medicine;
- Better health information;
- Supplier induced demand; and
- Broad economic and social policies.



Influences on supply

- Health services inflation;
- Medical labour force;
- Nursing labour force;
- Voluntary labour;
- Capital spending; and
- Public health investment, health research and rehabilitation

