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Health and Welfare



Health expenditure Australia

2015–16



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**Australian Institute of
Health and Welfare**

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Number 58

Health expenditure Australia

2015–16

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Janice Miller, Emily Bourke and Vicki Bennett carried out the collection and analysis of the data and the writing of this publication.

Abbreviations

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AIHW	Australian Institute of Health and Welfare
Amt	amount
APRA	Australian Prudential Regulation Authority
CPI	consumer price index
DVA	Australian Government Department of Veterans' Affairs
GDP	gross domestic product
GFCE	government final consumption expenditure
GHE NMDS	Government Health Expenditure National Minimum Data Set
GNE	gross national expenditure
HFCE	household final consumption expenditure
HIF	health insurance funds
IHPA	Independent Hospital Pricing Authority
IPD	implicit price deflator
MBS	Medicare Benefits Schedule
METeOR	Metadata Online Registry
NPP	national partnership payment
NSW	New South Wales
NT	Northern Territory
OECD	Organisation for Economic Co-operation and Development
PBS	Pharmaceutical Benefits Scheme
Qld	Queensland
SA	South Australia
SPP	special purpose payment
Tas	Tasmania
Treasury	Australian Government Department of the Treasury
Vic	Victoria
WA	Western Australia
WHO	World Health Organization

Symbols

—	nil or rounded to zero
..	not applicable

Summary

This report provides the latest annual overview of the key trends in health expenditure in Australia. It is the latest in the 33 years of the AIHW's health expenditure series, and examines health expenditure according to who paid (the source of funds) and the types of health goods and services purchased (area of expenditure) between 2005–06 and 2015–16.

Growth in total health expenditure in Australia continued to be relatively low in 2015–16 compared with the 10-year average. However, this was not the case for all sources of funds and it did not result in a reduction in the ratio of health expenditure to gross domestic product (GDP).

Total health expenditure

Total health expenditure (recurrent and capital expenditure combined) in 2015–16 was \$170.4 billion—\$6.0 billion (3.6%) higher in real terms than in 2014–15. This was the fourth consecutive year that growth in health expenditure was below the 10-year average (4.7% between 2005–06 and 2015–16).

Growth in real health expenditure per Australian (\$7,096 in 2015–16) was also relatively low, at about two-thirds the average annual growth rate over the decade (2.2% compared with 3.0%).

Despite the relatively low growth, the share of the economy (GDP) represented by health (10.3%) increased 0.3 percentage points due to a slower increase in GDP. The increase in the health to GDP ratio was driven more by price rises in the health sector than by the volume of goods and services provided.

Government expenditure

Total government health expenditure (\$114.6 billion)—about two-thirds (67.3%) of all health expenditure—grew by 4.1% in real terms in 2015–16. This was lower than the average annual growth rate for the decade (4.4%).

Government expenditure on public hospital services was \$46.9 billion (40.9% of total government expenditure) in 2015–16. This was up from \$44.3 billion the previous year—a real growth of 5.7%. State and territory expenditure accounted for 52.5% of all sources of expenditure on public hospital services in 2015–16.

In 2015–16, primary health care accounted for almost one-third (\$34.6 billion or 30.2%) of all government expenditure—three-quarters of this was Australian Government expenditure (74.0%).

Non-government expenditure

Non-government sources (individuals, private health insurance funds and other non-government sources) spent \$55.8 billion on health in 2015–16 (32.7% of total health spending, down from 33.1% the previous year). Growth in non-government expenditure in 2015–16 (2.7%) was half the average annual growth over the decade (5.4%).

Expenditure by individuals accounted for 52.7% of non-government expenditure—down from 53.4% the previous year—and represented 17.3% of total health expenditure, down from 17.7% in 2014–15. In 2015–16, 68.0% of individual expenditure was spent on primary health care and 19.5% of individual expenditure was on dental services.

1 Introduction

This report is the latest in the Australian Institute of Health and Welfare's (AIHW) *Health expenditure Australia* series and includes estimates of how much was spent on health between 2005–06 and 2015–16. These estimates form Australia's National Health Accounts, which are a related (but separate) collection from the National Accounts prepared by the Australian Bureau of Statistics (ABS). This information contributes to understanding the performance and efficiency of Australia's health system and changes over time.

1.1 What is health expenditure?

Health expenditure is defined as expenditure on health goods and services, including investment in equipment and facilities (see Glossary for detailed descriptions of health expenditure components). This definition closely follows the definitions and concepts that the Organisation for Economic Co-operation and Development (OECD) System of Health Accounts (OECD, Eurostat & WHO 2011) framework provides. It excludes:

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

Expenditure on health is traditionally analysed in terms of recurrent expenditure and capital expenditure.

Recurrent expenditure can generally be thought of as goods and services consumed within a year. It includes expenditure on health goods (such as medications and health aids and appliances), health services (such as hospital, dental and medical services), public health activities, and other activities that support health systems (such as research and administration). Capital consumption or depreciation is also included as part of recurrent expenditure.

Capital expenditure is expenditure on fixed assets, such as new buildings.

Health expenditure occurs when money is spent on health goods and services. This spending occurs at different levels of government, as well as by non-government entities such as private health insurers and individuals.

In many cases, funds pass through several entities before providers (such as hospitals, general practices and pharmacies) use them to provide health goods and services.

The term 'health expenditure' in this context includes the funds the Australian Government provides to the state and territory governments, as well as funds that the state and territory governments allocate to health service providers.

In the case of public hospital care; for example, the states and territories use funds provided from several sources, including from the Australian Government, as outlined in Figure 1.1. The hospitals themselves also receive funds from several sources before ultimately spending this money on accommodation, medical and surgical supplies, drugs, salaries of doctors and nurses, and so on.

In many cases, data on expenditure are not available directly from the providers of health goods and services. As a result, data for this report are derived mainly from entities that

spend money on health goods and services—particularly state and territory governments, the Australian Government, private health insurers and individuals.

In this report, efforts have been made to record as much of this health expenditure as possible. To avoid double counting, expenditure by some entities is offset against expenditure by others. For example, when estimating total expenditure on hospital services in a year, the funds the Australian Government provides to states and territories for hospital services are subtracted from the hospital expenditure reported by the states and territories in order to derive the amount that the states and territories spent from their own resources.

This method has limitations where the funds provided by the Australian Government are not all spent by the state or territory government in the same year. For example, in 2008–09, the Australian Government provided \$1.2 billion to the states and territories through the 5-year National Partnership Agreement on Health and Hospital Workforce Reform. This funding has been offset against 2008–09 state and territory government expenditure, even though they may have actually spent the funds over several years. This is an extreme example, however, and its overall effect on trends in health expenditure would be limited.

Box 1.1: Expenditure at current and constant prices

Current price estimates

Expenditure at current prices refers to expenditure that is not adjusted for movements in prices from 1 year to another (that is, not adjusted for inflation). Comparisons over time using figures expressed in current prices can be misleading due to the effect of inflation. For example, \$1 billion spent in 2005–06 will have bought more health goods and services than \$1 billion spent in 2015–16.

Deflation and constant price estimates

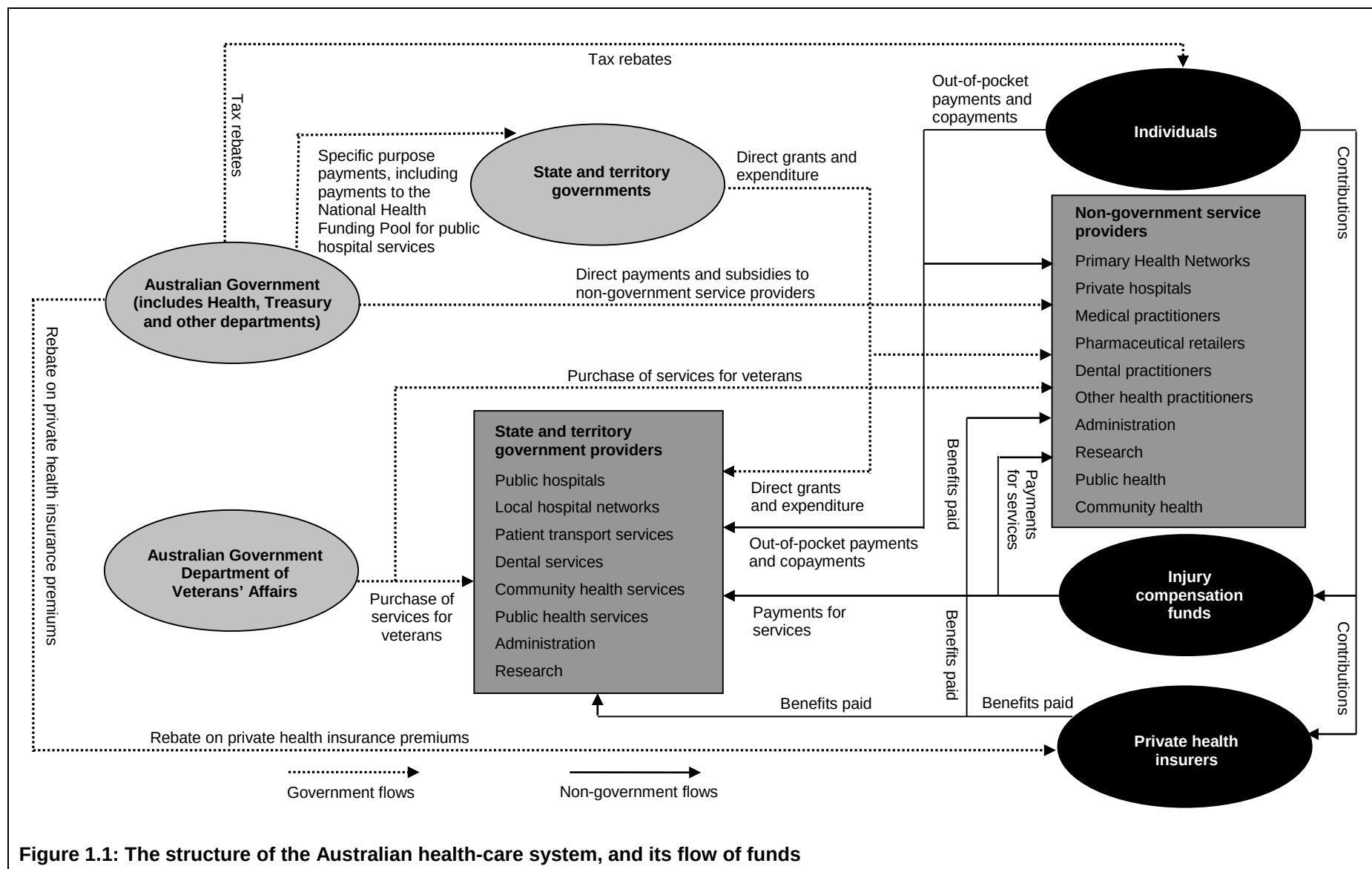
To compare estimates of expenditures in different time periods, it is necessary to compensate for inflation. This process is known as 'deflation'. The result is a series of annual estimates of expenditure that are expressed in terms of the value of currency in a selected reference year. These are referred to as 'constant prices'.

The reference year used in this report is 2015–16. See Appendix C for more information on the deflation methods used.

Measuring change

Changes from year to year in the estimates of expenditure at current prices are referred to throughout this report as 'nominal changes in expenditure', 'in nominal terms' or 'nominal changes'. These reflect changes that come about because of the combined effects of inflation and rises in the volume of health goods and services.

Growth in expenditure, expressed in constant prices, is referred to as 'real growth' or 'growth in real terms'.



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

The flow of money around the Australian health-care system is complex and the institutional frameworks in place—both government and non-government—determine how this occurs. The government sector includes the Australian and state and territory governments and, in some jurisdictions, local government. The non-government sector comprises individuals, private health insurers and other non-government funding sources. Other non-government sources principally include workers compensation, compulsory third-party motor vehicle insurers, funding for research from non-government sources and miscellaneous non-patient revenue that hospitals receive. Figure 1.1 shows the major flows of funding between the government and non-government sectors and the providers of health goods and services.

1.3 Structure of this report

This report focuses on national trends in health expenditure. Detailed analyses of specific areas of health expenditure are covered in supplementary publications which are available from the AIHW's website <www.aihw.gov.au>.

The tables and figures in this publication provide expenditure in terms of current and constant prices (see Box 1.1).

Chapter 2 presents a broad picture of total national health expenditure in 2015–16 and over the decade since 2005–06.

Chapter 3 analyses health expenditure in terms of who provided the funding for the expenditure—the Australian Government, state and territory governments, or the non-government sector.

The appendixes include more detailed national and state and territory health expenditure data, information on the data sources and methods used to create the expenditure estimates and a data quality statement for 2015–16 for the AIHW health expenditure database.

Data for all tables and figures in the publication can be downloaded free from <www.aihw.gov.au/reports-statistics/health-welfare-overview/health-welfare-expenditure/data>.

2 Health expenditure

This chapter outlines macro-level trends in health expenditure over the past decade. Australia's expenditure is considered in the context of changes in the economy and population growth. The focus is on total health expenditure (recurrent plus capital and the medical expenses tax rebate) in all sections except Section 2.3, which deals specifically with recurrent expenditure.

Total health expenditure in 2015–16 was \$170.4 billion—\$6.0 billion higher in real terms than in 2014–15, and \$63.2 billion higher than in 2005–06 (Table 2.1).

This growth of 3.6% was approximately three-quarters (77.0%) of the average annual growth over the decade (4.7%)—the fourth consecutive year that growth was lower than the decade average.

Table 2.1: Total health expenditure, current and constant prices^(a), and annual rates of change, 2005–06 to 2015–16

Year	Amount (\$ million)		Change from previous year (%)	
	Current	Constant	Nominal change ^(b)	Real growth ^(b)
2005–06	86,685	107,231	..	..
2006–07	94,938	113,652	9.52	5.99
2007–08	103,563	121,166	9.08	6.61
2008–09	114,401	130,039	10.46	7.32
2009–10	121,710	135,024	6.39	3.83
2010–11	131,612	144,623	8.14	7.11
2011–12	141,957	153,367	7.86	6.05
2012–13	146,953	155,166	3.52	1.17
2013–14	154,671	160,139	5.25	3.20
2014–15	161,619	164,393	4.49	2.66
2015–16	170,386	170,386	5.42	3.65
Average annual change (%)				
2005–06 to 2010–11	..	..	8.71	6.17
2010–11 to 2015–16	..	..	5.30	3.33
2005–06 to 2015–16	..	..	6.99	4.74

(a) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

(b) Nominal changes in expenditure from year to year refer to the change in current price estimates. Real growth is the growth in expenditure at constant prices. See Box 1.1 for more information.

Source: AIHW health expenditure database.

2.1 Health expenditure and the GDP

The ratio of Australia's health expenditure to GDP (health to GDP ratio) measures the proportion of total economic activity represented by the health sector.

Despite recent low growth in health spending, health's share of GDP has continued to rise, from 10.0% in 2014–15 to 10.3% in 2015–16. This has reflected the continued low growth in GDP (2.3% nominal growth in 2015–16 compared with the decade average of 5.2%) (Table 2.2).

Table 2.2: Total health expenditure and GDP, current prices, and annual health to GDP ratios, 2005–06 to 2015–16

Year	Total health expenditure (\$ million)	GDP (\$ million)	Nominal GDP growth (%) ^(a)	Ratio of health expenditure to GDP (%)
2005–06	86,685	998,458	..	8.68
2006–07	94,938	1,087,440	8.91	8.73
2007–08	103,563	1,178,809	8.40	8.79
2008–09	114,401	1,259,280	6.83	9.08
2009–10	121,710	1,297,508	3.04	9.38
2010–11	131,612	1,410,442	8.70	9.33
2011–12	141,957	1,491,741	5.76	9.52
2012–13	146,953	1,527,529	2.40	9.62
2013–14	154,671	1,589,940	4.09	9.73
2014–15	161,619	1,617,016	1.70	9.99
2015–16	170,386	1,654,928	2.34	10.30
Average	..	..	5.18	9.37

(a) Nominal growth in GDP from year to year refers to the change in current price estimates.

Sources: AIHW health expenditure database; ABS 2017b.

Differential growth in real health expenditure and GDP

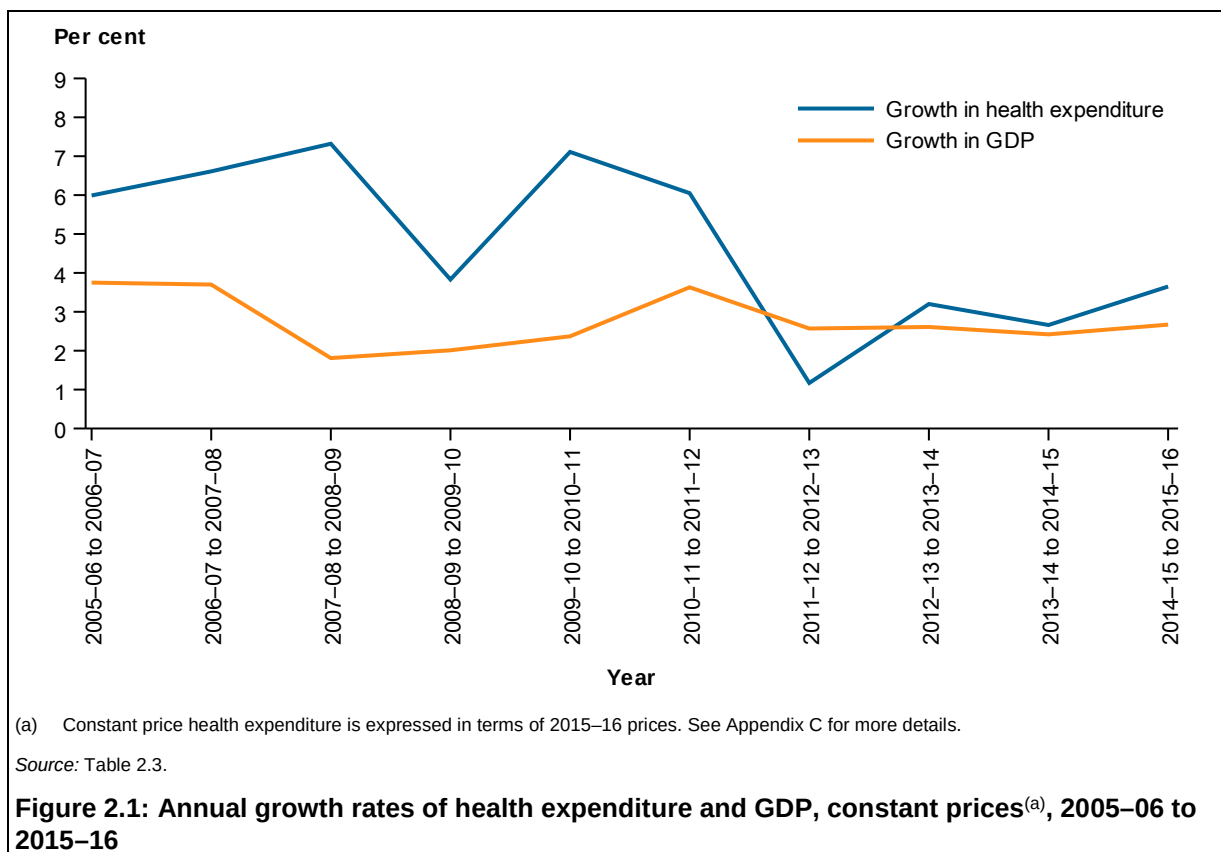
Once inflation in both the health sector and the overall economy are taken into account, real health spending grew by 3.6% in 2015–16, while GDP increased by 2.7% over the same period (Table 2.3; Figure 2.1). Total health expenditure grew an average of 4.7% annually from 2005–06 and 2015–16, while GDP grew 2.8% over the same period. The rate of real growth in health expenditure has slowed since the first half of the decade, where average annual expenditure increased at a rate of 6.2%. Over the period 2010–11 to 2015–16, the average annual growth rate of health expenditure has decreased to 3.3%. The average growth rate for GDP was steady over the decade at 2.8%.

Table 2.3: Total health expenditure and GDP, constant prices^(a), and annual growth rates, 2005–06 to 2015–16

Year	Total health expenditure		GDP	
	Amount (\$ million)	Growth rate (%)	Amount (\$ million)	Growth rate (%)
2005–06	107,231	..	1,261,475	..
2006–07	113,652	5.99	1,308,777	3.75
2007–08	121,166	6.61	1,357,178	3.70
2008–09	130,039	7.32	1,381,769	1.81
2009–10	135,024	3.83	1,409,486	2.01
2010–11	144,623	7.11	1,442,930	2.37
2011–12	153,367	6.05	1,495,370	3.63
2012–13	155,166	1.17	1,533,799	2.57
2013–14	160,139	3.20	1,573,823	2.61
2014–15	164,393	2.66	1,611,935	2.42
2015–16	170,386	3.65	1,654,928	2.67
Average annual growth rate (%)				
2005–06 to 2010–11	..	6.17	..	2.72
2010–11 to 2015–16	..	3.33	..	2.78
2005–06 to 2015–16	..	4.74	..	2.75

(a) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

Sources: AIHW health expenditure database; ABS 2017b.



Health inflation

A change in expenditure, at current prices, from 1 year to another can result from either increased prices (inflation) or growth in volume, or a combination of both (see Box 1.1).

Inflation can be further subdivided and analysed in terms of 'general inflation' and 'excess health inflation', which indicates whether inflation in the health sector was higher or lower than in the general economy (see Box 2.1).

Health inflation is measured by changes in the AIHW total health price index. Inflation across the economy is measured by changes in the ABS implicit price deflators (IPDs) for GDP and gross national expenditure (GNE). These 2 measures take a different approach to the treatment of the export and import components of the economy (see Box 2.1).

Box 2.1: Inflation

Inflation refers to changes in prices over time. Inflation can be positive (that is, prices are rising over time) or negative.

General inflation

General inflation refers to the average rate of change in prices throughout the economy over time. Two measures are used for the general rate of inflation—the implicit price deflators for GDP and GNE. The ABS produces figures for both of these implicit price deflators.

The GDP implicit price deflator measures change in the total value of goods and services that Australian residents produce, including exports but excluding imports. The GNE implicit price deflator includes imports but excludes exports.

Where exports form a major part of an economy's product, the GDP inflation figure can reflect international trends more than shifts in domestic pricing. In these cases, GNE can provide a more accurate indication of inflation in domestic prices.

Health inflation

Health inflation is a measure of the average rate of change in prices within the health goods and services sector of the economy. Changes in the total health price index measure health inflation (see Appendix C).

Excess health inflation

Excess health inflation is the amount by which the rate of health inflation exceeds general inflation. Excess health inflation will be positive if health prices are rising more rapidly than prices generally throughout the economy. It will be negative when the general level of prices throughout the broader economy is rising more rapidly than health prices.

Health inflation was estimated at 1.7% in 2015–16 (Table 2.4). On average, excess health inflation was negative over the decade, whether compared with either the GDP or GNE implicit price deflators, which were both –0.2%. This suggests that price growth in the health sector has generally been slower than in the rest of the economy (Table 2.4; Figure 2.2).

Table 2.4: Annual rates of health inflation, 2005–06 to 2015–16 (%)

Period	Health inflation ^(a)	GDP IPD measures		GNE IPD measures	
		General inflation ^(b)	Excess health inflation	General inflation ^(c)	Excess health inflation
2005–06 to 2006–07	3.33	4.98	–1.56	3.47	–0.14
2006–07 to 2007–08	2.32	4.54	–2.12	3.24	–0.89
2007–08 to 2008–09	2.93	4.93	–1.90	3.37	–0.43
2008–09 to 2009–10	2.46	1.01	1.44	1.80	0.65
2009–10 to 2010–11	0.96	6.18	–4.92	2.21	–1.22
2010–11 to 2011–12	1.71	2.06	–0.34	1.94	–0.23
2011–12 to 2012–13	2.32	–0.17	2.49	2.01	0.30
2012–13 to 2013–14	1.98	1.44	0.54	2.18	–0.19
2013–14 to 2014–15	1.79	–0.70	2.51	1.63	0.16
2014–15 to 2015–16	1.72	–0.31	2.04	1.80	–0.08
Average annual growth rate (%)					
2005–06 to 2010–11	2.40	4.31	–1.81	2.81	–0.41
2010–11 to 2015–16	1.90	0.46	1.45	1.91	–0.01
2005–06 to 2015–16	2.15	2.37	–0.18	2.36	–0.21

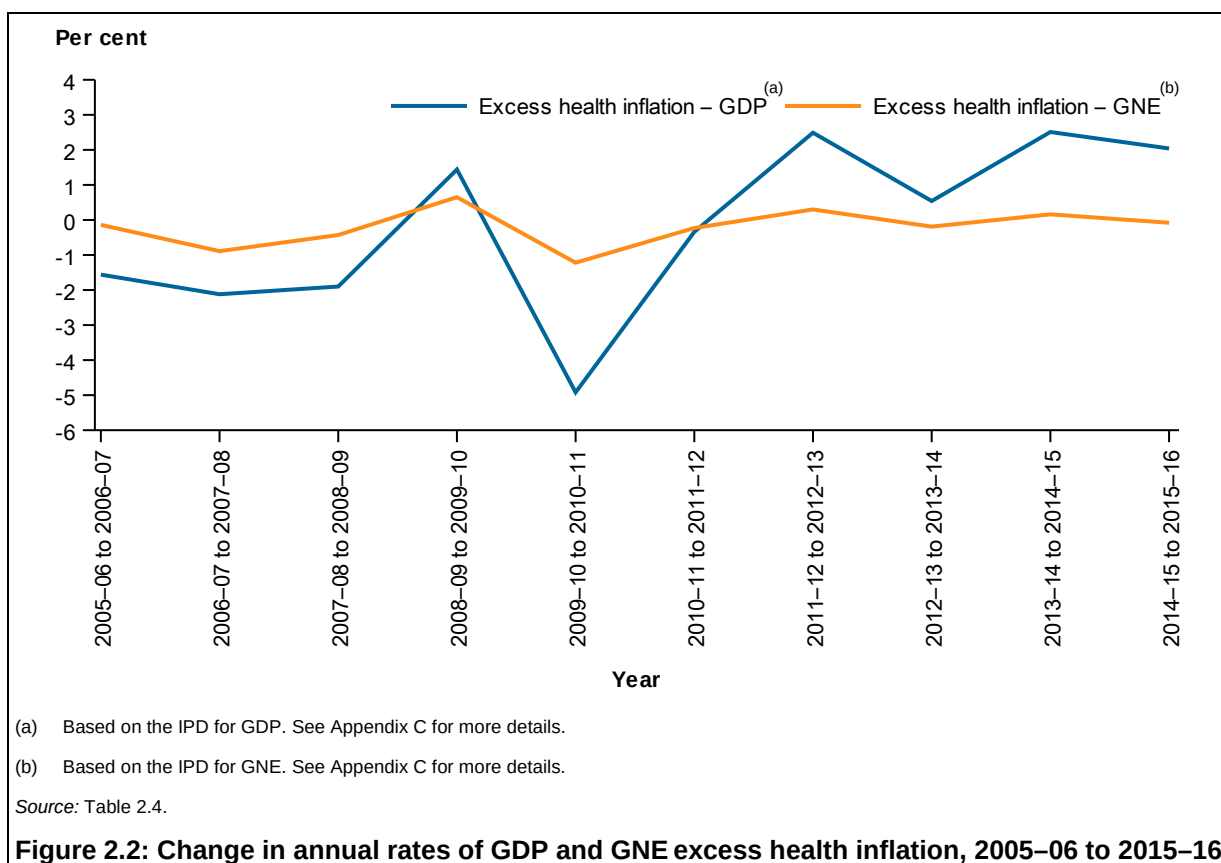
(a) Based on the total health price index. See Appendix C for more details.

(b) Based on the IPD for GDP. See Appendix C for more details.

(c) Based on the IPD for GNE. See Appendix C for more details.

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

Sources: AIHW health expenditure database; ABS 2017b.



The contribution of inflation to health expenditure growth

Increases in health expenditure are due to both changes in the volume of goods and services, and changes in the prices of goods and services. The contribution of these components to the relative increase in health expenditure to GDP ratio is shown in Table 2.5.

In 2015–16, the ratio of health expenditure to GDP was 10.3%, up by 0.3 percentage points on the previous year (10.0%). This was comprised of a 1.0% increase in the volume of health goods and services, relative to the increase in GDP volume, and a 2.0% rise in the price of health goods and services compared with price changes in the general economy. This suggests that the increase in the health to GDP ratio was driven more by price rises in the health sector than by the volume of goods and services (Table 2.5).

Table 2.5: Components of the annual change in the health expenditure to GDP ratio, 2005–06 to 2015–16 (%)

Year	Ratio of health expenditure to GDP	Percentage change in ratio of health expenditure to GDP from previous year	Components of change in ratio	
			Change in the volume of health goods and services purchased ^(a)	Change in the price of health goods and services purchased ^(b)
2005–06	8.68	..	..	..
2006–07	8.73	0.56	2.16	–1.56
2007–08	8.79	0.63	2.81	–2.12
2008–09	9.08	3.41	5.41	–1.90
2009–10	9.38	3.25	1.79	1.44
2010–11	9.33	–0.52	4.63	–4.92
2011–12	9.52	1.98	2.33	–0.34
2012–13	9.62	1.09	–1.36	2.49
2013–14	9.73	1.12	0.58	0.54
2014–15	9.99	2.74	0.23	2.51
2015–16	10.30	3.01	0.95	2.04

(a) Calculated using the real growth rate in total health expenditure and the real growth rate in GDP (see Table 2.3).

(b) Calculated using the IPD for GDP (see Table 2.4).

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

Sources: AIHW health expenditure database; ABS 2017b.

2.2 Health expenditure per person

Assuming there are no changes in the value of the existing mix of health goods and services, health expenditure would need to grow in proportion to population growth to maintain the same average level of supply of health goods and services per person in the community. That is, larger populations would need higher levels of expenditure to provide their members with the same average levels of health goods and services as smaller populations (ignoring the impact of economies of scale and other sources of efficiency). To account for these population differences, it is important to look at average per person health expenditure.

In 2015–16, the estimated per person expenditure on health averaged \$7,096, which was \$151 more (in real terms) per person than in the previous year. This represented a 2.2% growth—more than two-thirds of the average annual growth over the decade (3.0%), and twice the 1.1% growth of the previous year (Table 2.6; Figure 2.3).

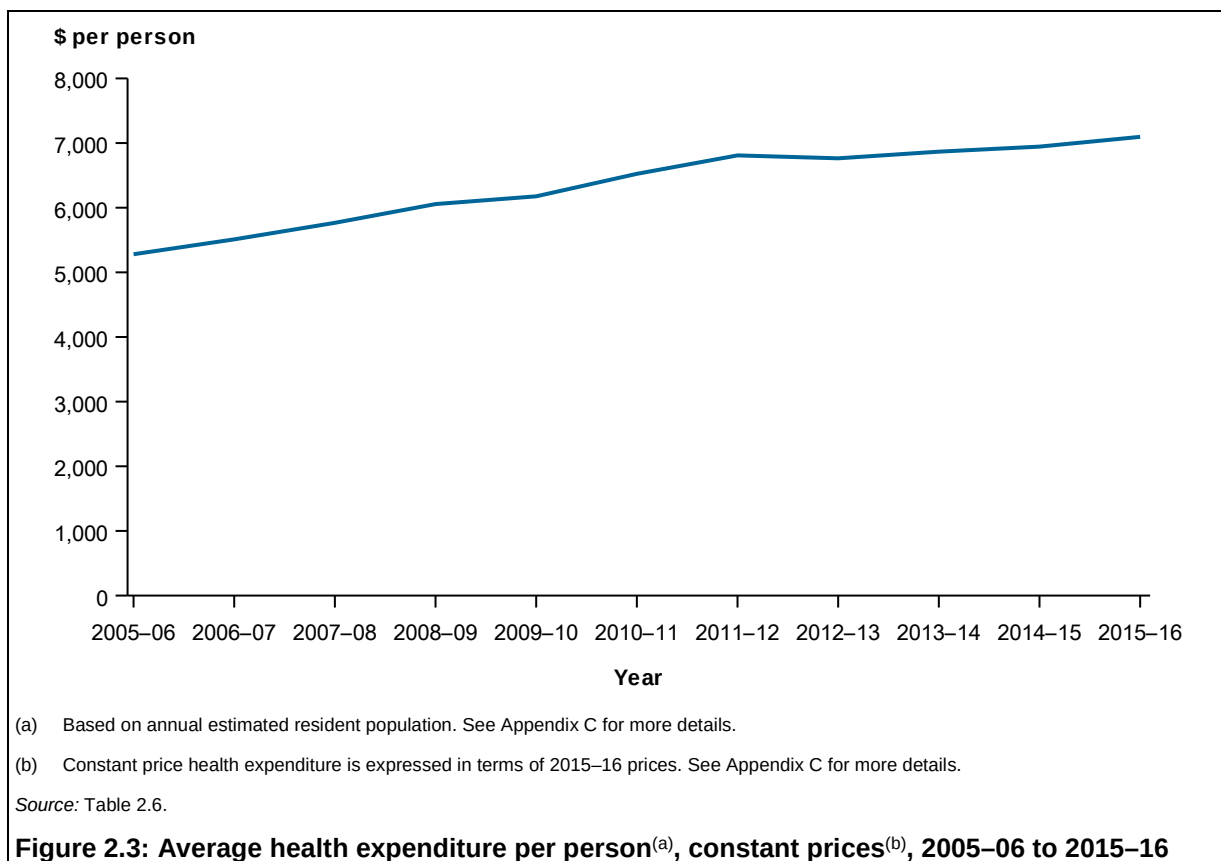
Table 2.6: Average health expenditure per person^(a), current and constant prices^(b), and annual growth rates, 2005–06 to 2015–16

Year	Amount (\$)		Annual change in expenditure (%)	
	Current	Constant	Nominal change	Real growth
2005–06	4,268	5,280	..	..
2006–07	4,603	5,510	7.8	4.4
2007–08	4,928	5,766	7.1	4.6
2008–09	5,328	6,056	8.1	5.0
2009–10	5,567	6,176	4.5	2.0
2010–11	5,937	6,524	6.6	5.6
2011–12	6,302	6,809	6.2	4.4
2012–13	6,406	6,764	1.6	–0.7
2013–14	6,633	6,867	3.5	1.5
2014–15	6,828	6,945	2.9	1.1
2015–16	7,096	7,096	3.9	2.2
Average annual growth rate (%)				
2005–06 to 2010–11	..	..	6.8	4.3
2010–11 to 2015–16	..	..	3.6	1.7
2005–06 to 2015–16	..	..	5.2	3.0

(a) Based on annual estimated resident population. See Appendix C for more details.

(b) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

Source: AIHW health expenditure database.



2.3 Recurrent health expenditure

Recurrent health expenditure is expenditure that does not result in creating or acquiring fixed assets. It consists mainly of expenditure on wages, salaries and supplements, purchases of goods and services, and depreciation. It excludes expenditure on capital, which is included under 'total health expenditure' in this report.

Recurrent expenditure usually accounts for about 94%–95% of total expenditure on health goods and services in a year. In 2015–16, recurrent expenditure was \$160.2 billion (94.0% of total health expenditure) (Table 2.7). The remainder was change in the health-related capital stock—that is, capital expenditure.

Recurrent health expenditure grew in real terms by 4.6% per year between 2005–06 and 2015–16, which closely matched the growth in total health expenditure (4.7%) (Table 2.8).

Table 2.7: Total and recurrent health expenditure, current prices, and recurrent expenditure as a proportion of total health expenditure, 2005–06 to 2015–16

Year	Total health expenditure (\$ million)	Recurrent expenditure (\$ million)	Recurrent expenditure as a proportion of total health expenditure (%)
2005–06	86,685	81,933	94.5
2006–07	94,938	89,449	94.2
2007–08	103,563	98,017	94.6
2008–09	114,401	107,934	94.3
2009–10	121,710	115,923	95.2
2010–11	131,612	124,122	94.3
2011–12	141,957	133,144	93.8
2012–13	146,953	138,347	94.1
2013–14	154,671	145,557	94.1
2014–15	161,619	152,053	94.1
2015–16	170,386	160,182	94.0

Source: AIHW health expenditure database.

Table 2.8: Total and recurrent health expenditure, constant prices^(a) and annual growth rates, 2005–06 to 2015–16

Year	Total health expenditure		Recurrent expenditure	
	(\$ million)	Annual growth (%)	(\$ million)	Annual growth (%)
2005–06	107,231	..	101,695	..
2006–07	113,652	6.0	107,396	5.6
2007–08	121,166	6.6	115,115	7.2
2008–09	130,039	7.3	123,191	7.0
2009–10	135,024	3.8	128,824	4.6
2010–11	144,623	7.1	136,676	6.1
2011–12	153,367	6.0	144,060	5.4
2012–13	155,166	1.2	146,127	1.4
2013–14	160,139	3.2	150,686	3.1
2014–15	164,393	2.7	154,655	2.6
2015–16	170,386	3.6	160,182	3.6
Average annual growth rate (%)				
2005–06 to 2010–11	..	6.2	..	6.1
2010–11 to 2015–16	..	3.3	..	3.2
2005–06 to 2015–16	..	4.7	..	4.6

(a) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

Source: AIHW health expenditure database.

Recurrent expenditure in states and territories

These state-based health expenditure estimates include those incurred by all service providers and funded by all sources—state and territory governments, the Australian Government, private health insurance funds, individuals (through out-of-pocket payments) and providers of injury compensation cover. They are not limited to the areas of responsibility of state and territory governments.

Where possible, consistent estimation methods and data sources have been applied across all the states and territories, but there could be differences between jurisdictions in the data on which estimation methods are based. This means that, while some broad comparisons can be made, caution should be exercised when comparing the results across states and territories.

Of the \$160.2 billion in national recurrent health expenditure in 2015–16, more than half (55.5%) was spent in the 2 states with the largest populations—New South Wales (\$50.1 billion) and Victoria (\$38.9 billion) (Table 2.9).

Table 2.9: Recurrent health expenditure, current prices, for each state and territory, all sources of funds, 2005–06 to 2015–16 (\$ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
2005–06	27,386	20,401	15,199	8,035	6,446	1,851	1,569	1,047	81,933
2006–07	29,637	22,005	17,124	8,925	6,882	2,016	1,718	1,142	89,449
2007–08	32,025	23,765	19,058	10,013	7,718	2,294	1,845	1,300	98,017
2008–09	34,882	26,257	21,281	11,095	8,452	2,495	2,007	1,464	107,934
2009–10	36,967	28,660	23,297	11,724	9,047	2,608	2,120	1,500	115,923
2010–11	39,273	30,884	24,667	12,796	9,636	2,844	2,326	1,696	124,122
2011–12	41,937	32,705	26,861	13,792	10,330	2,998	2,530	1,991	133,144
2012–13	43,953	33,597	28,124	14,655	10,475	3,027	2,556	1,960	138,347
2013–14	46,192	35,264	29,605	15,601	11,073	3,178	2,666	1,978	145,557
2014–15	48,047	36,958	30,868	16,775	11,299	3,294	2,823	1,987	152,053
2015–16	50,107	38,858	33,213	17,621	11,798	3,488	3,011	2,086	160,182

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

Source: AIHW health expenditure database.

Queensland had the highest average annual real growth in recurrent health expenditure between 2005–06 and 2015–16 (5.7%). The lowest average annual growth rate was (2.7%) in the Australian Capital Territory over the same period. The annual growth over the decade for all states and territories was 4.6% (Table 2.10).

Table 2.10: Recurrent health expenditure, constant prices^(a), for each state and territory, all sources of funds, and average annual growth rates, 2005–06 to 2015–16 (\$ million)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
2005–06	33,608	24,694	19,126	10,293	8,044	2,280	2,296	1,355	101,695
2006–07	35,106	25,884	20,794	11,028	8,312	2,399	2,453	1,420	107,396
2007–08	37,107	27,472	22,592	12,033	9,085	2,676	2,570	1,580	115,115
2008–09	39,495	29,492	24,483	12,863	9,652	2,827	2,670	1,711	123,191
2009–10	40,844	31,475	25,959	13,191	10,059	2,873	2,719	1,703	128,824
2010–11	43,082	33,566	27,158	14,283	10,630	3,116	2,934	1,905	136,676
2011–12	45,192	35,091	29,055	15,016	11,193	3,227	3,100	2,186	144,060
2012–13	46,206	35,299	29,656	15,508	11,067	3,184	3,100	2,106	146,127
2013–14	47,663	36,326	30,528	16,128	11,457	3,292	3,222	2,070	150,686
2014–15	48,702	37,437	31,261	17,035	11,474	3,351	3,350	2,046	154,655
2015–16	50,107	38,858	33,213	17,621	11,798	3,488	3,011	2,086	160,182
Average annual growth rate (%)									
2005–06 to 2010–11	5.1	6.3	7.3	6.8	5.7	6.4	5.0	7.0	6.1
2010–11 to 2015–16	3.1	3.0	4.1	4.3	2.1	2.3	0.5	1.8	3.2
2005–06 to 2015–16	4.1	4.6	5.7	5.5	3.9	4.3	2.7	4.4	4.6

(a) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

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

Source: AIHW health expenditure database.

Recurrent expenditure per person

Average recurrent health expenditure per person varies between states and territories for various reasons, such as differences in socioeconomic and demographic profiles. Health policy initiatives of the state or territory government or the Australian Government can also influence health expenditure per person in a particular state or territory.

The per person recurrent health expenditure estimates for individual states and territories must always be treated with caution. The estimates on which they are based include expenditures on health goods and services provided to patients from other states and territories. The population that provides the denominator in the calculation is, however, the resident population of the state or territory in which the expenditure was incurred. This particularly affects the estimates for the Australian Capital Territory, which provides a high volume of health services to New South Wales residents in the surrounding region. As a result, per person estimates for the Australian Capital Territory are not reported in this publication, but are included in the national estimates.

In 2015–16, the estimated national average level of recurrent expenditure on health was \$6,671 per person. The Northern Territory had the highest per person recurrent expenditure (\$8,534), 27.9% higher than the national average (Table 2.11; Figure 2.4).

Table 2.11: Average recurrent health expenditure per person^(a), current prices, for each state and territory^(b), all sources of funds, 2005–06 to 2015–16 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	NT	Australia ^(c)
2005–06	4,076	4,061	3,834	3,958	4,172	3,793	5,050	4,034
2006–07	4,367	4,311	4,222	4,297	4,408	4,102	5,410	4,337
2007–08	4,652	4,571	4,581	4,690	4,889	4,627	6,000	4,664
2008–09	4,982	4,942	4,977	5,023	5,289	4,971	6,581	5,027
2009–10	5,206	5,289	5,334	5,179	5,590	5,149	6,587	5,302
2010–11	5,470	5,620	5,560	5,518	5,903	5,573	7,364	5,599
2011–12	5,775	5,847	5,944	5,780	6,271	5,857	8,556	5,911
2012–13	5,973	5,882	6,099	5,951	6,298	5,911	8,187	6,031
2013–14	6,190	6,041	6,314	6,220	6,597	6,192	8,136	6,242
2014–15	6,344	6,195	6,494	6,623	6,670	6,405	8,170	6,424
2015–16	6,523	6,373	6,900	6,907	6,913	6,759	8,534	6,671
Percentage variation from the national average (%)								
2005–06	1.0	0.7	–5.0	–1.9	3.4	–6.0	25.2	..
2006–07	0.7	–0.6	–2.6	–0.9	1.6	–5.4	24.7	..
2007–08	–0.3	–2.0	–1.8	0.5	4.8	–0.8	28.6	..
2008–09	–0.9	–1.7	–1.0	–0.1	5.2	–1.1	30.9	..
2009–10	–1.8	–0.3	0.6	–2.3	5.4	–2.9	24.2	..
2010–11	–2.3	0.4	–0.7	–1.4	5.4	–0.5	31.5	..
2011–12	–2.3	–1.1	0.5	–2.2	6.1	–0.9	44.7	..
2012–13	–1.0	–2.5	1.1	–1.3	4.4	–2.0	35.7	..
2013–14	–0.8	–3.2	1.1	–0.4	5.7	–0.8	30.3	..
2014–15	–1.2	–3.6	1.1	3.1	3.8	–0.3	27.2	..
2015–16	–2.2	–4.5	3.4	3.5	3.6	1.3	27.9	..

(a) Based on annual estimated resident population. See Appendix C for more details.

(b) The ACT per person figures are not calculated, as they include substantial expenditures for NSW residents; therefore, the ACT population is not an appropriate denominator.

(c) Australian average includes the ACT.

Source: AIHW health expenditure database.

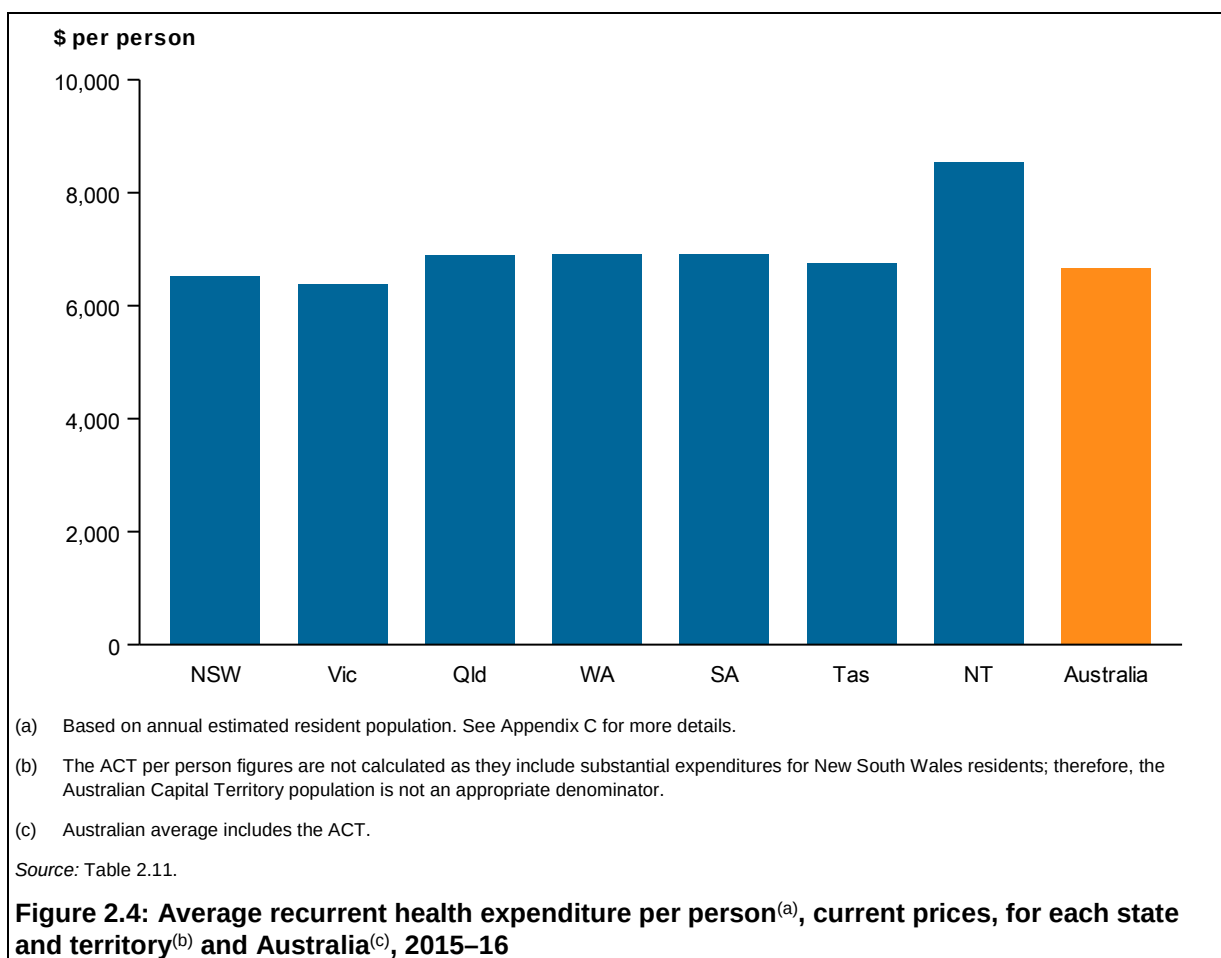


Table 2.12 shows the average recurrent health expenditure per person after adjusting for the effects of inflation. Over the decade, health expenditure rose by \$1,664 per person—from \$5,007 in 2005–06 to \$6,671 in 2015–16.

Table 2.12: Average recurrent health expenditure per person^(a), constant prices^(b), for each state and territory^(c), all sources of funds, 2005–06 to 2015–16 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	NT	Australia ^(d)
2005–06	5,003	4,916	4,825	5,070	5,207	4,671	6,535	5,007
2006–07	5,173	5,071	5,127	5,310	5,324	4,880	6,728	5,207
2007–08	5,390	5,283	5,431	5,636	5,755	5,397	7,295	5,478
2008–09	5,641	5,551	5,726	5,823	6,040	5,633	7,688	5,737
2009–10	5,751	5,808	5,944	5,827	6,215	5,672	7,476	5,892
2010–11	6,000	6,108	6,121	6,159	6,511	6,108	8,273	6,165
2011–12	6,223	6,274	6,429	6,293	6,795	6,304	9,392	6,396
2012–13	6,279	6,180	6,431	6,297	6,654	6,218	8,795	6,370
2013–14	6,387	6,222	6,511	6,430	6,826	6,415	8,516	6,462
2014–15	6,431	6,275	6,577	6,725	6,773	6,516	8,412	6,534
2015–16	6,523	6,373	6,900	6,907	6,913	6,759	8,534	6,671

(a) Based on annual estimated resident population. See Appendix C for more details.

(b) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

(c) The ACT per person averages are not calculated, as they include substantial expenditures for NSW residents; therefore, the ACT population is not an appropriate denominator.

(d) Australian average includes the ACT.

Source: AIHW health expenditure database.

All states and territories expenditure grew in 2015–16; however, the national growth (2.1%) was about two-thirds of the 10-year average annual growth (2.9%) (Table 2.13). Queensland was the only state or territory with a growth in recurrent per person expenditure (4.9%) above its 10-year average annual rate in real terms (3.6%).

Table 2.13: Annual growth in recurrent health expenditure per person^(a), constant prices^(b), for each state and territory^(c), all sources of funds, 2005–06 to 2015–16 (%)

Period	NSW	Vic	Qld	WA	SA	Tas	NT	Australia ^(d)
2005–06 to 2006–07	3.4	3.2	6.3	4.7	2.2	4.5	3.0	4.0
2006–07 to 2007–08	4.2	4.2	5.9	6.1	8.1	10.6	8.4	5.2
2007–08 to 2008–09	4.6	5.1	5.4	3.3	4.9	4.4	5.4	4.7
2008–09 to 2009–10	2.0	4.6	3.8	0.1	2.9	0.7	–2.8	2.7
2009–10 to 2010–11	4.3	5.2	3.0	5.7	4.8	7.7	10.7	4.6
2010–11 to 2011–12	3.7	2.7	5.0	2.2	4.4	3.2	13.5	3.7
2011–12 to 2012–13	0.9	–1.5	0.0	0.1	–2.1	–1.4	–6.4	–0.4
2012–13 to 2013–14	1.7	0.7	1.2	2.1	2.6	3.2	–3.2	1.4
2013–14 to 2014–15	0.7	0.8	1.0	4.6	–0.8	1.6	–1.2	1.1
2014–15 to 2015–16	1.4	1.6	4.9	2.7	2.1	3.7	1.5	2.1
Average annual growth rate (%)								
2005–06 to 2010–11	3.7	4.4	4.9	4.0	4.6	5.5	4.8	4.2
2010–11 to 2015–16	1.7	0.9	2.4	2.3	1.2	2.0	0.6	1.6
2005–06 to 2015–16	2.7	2.6	3.6	3.1	2.9	3.8	2.7	2.9

(a) Based on annual estimated resident population. See Appendix C for more details.

(b) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

(c) The ACT per person figures are not calculated, as they include substantial expenditures for NSW residents; therefore, the ACT population is not an appropriate denominator.

(d) Australian average includes the ACT.

Source: Table 2.12.

3 Sources of funds

Health expenditure is considered here in terms of the main entities that spend money on health in Australia. These bodies include the Australian Government, state and territory governments and non-government entities, such as individuals and private health insurers—referred to as sources of funds. The report defines the main types of health services and identifies how expenditure in these areas is changing over time.

3.1 Broad trends

In 2015–16, governments spent \$114.6 billion on health, or 67.3% of total health expenditure (recurrent plus capital and the medical expenses tax rebate) in Australia. The proportion that governments funded in 2015–16 was 0.4 percentage points higher than in 2014–15, the first increase since 2011–12 (tables 3.1 and 3.2).

In 2015–16, overall government contribution grew by 6.0%, including a 6.0% increase in the Australian Government contribution (\$70.2 billion or 41.2% of total health expenditure) and a 6.1% increase in the state and territory contribution (\$44.4 billion or 26.1% of total health expenditure). The proportion of expenditure by governments has remained relatively stable over recent years (tables 3.1 and 3.2; Figure 3.1).

Non-government sources (individuals, private health insurance and other non-government sources) provided the remaining \$55.8 billion—approximately one-third of total health expenditure (32.7%) (Table 3.1).

The health insurance funds' share of total expenditure rose following the introduction of income testing of the private health insurance rebate in July 2012, from 7.4% in 2011–12 to 8.8% in 2015–16. This coincided with a fall in the Australian Government's share by 1.8 percentage points over the same period (Table 3.2).

Expenditure by health insurance funds (as defined in this report) equates to the total benefits paid, minus any subsidies received from the Australian Government. The introduction of income testing has had the effect of reducing the subsidies paid by the Australian Government on private health insurance premiums without an equivalent reduction in benefits paid (tables 3.1 and 3.2; Figure 3.5).

Table 3.1: Total health expenditure, current prices, by source of funds, 2005–06 to 2015–16 (\$ million)

Year	Government			Non-government			Total
	Australian Government	State/territory and local	Total	Health insurance funds	Individuals	Other ^(a)	
2005–06	37,144	21,907	59,051	6,578	15,038	6,018	27,634
2006–07	39,948	24,485	64,434	7,216	16,478	6,811	30,505
2007–08	44,854	26,379	71,234	7,862	17,334	7,133	32,330
2008–09	50,160	28,493	78,653	8,845	19,334	7,570	35,748
2009–10	53,076	31,870	84,946	9,145	20,766	6,854	36,765
2010–11	56,676	34,490	91,166	9,841	23,199	7,406	40,446
2011–12	61,092	38,224	99,316	10,459	24,121	8,061	42,641
2012–13	61,022	39,351	100,373	11,849	26,172	8,560	46,580
2013–14	63,701	41,181	104,882	12,877	27,402	9,511	49,789
2014–15	66,217	41,880	108,097	14,028	28,677	10,817	53,522
2015–16	70,171	44,416	114,587	14,917	29,414	11,468	55,799

(a) Includes funding by injury compensation insurers and other private funding. All non-government sector capital expenditure is also included here, as the funding sources of non-government capital expenditure are not known. If funding sources were known, this capital expenditure would be spread across all funding columns.

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

Source: AIHW health expenditure database.

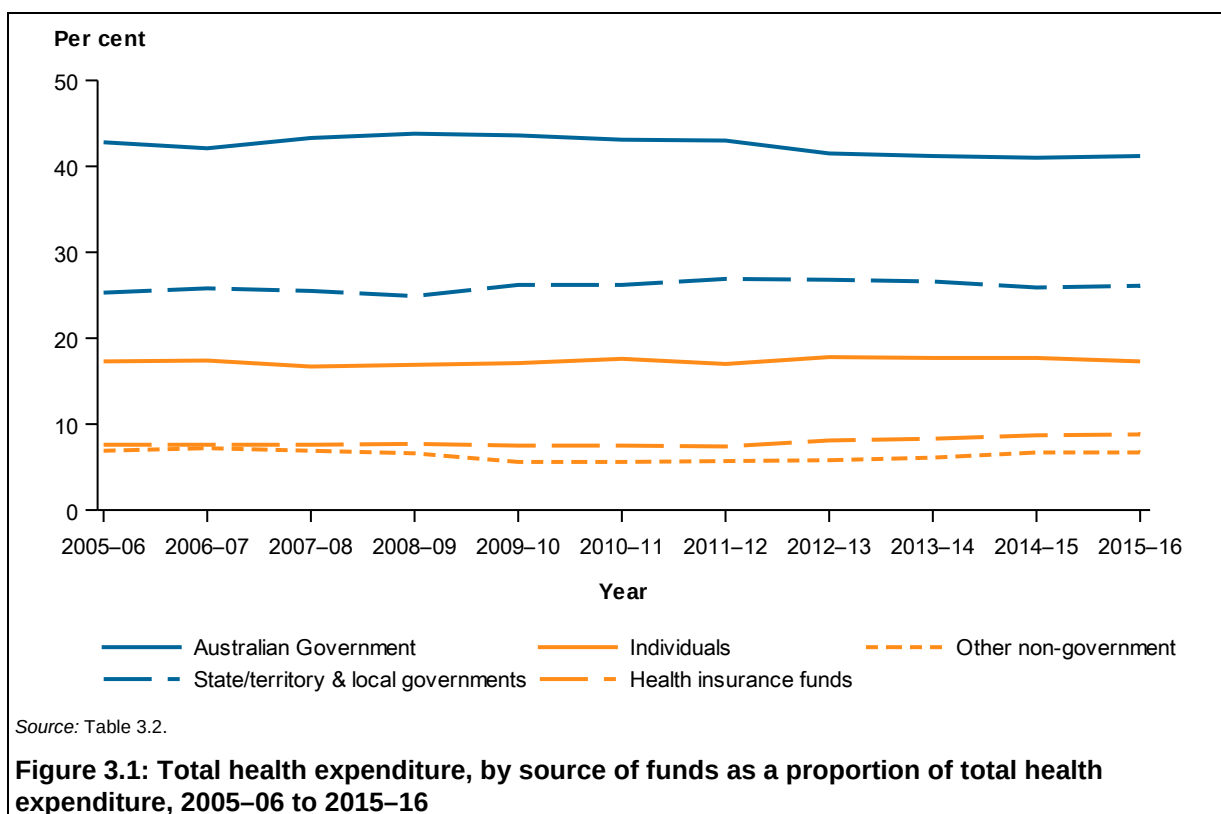
Table 3.2: Proportion of total health expenditure, by source of funds, 2005–06 to 2015–16 (%)

Year	Government			Non-government			Total
	Australian Government	State/territory and local	Total	Health insurance funds	Individuals	Other ^(a)	
2005–06	42.8	25.3	68.1	7.6	17.3	6.9	31.9
2006–07	42.1	25.8	67.9	7.6	17.4	7.2	32.1
2007–08	43.3	25.5	68.8	7.6	16.7	6.9	31.2
2008–09	43.8	24.9	68.8	7.7	16.9	6.6	31.2
2009–10	43.6	26.2	69.8	7.5	17.1	5.6	30.2
2010–11	43.1	26.2	69.3	7.5	17.6	5.6	30.7
2011–12	43.0	26.9	70.0	7.4	17.0	5.7	30.0
2012–13	41.5	26.8	68.3	8.1	17.8	5.8	31.7
2013–14	41.2	26.6	67.8	8.3	17.7	6.1	32.2
2014–15	41.0	25.9	66.9	8.7	17.7	6.7	33.1
2015–16	41.2	26.1	67.3	8.8	17.3	6.7	32.7

(a) Includes funding by injury compensation insurers and other private funding. All non-government sector capital expenditure is also included here, as the funding sources of non-government capital expenditure are not known. If funding sources were known, this capital expenditure would be spread across all funding columns.

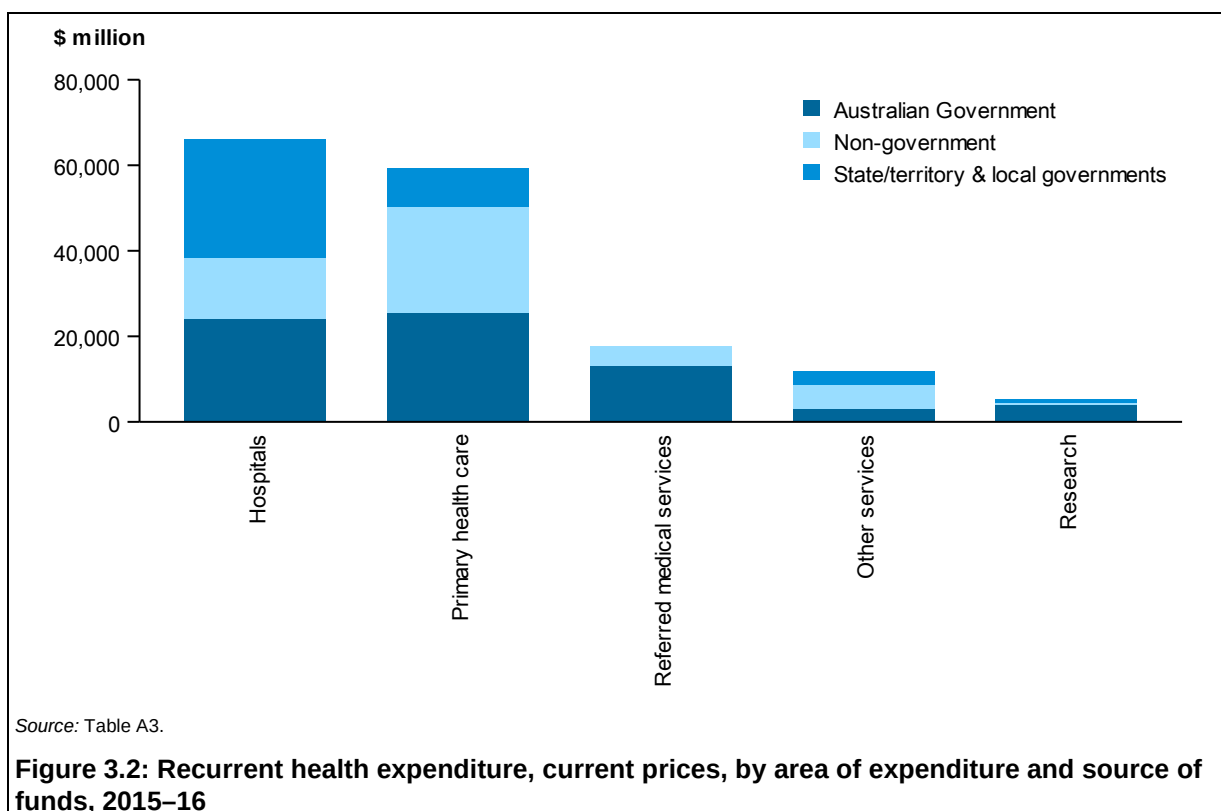
Note: Components may not add to totals due to rounding.

Source: AIHW health expenditure database.



The distribution of expenditure by the Australian Government, state and territory governments and the non-government sector varies depending on the types of health goods and services being provided. The Australian Government spends a relatively large amount on medical services (including both unreferral—largely general practitioner—and referral medical services) and benefit-paid medications, with the balance sourced from the non-government sector. Expenditure on community health services, on the other hand, comes mostly from the state and territory governments.

The governments share most of the expenditure on public hospital services, while non-government sources account for large portions of the expenditure on dental services, private hospitals, aids and appliances, medications for which no government benefit has been paid ('all other medications') and other health practitioner services (Figure 3.2; Table A3).



After removing the effects of inflation, real growth in the Australian Government's expenditure averaged 4.4% per year from 2005–06 to 2015–16. In 2015–16, this expenditure grew by 4.1%—the largest percentage growth since 2011–12 (5.8%) (Table 3.3).

State and territory and local government expenditure also grew in real terms in 2015–16 by 4.1%, reversing the negative growth experienced in the previous year (–0.7%). The average annual growth in state and territory and local government expenditure over the decade (4.5%) was similar to the total government expenditure growth (4.4%).

Combined, government expenditure in 2015–16 grew at a slower rate than the average annual growth rate for the decade (4.1% and 4.4%, respectively).

Non-government sources of expenditure had the lowest growth rate in 2015–16 (2.7%)—only half of the decade average of 5.4%. This was the lowest rate of growth since 2009–10 (1.1%) (Table 3.3).

Table 3.3: Total health expenditure, constant prices^(a), and annual growth in funding, by source of funds, 2005–06 to 2015–16

Year	Government						Non-government			
	Australian Government		State/territory and local		Total		Non-government		Total	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
2005–06	45,711	..	28,656	..	74,368	..	32,864	..	107,231	..
2006–07	47,720	4.4	30,922	7.9	78,642	5.7	35,011	6.5	113,652	6.0
2007–08	52,651	10.3	32,149	4.0	84,800	7.8	36,366	3.9	121,166	6.6
2008–09	57,158	8.6	33,502	4.2	90,660	6.9	39,379	8.3	130,039	7.3
2009–10	58,897	3.0	36,327	8.4	95,224	5.0	39,800	1.1	135,024	3.8
2010–11	62,226	5.7	38,706	6.6	100,932	6.0	43,691	9.8	144,623	7.1
2011–12	65,857	5.8	41,917	8.3	107,774	6.8	45,593	4.4	153,367	6.0
2012–13	64,216	–2.5	42,067	0.4	106,283	–1.4	48,883	7.2	155,166	1.2
2013–14	65,860	2.6	42,933	2.1	108,793	2.4	51,347	5.0	160,139	3.2
2014–15	67,384	2.3	42,654	–0.7	110,037	1.1	54,356	5.9	164,393	2.7
2015–16	70,171	4.1	44,416	4.1	114,587	4.1	55,799	2.7	170,386	3.6
Average annual growth rate (%)										
2005–06 to 2010–11	..	6.4	..	6.2	..	6.3	..	5.9	..	6.2
2010–11 to 2015–16	..	2.4	..	2.8	..	2.6	..	5.0	..	3.3
2005–06 to 2015–16	..	4.4	..	4.5	..	4.4	..	5.4	..	4.7

(a) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

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

Source: AIHW health expenditure database.

Public hospital services

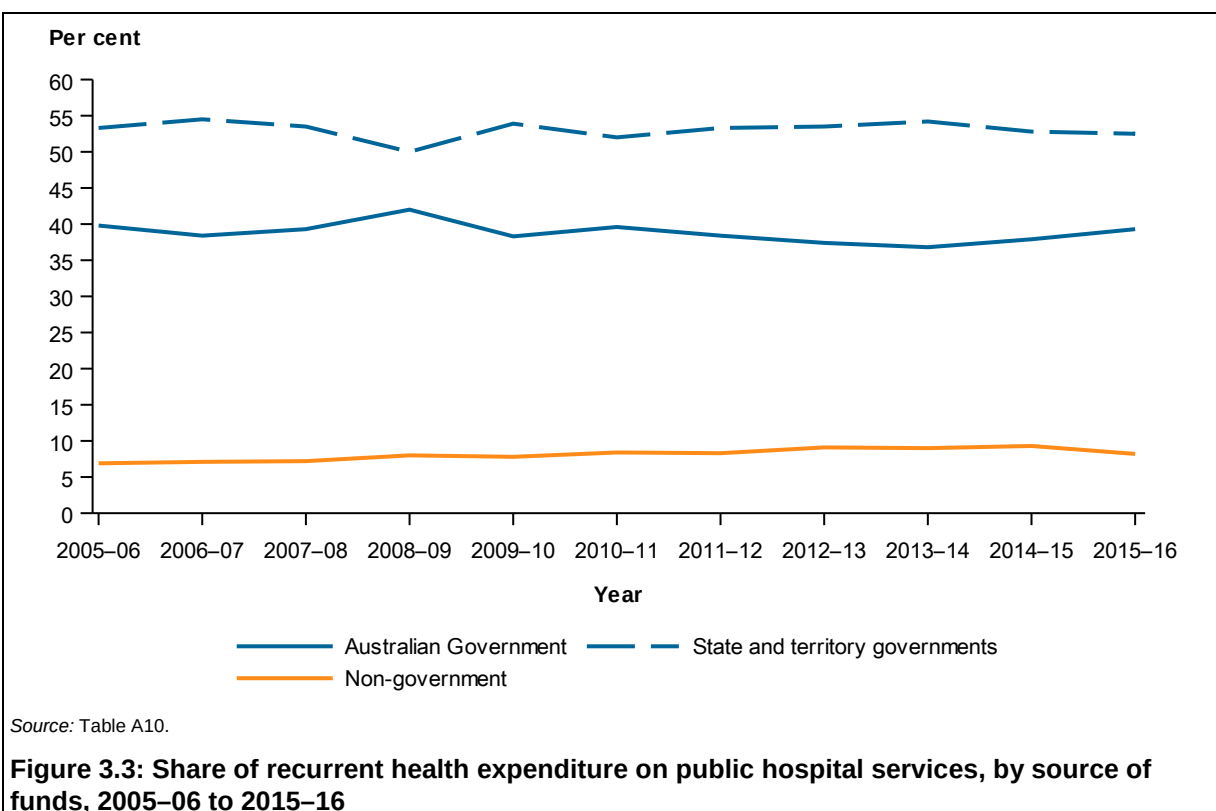
Expenditure on public hospital services was \$51.1 billion in 2015–16 (Table A10). This was up from \$48.9 billion the previous year—a real growth of 4.4%—the same as the average annual real growth over the decade.

In 2015–16, Australian Government expenditure on public hospital services (\$20.1 billion) was up by 8.4% in real terms from 2014–15—almost twice the 10-year average annual growth of 4.3%.

State and territory government expenditure was \$26.8 billion—a 3.8% real rise from 2014–15, which reversed the negative growth experienced in the previous year (–0.1%).

Non-government expenditure on public hospital services was \$4.2 billion—down by 8.3% on 2014–15 and the first negative real growth experience over the decade.

Between 2014–15 and 2015–16, the share of recurrent expenditure on public hospital services contributed by the Australian Government rose by 1.4 percentage points (from 37.9% to 39.3%). The state and territory government expenditure fell by 0.3 percentage points from 52.8% to 52.5%, while the non-government share fell from 9.3% to 8.2% (Figure 3.3; Table A10).



3.2 Australian Government expenditure

The Australian Government spent \$70.2 billion on health (recurrent expenditure plus capital expenditure and the medical expenses tax rebate) in 2015–16 (Table 3.4). This represented 61.2% of total government health expenditure—the same as the previous year (Table 3.3). It included:

- direct Australian Government expenditure (\$42.2 billion, or 60.2% of Australian Government funding)—mostly administered through the Australian Government Department of Health on programs for which the government has responsibility, such as the Medicare Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS) (Table 3.4)
- the specific purpose payments (SPPs) associated with the National Health Reform Agreement (\$19.0 billion, or 27.0%), including the Activity Based Funding arrangements, and national partnership payments (NPPs) to the states and territories (Table 3.4)
- rebates and subsidies for privately insured persons under the *Private Health Insurance Act 2007* (\$5.7 billion, or 8.2%) (Table 3.4)
- Australian Government Department of Veterans' Affairs (DVA) funding for goods and services provided to eligible veterans and their dependants (\$3.2 billion, or 4.5%) (Table 3.4)
- the medical expenses tax rebate (\$36 million, or 0.1%) (Table 3.4).

Direct Australian Government expenditure and SPPs and NPPs to the states and territories both grew in 2015–16 (5.9% and 5.1% respectively). All other types of Australian Government expenditure fell in real terms (Table 3.4).

Table 3.4: Australian Government health expenditure, constant prices^(a), by type of expenditure, 2005–06 to 2015–16 (\$ million)

Year	Own program expenditure	Grants to states (SPP & NPP)	Health insurance premium rebates ^(b)	Department of Veterans' Affairs	Medical expenses tax rebate	Total
2005–06	25,527	12,130	3,703	3,893	459	45,711
2006–07	26,923	12,495	3,798	4,003	500	47,720
2007–08	29,868	13,872	4,317	4,104	489	52,651
2008–09	32,861	15,421	4,245	4,036	595	57,158
2009–10	34,893	14,567	4,878	3,918	642	58,897
2010–11	36,559	16,087	5,159	3,876	545	62,226
2011–12	38,805	16,647	5,868	3,933	604	65,857
2012–13	37,666	16,940	5,468	3,686	456	64,216
2013–14	38,744	17,455	5,742	3,681	238	65,860
2014–15	39,877	18,053	5,790	3,514	149	67,384
2015–16	42,239	18,965	5,745	3,186	36	70,171

(a) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

(b) Comprises health insurance rebates claimed through the taxation system, as well as rebates paid directly to health insurance funds by the Australian Government that enable them to reduce premiums. This includes the portions of the rebates that relate to health activities. See Glossary and Appendix C for more details.

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

Source: AIHW health expenditure database.

3.3 State and territory expenditure

Total health expenditure by state and territory governments in 2015–16 was estimated at \$44.4 billion, while recurrent expenditure was only \$40.6 billion (tables 3.1 and 3.5). More than two-thirds of recurrent expenditure (66.0% or \$26.8 billion) was for public hospital services (Table 3.5). This represented a 3.8% growth in public hospital spending by states and territories in real terms, compared with an average annual growth of 4.3% for the decade.

The next largest area of recurrent spending by state and territory governments was community health and other (\$7.0 billion or 17.3% of recurrent spending), which also grew more than the average annual growth rate in real terms (5.1% compared with 4.4%).

Between 2014–15 and 2015–16, overall growth in recurrent expenditure for states and territories was 5.5%—a growth rate of 1.1 percentage points higher than the average annual growth of 4.4% (Table 3.5).

Detailed tables on state and territory expenditure can be found in Appendix B.

Table 3.5: State and territory government recurrent health expenditure, constant prices^(a), and annual growth rates, by selected areas of expenditure, 2005–06 to 2015–16

Year	Public hospital services ^(b)		Private hospitals		Patient transport		Dental services		Community health and other ^(c)		Public health		Other ^(d)		Total recurrent expenditure	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
2005–06	17,680	..	335	..	1,302	..	645	..	4,570	..	817	..	1,007	..	26,357	..
2006–07	19,203	8.6	329	–1.8	1,504	15.5	619	–4.0	5,053	10.6	864	5.8	862	–14.4	28,433	7.9
2007–08	20,137	4.9	343	4.3	1,586	5.5	648	4.7	5,464	8.1	930	7.6	883	2.4	29,991	5.5
2008–09	19,876	–1.3	437	27.4	1,852	16.8	763	17.7	5,425	–0.7	1,131	21.6	1,242	40.7	30,726	2.5
2009–10	22,369	12.5	446	2.1	1,928	4.1	720	–5.6	5,446	0.4	1,073	–5.1	1,371	10.4	33,354	8.6
2010–11	22,904	2.4	520	16.6	2,119	9.9	791	9.9	5,653	3.8	952	–11.3	1,407	2.6	34,344	3.0
2011–12	24,751	8.1	554	6.5	2,301	8.6	793	0.3	6,310	11.6	733	–23.0	1,158	–17.7	36,601	6.6
2012–13	24,922	0.7	497	–10.3	2,216	–3.7	677	–14.6	6,408	1.6	949	29.5	1,127	–2.7	36,796	0.5
2013–14	25,856	3.7	532	7.0	2,290	3.3	725	7.1	6,510	1.6	873	–8.0	1,243	10.3	38,028	3.3
2014–15	25,827	–0.1	635	19.4	2,487	8.6	713	–1.7	6,691	2.8	966	10.7	1,182	–4.9	38,501	1.2
2015–16	26,819	3.8	819	29.0	2,687	8.0	761	6.7	7,035	5.1	1,206	24.8	1,298	9.8	40,626	5.5
Average annual growth rate (%)																
2005–06 to 2010–11	..	5.3	..	9.2	..	10.2	..	4.2	..	4.3	..	3.1	..	6.9	..	5.4
2010–11 to 2015–16	..	3.2	..	9.5	..	4.9	..	–0.8	..	4.5	..	4.8	..	–1.6	..	3.4
2005–06 to 2015–16	..	4.3	..	9.4	..	7.5	..	1.7	..	4.4	..	4.0	..	2.6	..	4.4

(a) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

(b) Public hospital services exclude certain services provided in hospitals, and can include those provided off-site, such as hospital in the home and dialysis. See Appendix C for more details.

(c) 'Other' includes recurrent health expenditure that could not be allocated to a specific area; for example, expenditure by substance abuse treatment centres, providers of general health administration, or providers of regional health services not further defined.

(d) 'Other' combines several areas of expenditure that attract relatively little expenditure by state and territory governments. The category includes medical services, other professional services, pharmaceuticals, aids and appliances, administration and research.

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

Source: AIHW health expenditure database.

3.4 Non-government expenditure

Non-government health expenditure was estimated at \$55.8 billion in 2015–16. This represented real growth of 2.7% from 2014–15, which was half the average annual growth over the decade (5.4%). The non-government share of total expenditure fell from 33.1% to 32.7% (tables 3.6 and 3.7; Figure 3.4).

Expenditure by individuals was \$29.4 billion in 2015–16, with a growth in real terms of 1.3% from 2014–15. This included:

- individuals meeting the full cost of goods and services—for example, medications that the PBS does not subsidise
- individuals sharing the cost of health goods and services with third-party payers—for example, private health insurance funds.

Expenditure by individuals accounted for 52.7% of non-government expenditure—down from 53.4% the previous year—and represented 17.3% of total health expenditure (government and non-government), down from 17.7% in 2014–15 (tables A5 and A6).

Private health insurance funds provided 8.8% (\$14.9 billion) of total expenditure in 2015–16 (Table 3.6). These funds are indirectly sourced from individuals who pay premiums to private health insurance funds.

The balance of non-government funding (\$11.5 billion) came from other non-government sources, including payments by compulsory third-party motor vehicle and workers compensation insurers (Table 3.6).

The proportion of total health expenditure by private health insurance funds rose from 7.4% in 2011–12 to 8.8% in 2015–16, coinciding with the introduction of income testing for the Australian Government's private health insurance premium rebates. This had the impact of reducing the Australian Government's contribution and increasing the share that private health insurers funded from their own sources (Table 3.6).

Table 3.6: Non-government health expenditure, current prices, by source of funds, 2005–06 to 2015–16

Year	Individuals		Private health insurance funds ^(a)		Other non-government ^(b)		All non-government sources	
	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)	Amount (\$m)	Proportion (%)
2005–06	15,038	17.3	6,578	7.6	6,018	6.9	27,634	31.9
2006–07	16,478	17.4	7,216	7.6	6,811	7.2	30,505	32.1
2007–08	17,334	16.7	7,862	7.6	7,133	6.9	32,330	31.2
2008–09	19,334	16.9	8,845	7.7	7,570	6.6	35,748	31.2
2009–10	20,766	17.1	9,145	7.5	6,854	5.6	36,765	30.2
2010–11	23,199	17.6	9,841	7.5	7,406	5.6	40,446	30.7
2011–12	24,121	17.0	10,459	7.4	8,061	5.7	42,641	30.0
2012–13	26,172	17.8	11,849	8.1	8,560	5.8	46,580	31.7
2013–14	27,402	17.7	12,877	8.3	9,511	6.1	49,789	32.2
2014–15	28,677	17.7	14,028	8.7	10,817	6.7	53,522	33.1
2015–16	29,414	17.3	14,917	8.8	11,468	6.7	55,799	32.7

(a) Funding by private health insurance funds excludes the Australian Government private health insurance rebate.

(b) Includes funding by injury compensation insurers and other private funding. All non-government sector capital expenditure is also included here, as the funding sources of non-government capital expenditure are not known. If funding sources were known, this capital expenditure would be spread across all funding columns.

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

Source: AIHW health expenditure database.

Table 3.7: Non-government health expenditure, constant prices^(a), by source of funds, and annual growth rates, 2005–06 to 2015–16

Year	Individuals		Private health insurance funds ^(b)		Other non-government ^(c)		All non-government sources	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
2005–06	17,038	..	8,449	..	7,376	..	32,864	..
2006–07	18,043	5.9	8,920	5.6	8,048	9.1	35,011	6.5
2007–08	18,634	3.3	9,462	6.1	8,271	2.8	36,366	3.9
2008–09	20,541	10.2	10,305	8.9	8,533	3.2	39,379	8.3
2009–10	21,823	6.2	10,325	0.2	7,652	–10.3	39,800	1.1
2010–11	24,572	12.6	10,962	6.2	8,157	6.6	43,691	9.8
2011–12	25,403	3.4	11,415	4.1	8,775	7.6	45,593	4.4
2012–13	27,133	6.8	12,595	10.3	9,155	4.3	48,883	7.2
2013–14	28,031	3.3	13,379	6.2	9,936	8.5	51,347	5.0
2014–15	29,043	3.6	14,255	6.5	11,058	11.3	54,356	5.9
2015–16	29,414	1.3	14,917	4.6	11,468	3.7	55,799	2.7
Average annual growth rate (%)								
2005–06 to 2010–11	..	7.6	..	5.3	..	2.0	..	5.9
2010–11 to 2015–16	..	3.7	..	6.4	..	7.1	..	5.0
2005–06 to 2015–16	..	5.6	..	5.8	..	4.5	..	5.4

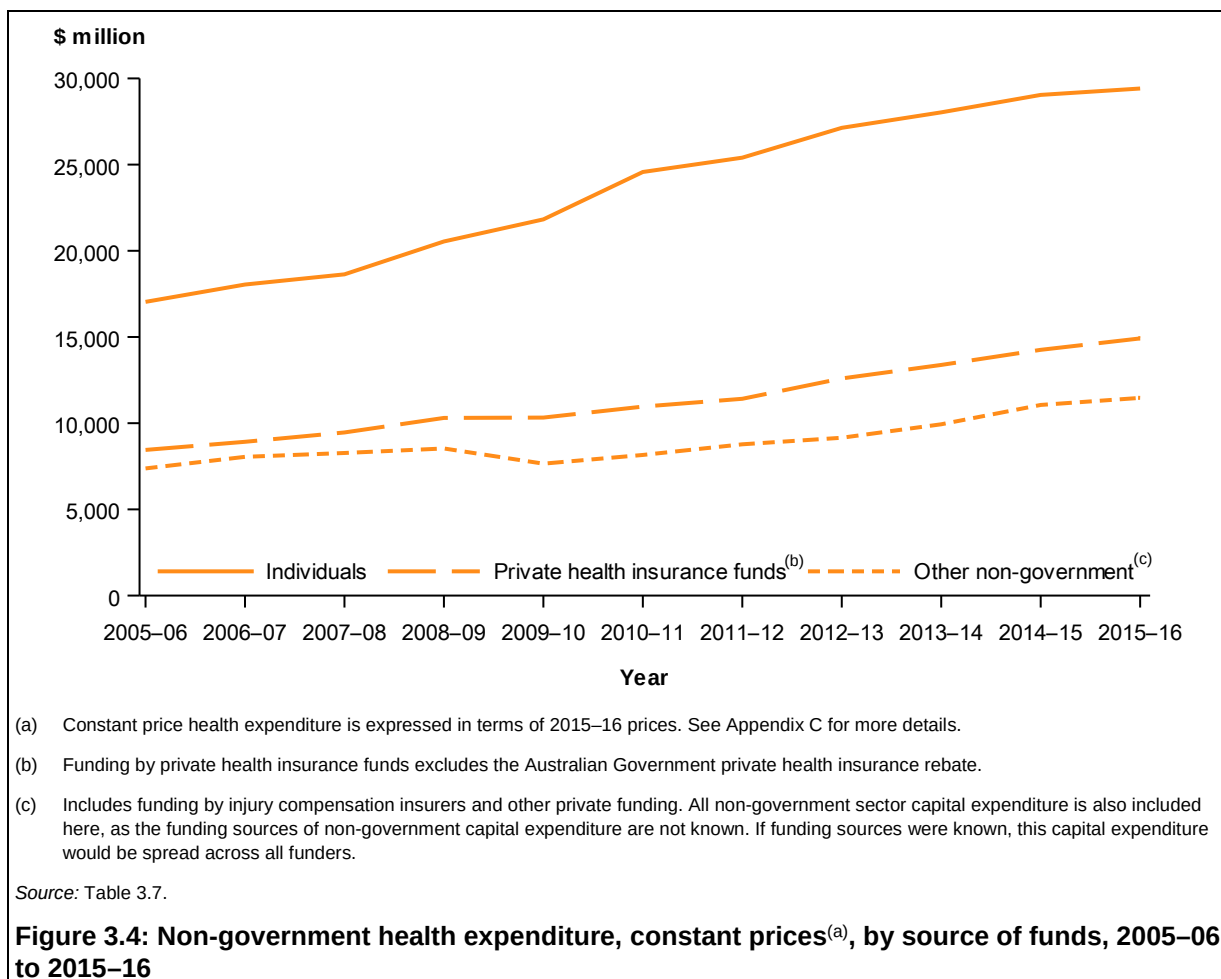
(a) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

(b) Funding by private health insurance funds excludes the Australian Government private health insurance rebate.

(c) Includes funding by injury compensation insurers and other private funding. All non-government sector capital expenditure is also included here, as the funding sources of non-government capital expenditure are not known. If funding sources were known, this capital expenditure would be spread across all funding columns.

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

Source: AIHW health expenditure database.



Individuals

Individuals spent \$29.5 billion on health-related expenses before receiving subsidies from the medical expenses tax rebate in 2015–16—68.3% more than they spent in real terms in 2005–06 (\$17.5 billion). More than two-thirds (68.0%) of health expenditure by individuals was for primary health care in 2015–16. About one-third (36.8%) was for medications (including both benefit-paid pharmaceuticals and all other medications). Hospital costs accounted for 11.1% of expenditure by individuals, a figure that has more than doubled over the period since 2005–06 (4.8%) (Table 3.8). The medical expenses tax rebate in 2015–16 was \$36 million (Table A3).

Table 3.8: Health expenditure by individuals^(a), constant prices^(b), by area of expenditure, 2005–06 and 2015–16

Area of expenditure	2005–06		2015–16	
	Amount (\$ million)	Proportion (%)	Amount (\$ million)	Proportion (%)
Hospitals	837	4.8	3,274	11.1
Public hospital services ^(c)	461	2.6	1,419	4.8
Private hospitals	376	2.1	1,855	6.3
Primary health care	12,826	73.3	20,026	68.0
Unreferred medical services	489	2.8	741	2.5
Dental services	4,418	25.3	5,740	19.5
Other health practitioners	2,263	12.9	2,464	8.4
Community health and other ^(d)	244	1.4	242	0.8
Public health	64	—	22	—
Benefit-paid pharmaceuticals	1,169	6.7	1,407	4.8
All other medications	4,178	23.9	9,410	32.0
Referred medical services	1,671	9.5	2,932	10.0
Other services	2,164	12.4	3,216	10.9
Patient transport services	273	1.6	397	1.3
Aids and appliances	1,890	10.8	2,811	9.5
Administration	..	..	7	—
Research	..	..	2	—
Total	17,497	100.0	29,451	100.0

(a) The figures reflect the expenditure by individuals before receiving any subsidy through the medical expenses tax rebate. For 2015–16, this accounts for the \$36 million difference between the total in this table and the individuals' total reported in tables 3.7 and A3. For 2005–06, the difference between the totals in this table and the total reported in Table 3.7 is \$459 million.

(b) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

(c) Public hospital services exclude certain services provided in hospitals, and can include services provided off-site, such as hospital in the home and dialysis. See Appendix C for more details.

(d) 'Other' includes recurrent health expenditure that could not be allocated to a specific area of expenditure; for example, expenditure by substance abuse treatment centres, providers of general health administration, or providers of regional health services not further defined.

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

Source: AIHW health expenditure database.

Per person expenditure by individuals (that is, averaged over the whole population) grew at an average of 3.6% per year from 2005–06 to 2015–16 (Table 3.9). In 2015–16, per person expenditure by individuals fell by 0.5%, a fall of 2.3 percentage points from the previous year. Expenditure declined for all areas in 2015–16, except for hospitals, medical services, dental services and aids and appliances, where it grew by 2.3%, 3.5%, 2.3% and 2.0%, respectively.

Table 3.9: Average individual recurrent health expenditure per person, constant prices^(a), and annual growth rates, by selected areas of expenditure, 2005–06 to 2015–16

Year	Hospitals ^{(b)(c)(d)}		Patient transport		Medical services		Dental services		Other health practitioners		Community and public health		Benefit-paid pharmaceuticals		All other medications		Aids and appliances		Total recurrent	
	Amt (\$)	Growth (%)	Amt (\$)	Growth (%)	Amt (\$)	Growth (%)	Amt (\$)	Growth (%)	Amt (\$)	Growth (%)	Amt (\$)	Growth (%)	Amt (\$)	Growth (%)	Amt (\$)	Growth (%)	Amt (\$)	Growth (%)	Amt (\$)	Growth (%)
2005–06	41	..	13	..	82	..	218	..	111	..	15	..	58	..	206	..	93	..	837	..
2006–07	38	–6.7	14	5.8	92	11.4	218	0.1	112	0.1	16	7.0	58	1.1	229	11.4	97	4.1	874	4.4
2007–08	47	23.5	15	5.6	95	3.9	210	–3.6	100	–10.4	17	2.4	59	1.2	247	7.7	93	–4.0	883	1.0
2008–09	105	..	18	21.1	99	4.4	207	–1.6	85	–14.6	7	–55.3	63	7.3	275	11.3	96	2.8	955	8.2
2009–10	113	8.0	19	1.5	105	5.8	206	–0.1	91	6.6	7	–1.4	65	3.6	287	4.4	104	8.4	998	4.4
2010–11	128	12.8	18	–0.3	109	3.8	215	4.3	111	21.7	8	10.9	66	1.2	334	16.4	112	7.9	1,102	10.4
2011–12	120	–6.3	17	–7.2	111	1.8	220	2.1	112	1.6	7	–18.4	69	3.9	357	6.9	111	–1.0	1,123	2.0
2012–13	126	5.4	16	–3.7	112	0.7	227	3.4	117	4.4	8	18.7	67	–2.4	385	7.8	112	1.5	1,172	4.3
2013–14	119	–6.2	18	8.9	116	3.3	233	2.3	114	–3.0	11	43.1	68	1.8	387	0.7	115	2.6	1,181	0.8
2014–15	133	12.4	18	–1.5	118	2.1	234	0.4	109	–4.4	12	9.2	64	–6.7	399	3.1	115	–0.4	1,202	1.8
2015–16	136	2.3	17	–6.4	122	3.5	239	2.3	103	–5.8	11	–10.6	59	–8.2	392	–1.9	117	2.0	1,195	–0.5
Average annual growth rate (%)																				
2005–06 to 2010–11	..	..	..	6.5	..	5.8	..	–0.2	..	–0.1	..	–11.7	..	2.9	..	10.2	..	3.7	..	5.6
2010–11 to 2015–16	..	..	..	–2.1	..	2.3	..	2.1	..	–1.5	..	6.2	..	–2.4	..	3.3	..	0.9	..	1.6
2005–06 to 2015–16	..	..	..	2.1	..	4.0	..	0.9	..	–0.8	..	–3.2	..	0.2	..	6.7	..	2.3	..	3.6

(a) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

(b) Includes public hospital services and private hospitals.

(c) Growth rates were not calculated for 2008–09, as the introduction of the GHE NMDS led to more comprehensive reporting of expenditure by individuals and by the states and territories on public hospital services. This effect is meaningful in scale when analysing trends in individual expenditure on public hospital services, but it has a relatively insubstantial impact on public hospital services expenditure figures more generally. See Appendix C for more details.

(d) Public hospital services exclude certain services provided in hospitals, and can include services provided off-site, such as hospital in the home and dialysis. See Appendix C for more details.

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

Source: AIHW health expenditure database.

Private health insurance

In 2015–16, hospitals received more than half (57.0% or \$8.5 billion) of the \$14.9 billion in expenditure by private health insurance funds, with private hospitals receiving \$7.4 billion (Table 3.10).

Primary health care attracted 17.8% of expenditure by private health insurance funds (\$2.6 billion), with the majority of this (12.0% of the total private health insurance payment) being for dental services (Table 3.10).

Table 3.10: Health expenditure by private health insurance funds, current prices, by area of expenditure, 2015–16

Area of expenditure	Amount (\$ million)	Proportion (%)
Hospitals	8,505	57.0
Public hospital services ^(a)	1,136	7.6
Private hospitals	7,368	49.4
Primary health care	2,648	17.8
Dental services	1,791	12.0
Other health practitioners	812	5.4
Community health and other ^(b)	1	—
All other medications	44	0.3
Referred medical services	1,564	10.5
Other services	2,200	14.7
Patient transport services	212	1.4
Aids and appliances	656	4.4
Administration	1,332	8.9
Total	14,917	100.0

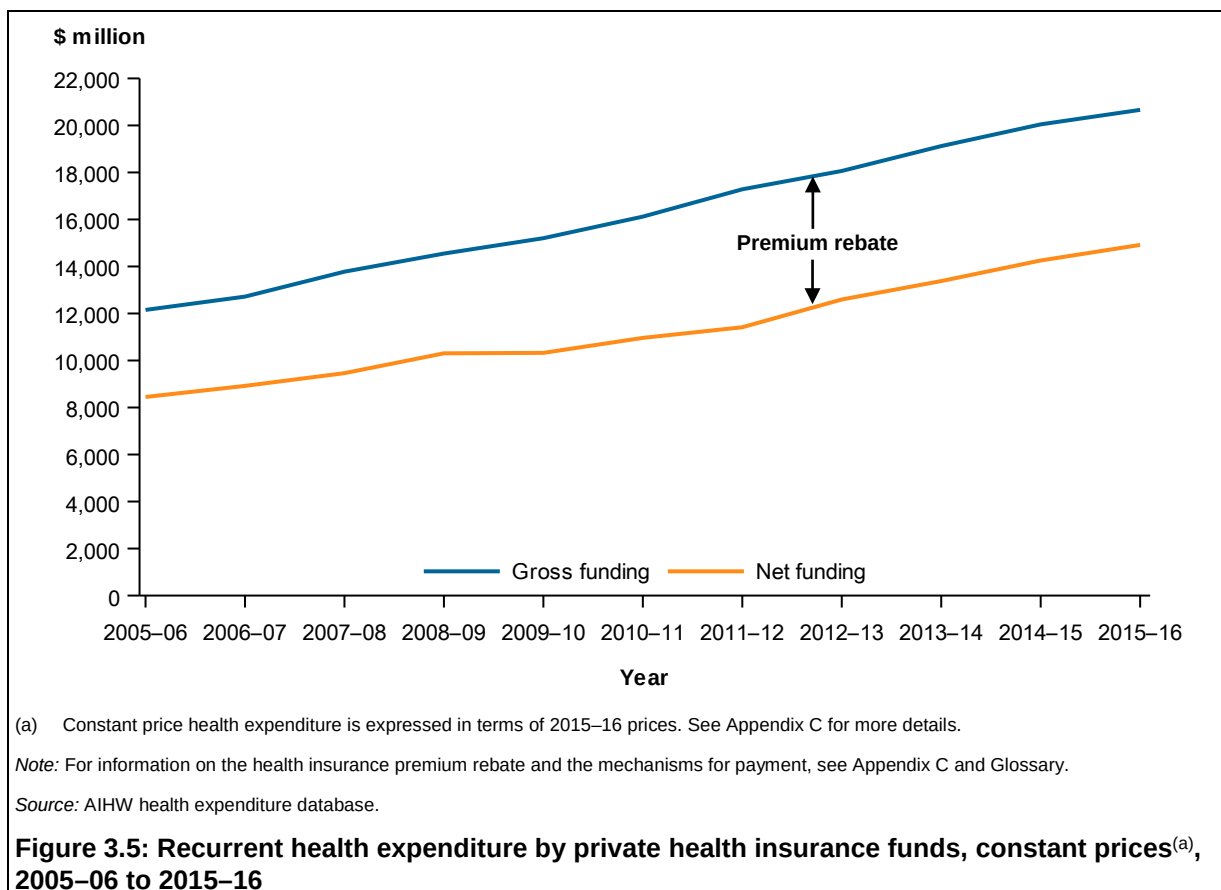
(a) Public hospital services exclude certain services provided in hospitals, and can include services provided off-site, such as hospital in the home and dialysis. See Appendix C for more details.

(b) 'Other' includes recurrent health expenditure that could not be allocated to a specific area of expenditure; for example, expenditure by substance abuse treatment centres, providers of general health administration, or providers of regional health services not further defined.

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

Source: AIHW health expenditure database.

For the purpose of this report, premium rebates were deducted from the gross benefits paid to individuals to reflect the amount spent by private health insurance funds that was not funded by the Australian Government. The premium rebates that the Australian Government paid rose by 55.1% over the decade, from \$3.7 billion in 2005–06 to \$5.7 billion in 2015–16. Since the introduction of income testing of the premium rebate in July 2012, the share of gross benefits contributed by the private health insurance funds has grown from 66.0% to 72.2% (Figure 3.5).



In 2015–16, it was estimated that net health expenditure by private health insurance providers averaged \$1,318 per person covered—a growth of 3.6% on 2014–15, compared with an average annual growth of 3.2% over the decade (Table 3.11).

Tasmania (\$1,431) and South Australia (\$1,424) had the highest expenditure by private health insurance funds per person covered, almost twice the per person amount of the Northern Territory (\$762).

Average annual growth in net expenditure per person was greatest in the Northern Territory (4.1%) and lowest in the Australian Capital Territory (0.7%) over the decade (Table 3.11).

Table 3.11: Average health expenditure by private health insurance, per person covered^(a), constant prices^(b), by state and territory, 2005–06 to 2015–16 (\$)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
2005–06	911	940	1,054	964	1,089	1,021	711	509	959
2006–07	952	969	1,071	972	1,115	1,031	747	520	987
2007–08	976	988	1,075	985	1,129	1,046	765	563	1,004
2008–09	1,042	1,056	1,128	1,034	1,184	1,132	799	584	1,065
2009–10	1,020	1,040	1,100	1,028	1,144	1,096	788	554	1,044
2010–11	1,058	1,081	1,118	1,060	1,180	1,128	796	606	1,077
2011–12	1,073	1,106	1,152	1,048	1,168	1,132	817	598	1,092
2012–13	1,156	1,196	1,226	1,104	1,253	1,247	882	664	1,172
2013–14	1,216	1,234	1,271	1,160	1,289	1,298	763	672	1,217
2014–15	1,265	1,285	1,341	1,185	1,379	1,405	832	729	1,272
2015–16	1,314	1,320	1,384	1,277	1,424	1,431	765	762	1,318
Average annual growth rate (%)									
2005–06 to 2010–11	3.0	2.8	1.2	1.9	1.6	2.0	2.3	3.5	2.3
2010–11 to 2015–16	4.4	4.1	4.4	3.8	3.8	4.9	–0.8	4.7	4.1
2005–06 to 2015–16	3.7	3.4	2.8	2.8	2.7	3.4	0.7	4.1	3.2

(a) Based on the number of people with health insurance cover living in each state and territory.

(b) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

Sources: AIHW health expenditure database; Table C6.

Other non-government funding

In 2015–16, injury compensation insurers spent \$2.7 billion on health goods and services, comprising \$1.6 billion by workers compensation insurers and \$1.1 billion by compulsory third-party motor vehicle insurers. This represented a decline of 4.2% on 2014–15, the third consecutive year there has been a decline. Average annual growth over the decade was 1.2% (Table 3.12). This does not include non-government sector capital expenditure and other private funding.

Growth across the 10 years was quite volatile for both types of injury compensation insurers, but both had a positive average annual growth rate over the period.

Recurrent expenditure on health funded by workers compensation and compulsory third-party motor vehicle insurers forms the largest component of the 'other non-government' source of funds category presented elsewhere in this report.

Table 3.12: Expenditure by injury compensation insurers, constant prices^(a), and annual growth rates, 2005–06 to 2015–16

Year	Workers compensation insurers		Compulsory third party motor vehicle insurers		Total injury compensation insurer	
	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)	Amount (\$m)	Growth (%)
2005–06	1,477	..	924	..	2,401	..
2006–07	1,487	0.7	967	4.6	2,455	2.2
2007–08	1,580	6.2	1,046	8.2	2,627	7.0
2008–09	1,559	–1.4	994	–5.0	2,552	–2.8
2009–10	1,564	0.3	993	–0.1	2,556	0.2
2010–11	1,648	5.4	1,048	5.6	2,696	5.5
2011–12	1,704	3.4	1,145	9.3	2,849	5.7
2012–13	1,837	7.8	1,150	0.5	2,987	4.9
2013–14	1,725	–6.1	1,187	3.2	2,911	–2.5
2014–15	1,636	–5.1	1,192	0.5	2,829	–2.8
2015–16	1,628	–0.5	1,082	–9.3	2,710	–4.2
Average annual growth rate (%)						
2005–06 to 2010–11	..	2.2	..	2.6	..	2.3
2010–11 to 2015–16	..	–0.2	..	0.6	..	0.1
2005–06 to 2015–16	..	1.0	..	1.6	..	1.2

(a) Constant price health expenditure is expressed in terms of 2015–16 prices. See Appendix C for more details.

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

Source: AIHW health expenditure database.

Appendix A: National health expenditure matrixes

Notes to tables

Data in all tables are sourced from the AIHW health expenditure database.

Constant price estimates have been indexed to the most recent year (see Appendix C for more details).

Australian Government expenditure for public hospital services in 2015–16 includes some payments related to the financial year 2014–15, as part of the National Health Reform Agreement. As such, growth in Australian Government expenditure for public hospital services between 2014–15 and 2015–16 may be inflated.

The private health insurance rebate amounts include the rebate on health insurance premiums that can be claimed directly from the Australian Government through the taxation system, or through a reduced premium charged by the private health insurance fund. The rebate was reduced from 9.68%–38.72% to 9.27%–37.09% on 1 April 2015, and to 8.93%–35.72% on 1 April 2016.

The non-government source of funds labelled 'other' includes expenditure on health goods and services incurred by workers compensation and compulsory third-party motor vehicle insurers, as well as other sources of income (for example, rent, interest earned) for service providers.

The term 'other' in 'community health and other' includes recurrent health expenditure that could not be allocated to a specific category; for example, expenditure by substance abuse treatment centres, providers of general health administration, or providers of regional health services not further defined.

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

State and local governments include territory governments.

More information about the expenditure categories and data sources can be found in Appendix C.

Tables in Appendix A are available in Excel format and can be downloaded free from www.aihw.gov.au/reports-statistics/health-welfare-overview/health-welfare-expenditure/data.

Table A1: Total health expenditure, current prices, by area of expenditure and source of funds, 2013–14 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	1,673	15,983	3,128	20,784	25,298	46,082	7,289	2,650	2,742	12,681	58,763
Public hospital services	759	15,677	405	16,841	24,790	41,632	944	1,308	1,842	4,094	45,725
Private hospitals	914	306	2,723	3,943	507	4,450	6,344	1,343	900	8,587	13,037
Primary health care	1,628	20,708	997	23,334	7,736	31,069	2,323	19,358	2,023	23,704	54,773
Unreferred medical services	857	7,837	..	8,694	..	8,694	..	686	1,217	1,903	10,597
Dental services	109	503	664	1,275	713	1,989	1,547	5,336	43	6,925	8,914
Other health practitioners	256	1,253	312	1,822	10	1,831	726	2,490	372	3,589	5,420
Community health and other	1	1,252	—	1,253	6,176	7,429	1	224	185	409	7,838
Public health	..	1,251	..	1,251	837	2,088	..	26	128	154	2,242
Benefit-paid pharmaceuticals	406	8,047	..	8,452	..	8,452	..	1,598	..	1,598	10,050
All other medications	..	566	21	587	..	587	49	8,999	78	9,126	9,713
Referred medical services	..	11,593	589	12,182	..	12,182	1,374	2,584	..	3,958	16,140
Other services	210	1,863	812	2,884	2,544	5,428	1,892	3,030	185	5,107	10,535
Patient transport services	169	57	78	304	2,196	2,500	183	402	104	689	3,188
Aids and appliances	2	458	247	707	..	707	575	2,625	80	3,280	3,987
Administration	38	1,349	487	1,873	348	2,221	1,134	4	1	1,138	3,360
Research	2	4,240	..	4,242	821	5,063	..	5	278	283	5,346
Total recurrent expenditure	3,513	54,386	5,526	63,426	36,398	99,824	12,877	27,628	5,229	45,733	145,557
Capital expenditure	..	49	..	49	4,783	4,832	..	..	4,282	4,282	9,114
Medical expenses tax rebate	..	226	..	226	..	226	..	–226	..	–226	—
Total health expenditure	3,513	54,661	5,526	63,701	41,181	104,882	12,877	27,402	9,511	49,789	154,671

Source: AIHW health expenditure database.

Table A2: Total health expenditure, current prices, by area of expenditure and source of funds, 2014–15 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	1,670	17,271	3,239	22,180	25,972	48,152	7,974	3,095	2,995	14,064	62,216
Public hospital services	793	16,946	431	18,170	25,351	43,521	1,060	1,485	1,930	4,475	47,996
Private hospitals	877	325	2,808	4,010	621	4,631	6,913	1,611	1,064	9,588	14,220
Primary health care	1,535	21,411	1,017	23,962	8,193	32,155	2,504	19,865	1,990	24,359	56,514
Unreferred medical services	840	8,376	..	9,216	..	9,216	..	701	1,157	1,858	11,075
Dental services	96	788	681	1,565	712	2,277	1,676	5,521	67	7,265	9,542
Other health practitioners	235	1,355	317	1,907	5	1,912	781	2,509	355	3,645	5,557
Community health and other	1	1,242	—	1,243	6,527	7,770	1	258	209	467	8,237
Public health	..	1,185	..	1,185	948	2,133	..	26	124	150	2,283
Benefit-paid pharmaceuticals	363	7,899	..	8,262	..	8,262	..	1,513	..	1,513	9,775
All other medications	..	566	19	585	..	585	46	9,335	79	9,459	10,044
Referred medical services	..	12,137	608	12,745	..	12,745	1,496	2,699	..	4,196	16,940
Other services	209	2,055	834	3,098	2,816	5,914	2,053	3,160	186	5,400	11,313
Patient transport services	168	59	80	307	2,442	2,749	198	411	100	709	3,458
Aids and appliances	1	483	254	739	..	739	625	2,744	86	3,455	4,193
Administration	40	1,513	500	2,052	374	2,426	1,230	5	1	1,236	3,662
Research	2	4,003	..	4,006	774	4,779	..	3	286	289	5,069
Total recurrent expenditure	3,416	56,877	5,698	65,991	37,755	103,746	14,028	28,823	5,457	48,307	152,053
Capital expenditure	..	81	..	81	4,125	4,206	..	..	5,361	5,361	9,567
Medical expenses tax rebate	..	146	..	146	..	146	..	-146	..	-146	—
Total health expenditure	3,416	57,103	5,698	66,217	41,880	108,097	14,028	28,677	10,817	53,522	161,619

Source: AIHW health expenditure database.

Table A3: Total health expenditure, current prices, by area of expenditure and source of funds, 2015–16 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	1,547	19,214	3,275	24,036	27,638	51,674	8,505	3,274	2,685	14,464	66,137
Public hospital services	739	18,886	438	20,064	26,819	46,882	1,136	1,419	1,626	4,181	51,064
Private hospitals	807	328	2,838	3,973	819	4,791	7,368	1,855	1,059	10,282	15,074
Primary health care	1,437	23,164	1,020	25,621	9,008	34,629	2,648	20,026	1,924	24,598	59,227
Unreferred medical services	774	9,151	..	9,925	..	9,925	..	741	1,088	1,828	11,753
Dental services	87	792	690	1,570	761	2,331	1,791	5,740	42	7,573	9,904
Other health practitioners	230	1,508	313	2,050	5	2,056	812	2,464	343	3,619	5,674
Community health and other	1	898	—	899	7,035	7,934	1	242	203	446	8,380
Public health	..	1,293	..	1,293	1,206	2,500	..	22	147	169	2,669
Benefit-paid pharmaceuticals	346	9,017	..	9,363	..	9,363	..	1,407	..	1,407	10,770
All other medications	..	504	17	521	..	521	44	9,410	102	9,556	10,077
Referred medical services	..	12,608	602	13,210	..	13,210	1,564	2,932	..	4,497	17,707
Other services	200	2,080	847	3,127	3,140	6,267	2,200	3,216	216	5,632	11,899
Patient transport services	156	65	82	302	2,687	2,989	212	397	133	743	3,732
Aids and appliances	1	506	253	759	..	759	656	2,811	80	3,548	4,307
Administration	44	1,510	513	2,066	452	2,519	1,332	7	3	1,342	3,861
Research	2	4,072	..	4,073	841	4,914	..	2	295	297	5,211
Total recurrent expenditure	3,186	61,137	5,745	70,067	40,626	110,693	14,917	29,451	5,121	49,488	160,182
Capital expenditure	..	68	..	68	3,790	3,857	..	..	6,347	6,347	10,205
Medical expenses tax rebate	..	36	..	36	..	36	..	–36	..	–36	—
Total health expenditure	3,186	61,241	5,745	70,171	44,416	114,587	14,917	29,414	11,468	55,799	170,386

Source: AIHW health expenditure database.

Table A4: Total health expenditure, constant prices, by area of expenditure and source of funds, 2013–14 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	1,745	16,668	3,262	21,675	26,388	48,063	7,601	2,763	2,858	13,223	61,286
Public hospital services	792	16,349	423	17,563	25,856	43,419	985	1,364	1,920	4,268	47,688
Private hospitals	953	319	2,839	4,112	532	4,644	6,616	1,399	939	8,954	13,598
Primary health care	1,716	21,141	1,029	23,886	8,118	32,003	2,397	19,696	2,095	24,188	56,191
Unreferred medical services	926	8,070	..	8,996	..	8,996	..	724	1,248	1,972	10,968
Dental services	111	511	675	1,296	725	2,022	1,572	5,424	44	7,040	9,062
Other health practitioners	273	1,337	333	1,943	10	1,953	775	2,656	397	3,828	5,781
Community health and other	1	1,320	—	1,321	6,510	7,830	1	236	194	431	8,261
Public health	..	1,305	..	1,305	873	2,178	..	27	133	160	2,338
Benefit-paid pharmaceuticals	405	8,031	..	8,436	..	8,436	..	1,595	..	1,595	10,031
All other medications	..	568	21	589	..	589	49	9,033	79	9,162	9,750
Referred medical services	..	11,930	604	12,534	..	12,534	1,407	2,695	..	4,103	16,637
Other services	219	1,948	847	3,014	2,658	5,671	1,974	3,109	191	5,274	10,946
Patient transport services	177	59	82	317	2,290	2,607	191	418	109	718	3,325
Aids and appliances	2	468	253	724	..	724	589	2,686	82	3,357	4,080
Administration	40	1,420	513	1,973	368	2,341	1,195	4	1	1,200	3,541
Research	2	4,462	..	4,465	865	5,329	..	5	293	298	5,627
Total recurrent expenditure	3,681	56,149	5,742	65,572	38,028	103,601	13,379	28,269	5,437	47,085	150,686
Capital expenditure	..	50	..	50	4,904	4,954	..	..	4,499	4,499	9,453
Medical expenses tax rebate	..	238	..	238	..	238	..	–238	..	–238	—
Total health expenditure	3,681	56,437	5,742	65,860	42,933	108,793	13,379	28,031	9,936	51,347	160,139

Source: AIHW health expenditure database.

Table A5: Total health expenditure, constant prices, by area of expenditure and source of funds, 2014–15 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	1,701	17,592	3,299	22,593	26,462	49,054	8,122	3,154	3,050	14,325	63,380
Public hospital services	808	17,262	439	18,508	25,827	44,335	1,080	1,513	1,965	4,558	48,893
Private hospitals	893	331	2,861	4,085	635	4,719	7,043	1,640	1,084	9,767	14,486
Primary health care	1,597	21,676	1,027	24,301	8,376	32,677	2,529	20,102	2,024	24,655	57,332
Unreferred medical services	897	8,558	..	9,455	..	9,455	..	736	1,172	1,908	11,363
Dental services	97	789	682	1,568	713	2,281	1,679	5,530	68	7,276	9,557
Other health practitioners	241	1,392	326	1,960	5	1,965	802	2,579	365	3,746	5,711
Community health and other	1	1,274	—	1,275	6,691	7,966	1	264	214	479	8,445
Public health	..	1,206	..	1,206	966	2,172	..	27	126	153	2,325
Benefit-paid pharmaceuticals	362	7,886	..	8,248	..	8,248	..	1,511	..	1,511	9,759
All other medications	..	571	19	590	..	590	47	9,455	80	9,582	10,172
Referred medical services	..	12,391	618	13,009	..	13,009	1,522	2,794	..	4,316	17,325
Other services	213	2,088	845	3,147	2,871	6,018	2,081	3,140	187	5,408	11,426
Patient transport services	171	60	82	313	2,487	2,800	202	418	102	722	3,522
Aids and appliances	1	479	251	731	..	731	619	2,716	85	3,420	4,151
Administration	40	1,550	512	2,103	384	2,487	1,261	5	1	1,267	3,753
Research	2	4,101	..	4,103	793	4,896	..	3	293	296	5,193
Total recurrent expenditure	3,514	57,849	5,790	67,153	38,501	105,655	14,255	29,192	5,553	49,001	154,655
Capital expenditure	..	81	..	81	4,152	4,233	..	..	5,504	5,504	9,737
Medical expenses tax rebate	..	149	..	149	..	149	..	-149	..	-149	—
Total health expenditure	3,514	58,079	5,790	67,384	42,654	110,037	14,255	29,043	11,058	54,356	164,393

Source: AIHW health expenditure database.

Table A6: Total health expenditure, constant prices, by area of expenditure and source of funds, 2015–16 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	1,547	19,214	3,275	24,036	27,638	51,674	8,505	3,274	2,685	14,464	66,137
Public hospital services	739	18,886	438	20,064	26,819	46,882	1,136	1,419	1,626	4,181	51,064
Private hospitals	807	328	2,838	3,973	819	4,791	7,368	1,855	1,059	10,282	15,074
Primary health care	1,437	23,164	1,020	25,621	9,008	34,629	2,648	20,026	1,924	24,598	59,227
Unreferred medical services	774	9,151	..	9,925	..	9,925	..	741	1,088	1,828	11,753
Dental services	87	792	690	1,570	761	2,331	1,791	5,740	42	7,573	9,904
Other health practitioners	230	1,508	313	2,050	5	2,056	812	2,464	343	3,619	5,674
Community health and other	1	898	—	899	7,035	7,934	1	242	203	446	8,380
Public health	..	1,293	..	1,293	1,206	2,500	..	22	147	169	2,669
Benefit-paid pharmaceuticals	346	9,017	..	9,363	..	9,363	..	1,407	..	1,407	10,770
All other medications	..	504	17	521	..	521	44	9,410	102	9,556	10,077
Referred medical services	..	12,608	602	13,210	..	13,210	1,564	2,932	..	4,497	17,707
Other services	200	2,080	847	3,127	3,140	6,267	2,200	3,216	216	5,632	11,899
Patient transport services	156	65	82	302	2,687	2,989	212	397	133	743	3,732
Aids and appliances	1	506	253	759	..	759	656	2,811	80	3,548	4,307
Administration	44	1,510	513	2,066	452	2,519	1,332	7	3	1,342	3,861
Research	2	4,072	..	4,073	841	4,914	..	2	295	297	5,211
Total recurrent expenditure	3,186	61,137	5,745	70,067	40,626	110,693	14,917	29,451	5,121	49,488	160,182
Capital expenditure	..	68	..	68	3,790	3,857	..	..	6,347	6,347	10,205
Medical expenses tax rebate	..	36	..	36	..	36	..	–36	..	–36	—
Total health expenditure	3,186	61,241	5,745	70,171	44,416	114,587	14,917	29,414	11,468	55,799	170,386

Source: AIHW health expenditure database.

Table A7: Annual growth in health expenditure, current prices, by area of expenditure, 2005–06 to 2015–16 (%)

Area of expenditure	2005–06 to 2006–07	2006–07 to 2007–08	2007–08 to 2008–09	2008–09 to 2009–10	2009–10 to 2010–11	2010–11 to 2011–12	2011–12 to 2012–13	2012–13 to 2013–14	2013–14 to 2014–15	2014–15 to 2015–16	Average annual growth	
											2005–06 to 2015–16	2010–11 to 2015–16
Hospitals	9.7	9.6	10.7	8.5	7.5	7.6	3.7	5.9	5.9	6.3	7.5	5.9
Public hospitals/public hospital services	10.4	10.0	8.6	8.3	7.6	7.8	3.3	5.3	5.0	6.4	7.2	5.5
Private hospitals	7.0	8.2	..	9.3	7.1	6.6	5.2	8.0	9.1	6.0	..	7.0
Primary health care	8.9	9.9	7.3	6.7	8.2	6.8	4.6	3.4	3.2	4.8	6.4	4.6
Unreferred medical services	6.4	11.3	4.7	8.2	8.2	4.0	6.0	4.2	4.5	6.1	6.4	5.0
Dental services	7.0	6.2	10.7	7.5	8.1	6.1	4.4	2.4	7.1	3.8	6.3	4.7
Other health practitioners	7.7	3.1	1.6	9.2	16.4	9.1	9.6	4.0	2.5	2.1	6.4	5.4
Community health and other	12.7	14.5	5.1	7.2	7.6	12.6	5.0	5.3	5.1	1.7	7.6	5.9
Public health	16.4	25.0	–1.1	–10.4	–2.9	15.3	–4.6	4.6	1.9	16.9	5.5	6.5
Medications	9.3	8.7	10.8	7.5	7.9	5.1	3.7	2.5	0.3	5.2	6.0	3.3
Benefit-paid pharmaceuticals	3.1	7.9	9.9	7.5	2.0	3.3	–1.8	0.8	–2.7	10.2	3.9	1.8
All other medications	19.9	9.9	12.1	7.4	16.3	7.4	10.3	4.3	3.4	0.3	9.0	5.1
Referred medical services	8.9	8.2	10.4	6.5	4.5	7.6	6.4	6.5	5.0	4.5	6.8	6.0
Other services	6.8	7.6	12.1	3.3	5.3	7.1	–2.8	7.3	7.4	5.2	5.9	4.8
Patient transport services	16.7	12.0	19.3	8.3	7.6	7.4	0.7	5.8	8.4	7.9	9.3	6.0
Aids and appliances	8.0	2.9	4.9	7.1	3.7	1.5	4.3	3.7	5.2	2.7	4.4	3.5
Administration	–0.8	10.3	15.2	–4.9	5.1	13.4	–13.4	13.6	9.0	5.4	4.9	5.1
Research	13.8	16.3	34.6	15.0	2.4	8.2	4.9	8.8	–5.2	2.8	9.7	3.8
Total recurrent expenditure	9.2	9.6	10.1	7.4	7.1	7.3	3.9	5.2	4.5	5.3	6.9	5.2
Capital expenditure	15.5	1.0	16.6	–10.5	29.4	17.7	–2.3	5.9	5.0	6.7	7.9	6.4
Total health expenditure	9.5	9.1	10.5	6.4	8.1	7.9	3.5	5.3	4.5	5.4	7.0	5.3

Source: AIHW health expenditure database.

Table A8: Annual growth in health expenditure, constant prices, by area of expenditure, 2005–06 to 2015–16 (%)

Area of expenditure	2005–06 to 2006–07	2006–07 to 2007–08	2007–08 to 2008–09	2008–09 to 2009–10	2009–10 to 2010–11	2010–11 to 2011–12	2011–12 to 2012–13	2012–13 to 2013–14	2013–14 to 2014–15	2014–15 to 2015–16	Average annual growth	
											2005–06 to 2015–16	2010–11 to 2015–16
Hospitals	5.6	6.4	7.6	4.6	6.1	5.1	0.8	3.0	3.4	4.4	4.7	3.3
Public hospitals/public hospital services	6.3	6.7	5.7	4.4	6.2	5.3	0.4	2.4	2.5	4.4	4.4	3.0
Private hospitals	2.8	5.0	..	5.2	5.7	4.0	2.2	5.0	6.5	4.1	..	4.3
Primary health care	5.9	8.2	4.1	4.6	7.6	5.6	2.8	1.8	2.0	3.3	4.6	3.1
Unreferred medical services	3.4	10.5	0.5	6.0	7.3	2.3	3.3	3.1	3.6	3.4	4.3	3.1
Dental services	1.4	2.1	8.1	4.7	7.2	5.8	2.3	1.1	5.5	3.6	4.1	3.6
Other health practitioners	5.6	3.2	–2.5	6.4	12.5	3.5	6.3	–0.1	–1.2	–0.6	3.2	1.5
Community health and other	8.2	10.4	–2.2	3.4	5.5	9.8	2.9	2.3	2.2	–0.8	4.1	3.3
Public health	11.9	21.3	–4.2	–13.6	–4.2	12.6	–7.3	1.7	–0.5	14.8	2.7	3.9
Medications	8.1	8.4	11.4	6.9	9.2	5.5	2.9	1.8	0.8	4.6	5.9	3.1
Benefit-paid pharmaceuticals	3.1	7.8	9.7	7.5	2.0	3.3	–1.7	1.0	–2.7	10.4	3.9	1.9
All other medications	16.5	9.3	13.8	6.2	19.4	8.3	8.3	2.7	4.3	–0.9	8.6	4.5
Referred medical services	5.7	7.0	6.3	4.4	3.2	5.5	4.0	5.1	4.1	2.2	4.7	4.2
Other services	2.8	4.9	10.7	1.7	6.5	6.0	–5.2	6.6	4.4	4.1	4.2	3.1
Patient transport services	12.4	8.7	15.8	4.4	6.2	4.9	–2.1	3.0	5.9	6.0	6.4	3.5
Aids and appliances	5.8	0.1	6.9	12.5	11.7	3.0	3.1	6.5	1.7	3.8	5.4	3.6
Administration	–5.2	6.2	10.1	–8.6	1.8	10.1	–16.0	10.5	6.0	2.9	1.4	2.2
Research	9.1	12.1	29.0	10.8	–0.9	5.3	1.7	5.9	–7.7	0.4	6.2	1.0
Total recurrent expenditure	5.6	7.2	7.0	4.6	6.1	5.4	1.4	3.1	2.6	3.6	4.6	3.2
Capital expenditure	13.0	–3.3	13.2	–9.5	28.2	17.1	–2.9	4.6	3.0	4.8	6.3	5.1
Total health expenditure	6.0	6.6	7.3	3.8	7.1	6.0	1.2	3.2	2.7	3.6	4.7	3.3

Source: AIHW health expenditure database.

Table A9: Proportions of recurrent health expenditure, current prices, by area of expenditure, 2005–06 to 2015–16 (%)

Area of expenditure	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16
Hospitals	39.1	39.3	39.3	39.5	39.9	40.1	40.2	40.1	40.4	40.9	41.3
Public hospitals/public hospital services	31.0	31.3	31.4	31.0	31.3	31.4	31.6	31.4	31.4	31.6	31.9
Private hospitals	8.2	8.0	7.9	8.5	8.7	8.7	8.6	8.7	9.0	9.4	9.4
Primary health care	39.0	38.9	39.0	38.0	37.8	38.2	38.0	38.3	37.6	37.2	37.0
Unreferred medical services	7.7	7.6	7.7	7.3	7.3	7.4	7.2	7.3	7.3	7.3	7.3
Dental services	6.6	6.4	6.2	6.3	6.3	6.3	6.3	6.3	6.1	6.3	6.2
Other health practitioners	3.7	3.7	3.4	3.2	3.2	3.5	3.6	3.8	3.7	3.7	3.5
Community health and other	4.9	5.1	5.3	5.1	5.0	5.1	5.3	5.4	5.4	5.4	5.2
Public health	1.9	2.0	2.3	2.1	1.7	1.6	1.7	1.5	1.5	1.5	1.7
Benefit-paid pharmaceuticals	8.9	8.4	8.3	8.3	8.3	7.9	7.6	7.2	6.9	6.4	6.7
All other medications	5.2	5.7	5.7	5.8	5.8	6.3	6.3	6.7	6.7	6.6	6.3
Referred medical services	11.2	11.1	11.0	11.0	10.9	10.7	10.7	11.0	11.1	11.1	11.1
Other services	8.2	8.0	7.9	8.0	7.7	7.6	7.6	7.1	7.2	7.4	7.4
Patient transport services	1.9	2.0	2.0	2.2	2.2	2.2	2.2	2.2	2.2	2.3	2.3
Aids and appliances	3.4	3.4	3.2	3.0	3.0	2.9	2.8	2.8	2.7	2.8	2.7
Administration	2.9	2.6	2.7	2.8	2.5	2.4	2.6	2.1	2.3	2.4	2.4
Research	2.5	2.6	2.8	3.4	3.6	3.5	3.5	3.6	3.7	3.3	3.3
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

Source: AIHW health expenditure database.

Table A10: Recurrent funding of public hospital services, constant prices, by source of funds and annual growth rates, 2005–06 to 2015–16 (%)

Year	Government						Non-government			Total		
	Australian Government			State/territory and local			Amount (\$m)	Growth (%)	Share (%)	Amount (\$m)	Growth (%)	Share (%)
	Amount (\$m)	Growth (%)	Share (%)	Amount (\$m)	Growth (%)	Share (%)						
2005–06	13,191	..	39.8	17,680	..	53.3	2,292	..	6.9	33,163	..	100.0
2006–07	13,552	2.7	38.4	19,203	8.6	54.5	2,498	9.0	7.1	35,253	6.3	100.0
2007–08	14,778	9.0	39.3	20,137	4.9	53.5	2,704	8.2	7.2	37,618	6.7	100.0
2008–09	16,713	13.1	42.0	19,876	–1.3	50.0	3,165	17.1	8.0	39,754	5.7	100.0
2009–10	15,887	–4.9	38.3	22,369	12.5	53.9	3,235	2.2	7.8	41,491	4.4	100.0
2010–11	17,447	9.8	39.6	22,904	2.4	52.0	3,693	14.2	8.4	44,044	6.2	100.0
2011–12	17,796	2.0	38.4	24,751	8.1	53.3	3,853	4.3	8.3	46,400	5.3	100.0
2012–13	17,411	–2.2	37.4	24,922	0.7	53.5	4,247	10.2	9.1	46,581	0.4	100.0
2013–14	17,563	0.9	36.8	25,856	3.7	54.2	4,268	0.5	9.0	47,688	2.4	100.0
2014–15	18,508	5.4	37.9	25,827	–0.1	52.8	4,558	6.8	9.3	48,893	2.5	100.0
2015–16	20,064	8.4	39.3	26,819	3.8	52.5	4,181	–8.3	8.2	51,064	4.4	100.0
Average annual growth rate (%)												
2005–06 to 2010–11	..	5.8	..	..	5.3	..	..	10.0	..	..	5.8	..
2010–11 to 2015–16	..	2.8	..	..	3.2	..	..	2.5	..	..	3.0	..
2005–06 to 2015–16	..	4.3	..	..	4.3	..	..	6.2	..	..	4.4	..

Source: AIHW health expenditure database.

Appendix B: State and territory health expenditure matrixes

Notes to tables

Tables show funding provided by the Australian Government, state and territory and local governments, and the major non-government sources of funding for health goods and services.

Data in all tables are sourced from the AIHW health expenditure database.

The private health insurance rebate amounts include the rebate on health insurance premiums that can be claimed either directly from the Australian Government through the taxation system, or through a reduced premium charged by the private health insurance fund. The rebate was reduced from 9.68%–38.72% to 9.27%–37.09% on 1 April 2015, and to 8.93%–35.72% on 1 April 2016.

The non-government source of funds labelled ‘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, rent, interest earned) for service providers.

‘Health and other’ comprises Australian Government Department of Health-funded expenditure, such as on the MBS and PBS, and other Australian Government expenditure, such as for the SPPs associated with the National Healthcare Agreement and health-related NPPs, capital consumption, estimates of the medical expenses tax rebate, and health research not funded by the Australian Government Department of Health.

Public hospital services exclude certain services provided in hospitals, and can include services provided off-site, such as hospital in the home and dialysis. See Appendix C for more information.

The term ‘other’ in ‘community health and other’ includes recurrent health expenditure that could not be allocated to a specific category; for example, expenditure by substance abuse treatment centres, providers of general health administration, or providers of regional health services not further defined.

Cross-border activity based funding under the National Health Reform Agreement is paid directly by the Administrator of the National Health Funding Pool to the jurisdiction where services were provided. However, the population used for per capita spend calculations is actual state population. This may lead to over- or under-estimation of per capita health expenditure in each state or territory.

Data for Victoria prior to 2015–16 included payments by health insurance funds to hospitals as personal contributions, thus overstating the amount reported for patient contributions.

Some research expenditure for South Australia is included in public hospital expenditure, as not all research expenditure can be separately identified.

Data for the Northern Territory for 2014–15 and 2015–16 are not directly comparable with data from earlier years due to significant changes and improvements in Northern Territory financial reporting procedures.

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

More information about the expenditure categories and data sources can be found in Appendix C.

Tables in Appendix B are available in Excel format and can be downloaded free from www.aihw.gov.au/reports-statistics/health-welfare-overview/health-welfare-expenditure/data.

They are also available through a data visualisation tool at www.aihw.gov.au/reports-statistics/health-welfare-overview/health-welfare-expenditure/overview.

Table B1: Total health expenditure, current prices, New South Wales, by area of expenditure and source of funds, 2015–16 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	530	6,140	1,071	7,740	7,803	15,543	2,780	879	1,083	4,741	20,284
Public hospital services	319	6,046	212	6,577	7,803	14,380	551	344	758	1,653	16,033
Private hospitals	211	94	858	1,163	..	1,163	2,229	534	326	3,089	4,252
Primary health care	438	7,659	318	8,415	2,289	10,704	826	6,330	866	8,022	18,726
Unreferred medical services	230	3,019	..	3,250	..	3,250	..	187	501	688	3,938
Dental services	26	319	214	559	210	768	554	1,617	11	2,182	2,951
Other health practitioners	63	488	98	649	..	649	255	738	91	1,084	1,733
Community health and other	—	282	—	282	1,745	2,027	—	162	114	276	2,303
Public health	..	407	..	407	334	741	..	..	144	144	885
Benefit-paid pharmaceuticals	119	2,979	..	3,097	..	3,097	..	461	..	461	3,559
All other medications	..	165	6	171	..	171	16	3,165	5	3,187	3,357
Referred medical services	..	4,436	176	4,612	..	4,612	457	1,153	..	1,611	6,223
Other services	87	671	301	1,059	701	1,760	783	580	48	1,411	3,171
Patient transport services	86	5	51	142	701	842	132	41	44	217	1,060
Aids and appliances	—	164	86	250	..	250	223	540	4	766	1,017
Administration	—	502	165	667	..	667	428	..	..	428	1,095
Research	—	1,347	..	1,347	224	1,571	..	1	131	132	1,703
Total recurrent expenditure	1,054	20,253	1,866	23,173	11,016	34,190	4,846	8,944	2,128	15,918	50,107
Capital expenditure	..	30	..	30	1,168	1,198	..	..	1,907	1,907	3,105
Medical expenses tax rebate	..	14	..	14	..	14	..	−14	..	−14	—
Total health expenditure	1,054	20,297	1,866	23,217	12,185	35,402	4,846	8,930	4,035	17,810	53,212

Source: AIHW health expenditure database.

Table B2: Total health expenditure, current prices, Victoria, by area of expenditure and source of funds, 2015–16 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	323	4,667	809	5,798	6,640	12,439	2,100	809	439	3,348	15,786
Public hospital services	149	4,595	96	4,840	6,640	11,480	248	246	119	613	12,093
Private hospitals	174	71	713	959	..	959	1,851	563	321	2,735	3,693
Primary health care	283	5,697	209	6,188	1,094	7,282	543	6,016	351	6,910	14,192
Unreferred medical services	154	2,182	..	2,336	..	2,336	..	193	205	399	2,735
Dental services	14	202	135	350	164	515	351	2,161	6	2,518	3,033
Other health practitioners	43	413	71	527	..	527	185	922	82	1,189	1,716
Community health and other	—	181	—	181	593	773	—	8	34	42	815
Public health	..	309	..	309	337	646	..	1	—	1	647
Benefit-paid pharmaceuticals	72	2,288	..	2,360	..	2,360	..	353	..	353	2,712
All other medications	..	122	3	125	..	125	7	2,379	23	2,409	2,534
Referred medical services	..	3,142	161	3,303	..	3,303	417	669	..	1,086	4,389
Other services	24	503	186	714	568	1,282	484	1,156	58	1,698	2,980
Patient transport services	24	1	10	35	568	603	27	257	28	311	914
Aids and appliances	—	128	52	180	..	180	134	900	31	1,064	1,244
Administration	—	374	125	499	..	499	324	..	..	324	823
Research	—	1,234	..	1,234	184	1,418	..	—	92	92	1,510
Total recurrent expenditure	630	15,243	1,365	17,238	8,486	25,724	3,544	8,650	940	13,134	38,858
Capital expenditure	..	8	..	8	816	824	..	..	1,485	1,485	2,309
Medical expenses tax rebate	..	9	..	9	..	9	..	−9	..	−9	—
Total health expenditure	630	15,260	1,365	17,255	9,302	26,557	3,544	8,641	2,425	14,610	41,167

Source: AIHW health expenditure database.

Table B3: Total health expenditure, current prices, Queensland, by area of expenditure and source of funds, 2015–16 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	391	3,909	664	4,964	5,379	10,343	1,723	823	706	3,252	13,595
Public hospital services	105	3,821	56	3,983	5,260	9,243	146	349	502	997	10,240
Private hospitals	286	88	607	981	119	1,101	1,577	474	204	2,255	3,355
Primary health care	406	4,799	207	5,412	2,803	8,215	536	3,502	289	4,327	12,543
Unreferred medical services	226	1,957	..	2,183	..	2,183	..	158	172	330	2,513
Dental services	30	154	141	325	203	527	367	619	9	996	1,523
Other health practitioners	72	303	62	436	..	436	160	570	76	806	1,242
Community health and other	—	196	—	196	2,444	2,639	—	22	19	41	2,681
Public health	..	262	..	262	157	419	..	19	..	19	438
Benefit-paid pharmaceuticals	79	1,825	..	1,904	..	1,904	..	282	..	282	2,186
All other medications	..	103	3	106	..	106	9	1,832	12	1,854	1,960
Referred medical services	..	2,571	123	2,695	..	2,695	320	549	..	869	3,563
Other services	25	428	157	610	1,052	1,662	408	543	19	970	2,632
Patient transport services	25	17	—	42	806	848	—	..	4	4	853
Aids and appliances	—	100	51	152	..	152	133	543	15	691	843
Administration	—	311	106	416	246	662	275	..	..	275	937
Research	—	621	..	621	229	850	..	..	29	29	879
Total recurrent expenditure	823	12,329	1,151	14,302	9,463	23,765	2,988	5,417	1,043	9,448	33,213
Capital expenditure	..	9	..	9	877	886	..	..	1,574	1,574	2,459
Medical expenses tax rebate	..	7	..	7	..	7	..	–7	..	–7	—
Total health expenditure	823	12,344	1,151	14,318	10,340	24,658	2,988	5,410	2,617	11,015	35,672

Source: AIHW health expenditure database.

Table B4: Total health expenditure, current prices, Western Australia, by area of expenditure and source of funds, 2015–16 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	130	2,016	382	2,528	3,664	6,192	992	405	158	1,555	7,747
Public hospital services	55	1,971	31	2,056	2,981	5,038	79	411	38	529	5,567
Private hospitals	75	45	351	472	683	1,154	912	–6	119	1,026	2,180
Primary health care	116	2,098	153	2,367	1,142	3,509	396	2,108	192	2,696	6,205
Unreferred medical services	56	839	..	895	..	895	..	95	93	188	1,082
Dental services	9	29	111	149	86	235	288	893	6	1,187	1,422
Other health practitioners	25	130	39	194	..	194	101	65	43	209	403
Community health and other	—	100	—	100	895	995	—	19	3	22	1,017
Public health	..	140	..	140	160	300	..	..	..	..	300
Benefit-paid pharmaceuticals	26	811	..	838	..	838	..	136	..	136	973
All other medications	..	51	2	53	..	53	6	901	48	955	1,008
Referred medical services	..	1,098	68	1,166	..	1,166	177	298	..	476	1,642
Other services	7	213	104	325	383	708	271	584	17	872	1,580
Patient transport services	7	21	10	38	258	296	27	6	16	49	345
Aids and appliances	—	51	31	82	..	82	80	570	—	651	733
Administration	—	141	63	204	126	330	164	7	1	172	502
Research	—	354	..	354	75	429	..	1	17	19	447
Total recurrent expenditure	254	5,779	707	6,740	5,264	12,004	1,837	3,396	384	5,617	17,621
Capital expenditure	..	6	..	6	582	588	..	..	744	744	1,332
Medical expenses tax rebate	..	3	..	3	..	3	..	–3	..	–3	—
Total health expenditure	254	5,788	707	6,749	5,846	12,595	1,837	3,393	1,128	6,358	18,953

Source: AIHW health expenditure database.

Table B5: Total health expenditure, current prices, South Australia, by area of expenditure and source of funds, 2015–16 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	97	1,349	220	1,666	2,464	4,129	571	179	200	950	5,079
Public hospital services	55	1,328	26	1,408	2,457	3,866	66	42	149	258	4,124
Private hospitals	42	21	194	257	6	263	504	137	51	692	955
Primary health care	96	1,751	91	1,938	896	2,834	237	1,095	151	1,482	4,316
Unreferred medical services	47	665	..	712	..	712	..	50	74	124	836
Dental services	7	62	59	128	60	189	153	165	7	324	512
Other health practitioners	15	114	31	160	..	160	80	39	35	153	313
Community health and other	—	64	—	64	725	789	—	31	28	59	848
Public health	..	98	..	98	110	208	..	2	2	5	213
Benefit-paid pharmaceuticals	26	710	..	736	..	736	..	112	..	112	847
All other medications	..	38	2	40	..	40	4	697	5	706	746
Referred medical services	..	872	51	923	..	923	132	135	..	267	1,190
Other services	5	155	69	230	146	376	180	255	57	491	868
Patient transport services	5	8	9	22	146	168	23	90	33	146	315
Aids and appliances	—	38	21	59	..	59	54	164	24	242	302
Administration	—	109	40	149	..	149	103	..	..	103	252
Research	—	277	..	277	51	328	..	1	16	17	345
Total recurrent expenditure	199	4,405	431	5,034	3,557	8,591	1,119	1,664	424	3,207	11,798
Capital expenditure	..	4	..	4	133	137	..	..	406	406	543
Medical expenses tax rebate	..	2	..	2	..	2	..	–2	..	–2	—
Total health expenditure	199	4,410	431	5,040	3,690	8,730	1,119	1,662	830	3,611	12,341

Source: AIHW health expenditure database.

Table B6: Total health expenditure, current prices, Tasmania, by area of expenditure and source of funds, 2015–16 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	33	538	77	649	509	1,158	200	81	49	330	1,488
Public hospital services	18	533	10	561	509	1,071	26	14	27	68	1,139
Private hospitals	16	5	67	87	..	87	173	67	22	262	349
Primary health care	36	603	19	657	122	779	49	480	30	559	1,338
Unreferred medical services	18	240	..	258	..	258	..	23	19	42	300
Dental services	2	16	13	31	13	44	34	91	2	127	171
Other health practitioners	6	33	5	44	2	46	13	46	3	63	109
Community health and other	—	26	—	26	92	118	—	—	—	—	119
Public health	..	30	..	30	15	45	..	..	..	..	45
Benefit-paid pharmaceuticals	10	244	..	254	..	254	..	37	..	37	291
All other medications	..	14	1	14	..	14	1	283	6	290	304
Referred medical services	..	254	15	268	..	268	38	42	..	80	348
Other services	8	51	18	77	69	146	47	59	8	113	259
Patient transport services	8	1	—	9	66	75	—	4	3	7	81
Aids and appliances	—	12	6	18	..	18	16	55	4	75	93
Administration	—	38	12	50	3	53	31	..	..	31	84
Research	—	44	..	44	10	55	..	..	1	1	55
Total recurrent expenditure	77	1,490	128	1,696	710	2,406	333	662	87	1,082	3,488
Capital expenditure	..	2	..	2	59	61	..	..	132	132	193
Medical expenses tax rebate	..	—	..	—	..	—	..	—	..	—	—
Total health expenditure	77	1,493	128	1,698	769	2,467	333	661	219	1,214	3,681

Source: AIHW health expenditure database.

Table B7: Total health expenditure, current prices, Australian Capital Territory, by area of expenditure and source of funds, 2015–16 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	36	374	39	449	694	1,143	102	57	21	179	1,323
Public hospital services	35	371	5	411	683	1,094	14	4	11	29	1,123
Private hospitals	1	3	34	38	11	49	88	53	10	150	200
Primary health care	59	294	17	370	272	642	44	326	19	389	1,032
Unreferred medical services	41	114	..	155	..	155	..	29	10	39	194
Dental services	—	7	12	18	12	30	31	118	—	149	180
Other health practitioners	5	19	5	29	2	31	12	51	7	71	102
Community health and other	—	16	—	16	230	245	—	..	—	—	245
Public health	..	21	..	21	29	50	..	..	..	..	50
Benefit-paid pharmaceuticals	13	111	..	125	..	125	..	21	..	21	145
All other medications	..	5	—	6	..	6	1	107	1	109	115
Referred medical services	..	163	6	169	..	169	16	73	..	89	258
Other services	44	28	5	76	47	124	14	24	2	40	163
Patient transport services	—	—	1	1	47	48	2	—	1	4	52
Aids and appliances	—	8	4	12	..	12	11	24	1	35	47
Administration	44	20	—	64	..	64	1	..	..	1	65
Research	2	172	..	174	56	229	..	—	7	7	236
Total recurrent expenditure	141	1,030	67	1,238	1,069	2,307	175	480	49	704	3,011
Capital expenditure	..	5	..	5	73	78	..	..	67	67	145
Medical expenses tax rebate	..	1	..	1	..	1	..	–1	..	–1	—
Total health expenditure	141	1,035	67	1,244	1,142	2,386	175	479	116	770	3,156

Source: AIHW health expenditure database.

Table B8: Total health expenditure, current prices, Northern Territory, by area of expenditure and source of funds, 2015–16 (\$ million)

Area of expenditure	Government						Non-government				Total health expenditure
	Australian Government				State and local	Total	HIF	Individuals	Other	Total	
	DVA	Health and other	Premium rebates	Total							
Hospitals	6	221	15	242	484	726	38	42	29	109	835
Public hospital services	4	221	2	227	484	712	4	8	22	35	746
Private hospitals	1	—	13	15	..	15	34	33	7	74	89
Primary health care	3	263	7	272	390	662	18	168	27	213	875
Unreferred medical services	1	135	..	136	..	136	..	6	14	19	156
Dental services	—	4	5	9	14	23	12	77	—	90	113
Other health practitioners	1	8	2	10	1	12	5	32	7	44	55
Community health and other	—	36	—	36	311	347	—	—	5	6	352
Public health	..	26	..	26	64	90	..	—	1	1	91
Benefit-paid pharmaceuticals	1	48	..	49	..	49	..	6	..	6	55
All other medications	..	6	—	6	..	6	—	46	—	46	52
Referred medical services	..	72	3	74	..	74	7	13	..	20	94
Other services	—	31	5	36	174	209	13	16	8	37	246
Patient transport services	—	13	—	13	96	109	1	—	4	5	114
Aids and appliances	—	4	2	6	..	6	5	16	2	23	28
Administration	—	14	3	17	78	94	7	—	2	9	104
Research	—	22	..	22	12	34	..	—	1	1	35
Total recurrent expenditure	8	609	29	647	1,060	1,707	76	238	65	379	2,086
Capital expenditure	..	4	..	4	82	85	..	..	33	33	119
Medical expenses tax rebate	..	—	..	—	..	—	..	—	..	—	—
Total health expenditure	8	613	29	651	1,142	1,793	76	238	98	412	2,204

Source: AIHW health expenditure database.

Appendix C: Data sources and methods

Australian Government

Data on Australian Government health expenditure come from the Australian Government Department of the Treasury (Treasury), Australian Government Department of Health and DVA, and include data on expenditure on a range of programs, including Medicare and pharmaceutical benefits.

Most of the Australian Government's expenditure can be readily allocated on a state and territory basis; areas of spending include:

- the health-care SPPs and the health-related NPPs to the states and territories
- MBS payments (based on the residence of patients)
- PBS payments (based on the residence of patients)
- DVA expenditure (based on the residence of patients).

Data on other items of Australian Government health expenditure are generally not available on a state and territory basis. In those cases, proxies are used to derive state and territory estimates. For example, non-Medicare payments to primary health care medical service providers, with the purpose of improving or modifying medical practice, are allocated according to the proportion of vocationally registered general practitioners in each state or territory.

From November 2008, a Council of Australian Governments' reform package agreed to include funding for National Healthcare SPPs and NPPs. These payments replaced the second Australian Healthcare Agreement that ended on 30 June 2009. They are made to state treasuries, and can cover several years of funding. The payments include the National Healthcare SPPs and National Health Reform payments for public hospitals, including funding paid into the National Health Funding Pool. It also includes payments associated with the National Partnership Agreement for Improving Public Hospital Services (which ceased on 1 July 2015).

Funding reported for 2008–09 in this report includes \$1.2 billion in Australian Government funding through the 5-year National Partnership Agreement on Health and Hospital Workforce Reform. This funding has been offset against 2008–09 state and territory government funding in keeping with the method in this report series. Expenditure of this state and territory funding, however, was spread over 5 years.

The AIHW health expenditure database includes the 'medical expenses tax rebate'. Some taxpayers who spend large amounts of money on health-related goods and services for themselves and/or their dependants in a tax year can claim a tax rebate.

Before 2012–13, the tax rebate was set at 20 cents in the dollar, and applied to the amount spent over the threshold for that financial year. From July 2012, the tax rebate became income tested. In March 2014, eligibility for the tax rebate changed again, restricting who can claim and what medical expenses can be claimed.

The areas of expenditure that are funded by this rebate cannot be identified separately, so it is not possible to allocate this form of funding to particular area(s) of health expenditure. The related expenditures are assumed to have been included in the estimates of health expenditure, and they are shown as being funded by individuals in the health expenditure matrixes in appendixes A and B.

State and territory and local governments

Most health expenditure data for state and territory governments come from each of the state and territory health authorities. These data are now all supplied on an accrual basis. Before 2007–08, South Australia was only able to supply its data on a cash basis. Since 2008–09, data have been collected through the Government Health Expenditure National Minimum Data Set (GHE NMDS). Further information on the GHE NMDS can be found on the AIHW's Metadata Online Registry (METeOR); see <<http://meteor.aihw.gov.au/content/index.phtml/itemId/540601>>.

Estimates of expenditure by state and territory governments exclude any Australian Government grants and other revenue received by the state and territory health authorities.

Cross-border adjustments are not generally made in these estimates.

Health expenditure data are not collected separately from local government authorities. If local government authorities received funding for health care from the Australian Government or state and territory government, this expenditure is included as expenditure from that body. Own source funding by local government authorities is not included.

Public hospitals and public hospital services

State and territory health authorities directly provide estimates of expenditure on public hospital services from 2003–04 onwards. These reflect only that part of public hospitals' expenses that are used in providing hospital services. That is, they exclude expenses incurred in providing community and public health services, dental, patient transport services, and health research undertaken by public hospitals. These excluded expenses are shown under their respective categories in the health expenditure matrix. For example, expenditure on patient transport services is reported as part of 'other' expenditure.

Dental services

It is arguable that there is some overestimation of health expenditure in the dental area. Expenditure on orthodontics is included in dental expenditure, but the principal purpose of some of this expenditure is cosmetic, with health being secondary. As a result, some of it should probably not be classed as health expenditure.

Contracting of private hospital services

From 2004–05 onwards, the AIHW has collected and reported on funding by state and territory governments for services private hospitals provide. This includes where state or territory governments had contracts with private hospitals to provide services to public patients or where individual public hospitals purchased services from private hospitals for public patients.

Research and capital

Data on research, capital expenditure and capital consumption are generally sourced from the ABS.

Research expenditure data in this report come from the *Research and experimental development survey* series (ABS 2010, 2016b, 2016c), which is generally only available

every second year. Where data were unavailable, estimates were calculated based on the data available for the preceding years.

The data for government capital consumption and capital expenditure are sourced from the ABS' government finance statistics.

In previous *Health expenditure Australia* reports, private capital consumption was included as part of recurrent expenditure, while government capital consumption was reported as part of total health expenditure but not recurrent expenditure. From *Health expenditure Australia 2007–08* (AIHW 2009) onwards, government capital consumption has been included as part of recurrent health expenditures.

There are 2 reasons for incorporating both government and non-government capital consumption as part of recurrent expenditure:

- It ensures government and private capital consumption are treated consistently.
- International reporting includes depreciation as part of recurrent expenditures.

Non-government

Private hospitals

Spending on private hospitals comes from the annual ABS Private Health Establishments Collection, with the most recent results published in *Private hospitals, Australia, 2014–15* (ABS 2017c). In 2007–08, data was not collected, and an estimate of private hospital expenditure was made using data from the preceding years.

From 2008–09 onwards, expenditure by individuals in private hospitals was estimated from the reported revenue (rather than from reported expenditure, as previously used) in the ABS collection. This has not been updated retrospectively, so care should be taken when comparing private hospital expenditure for years up to 2007–08 with subsequent years.

Health insurance funds

Expenditure on health goods and services by health insurance funds within a state or territory is assumed to be equal to the amount of benefits paid by health insurance funds to patients who live in that state or territory.

Although the Australian Government's premium rebate relates to the premiums payable by health insurance members, it is regarded as being an indirect Australian Government subsidy of all the types of services funded through private health insurance.

In April 2007, private health insurance legislation redefined the scope of the health insurance business to mean insuring liability for treatments by a hospital or other treatment provider to manage a disease, condition or injury. Before this change in legislation, non-health services—such as funeral benefits, domestic assistance and so on—were offered with health insurance policies, and thus attracted the Australian Government rebate.

In compiling its estimates, the AIHW allocates the rebates across all the expenses that the funds incur each year—including health (hospital, medical or physiotherapy for instance) and non-health goods and services, management expenses, and any adjustment to provisions for outstanding and unpresented claims. Only the part of the rebate that can be attributed to benefits for health goods and services (which includes the funds' management expenses) was included when estimating private health insurance health expenditure. This portion of the rebate was deducted from the gross benefits that the health insurance funds paid to

calculate net health expenditure by private health insurance funds for particular areas of expenditure. These rebate amounts were then added to the expenditure by the Australian Government for those areas of expenditure.

Before 2009–10, data on private health insurance expenditure for the Australian Capital Territory were included in the total for New South Wales. To estimate expenditure for the Australian Capital Territory, the AIHW used the Australian Capital Territory's admitted patient separation numbers for public and private hospitals to derive its proportion of total Australian Capital Territory and New South Wales separations, and then applied this proportion to private health insurance expenditure.

From 2009–10, private health insurance expenditure data for the Australian Capital Territory have been available separately; however, these figures have not been used retrospectively to update the earlier data.

Individuals

Estimates of individuals' expenditure on dental services, other health practitioners and aids and appliances mostly rely on detailed private health insurance data from the Australian Prudential Regulation Authority (APRA) and ABS survey data. This method uses growth in the cost of services, combined with changes in the proportion of the population who have ancillary health cover from year to year to estimate the individual out-of-pocket expenditure for these categories. Expenditure on these services by private health insurance funds, Medicare and injury compensation insurers is deducted from these estimates to arrive at the estimates of individuals' out-of-pocket funding.

There are 2 types of mechanisms for rebates on health insurance premiums. The first is where insurers offer members a reduced premium and then insurers claim reimbursement from the Australian Government. The second is where members pay the full premium and claim the rebate through the tax system at the end of the financial year. Both forms of rebates have been treated in these estimates as subsidies by the Australian Government for services that were partially funded through benefits paid by the health insurance funds.

Up to the introduction of the GHE NMDS in 2008–09, estimates of expenditure by individuals on patient transport services were based on data from the Productivity Commission's *Report on government services* (SCRCSSP 2003; SCRGSP 2007, 2009). From 2008–09, these data have been provided by states and territories through the GHE NMDS.

Data for over-the-counter medicines sold at pharmacies for 2004–05 were sourced from *Retail pharmacy* (Flanagan 2004a, 2005a). For 2005–06 to 2007–08 and for 2010–11 and 2012–13, these data were sourced from IRI-Aztec to enable a more comprehensive breakdown of each category of products sold. For 2008–09, 2009–10 and 2011–12, estimates were based on data sourced from the *Retail world annual report* (Gloria 2009, 2010, 2011), and previous IRI-Aztec data.

Retail sales of medicines in major retail chains, such as supermarkets, are sourced from *Retail world* (Flanagan 2004b, 2005b, 2006, 2007, 2008) and the *Retail world annual report* (Gloria 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016).

Other non-government sources

Workers compensation and compulsory third-party motor vehicle insurance payments form the largest component of expenditure in this category. The AIHW obtains these data from state and territory health authorities and the respective injury compensation insurers in each state and territory.

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 main reasons are as follows:

- It is assumed there are no funding flows, as they do not exist in the institutional framework for health-care funding; for example, there are no funding flows by the state and territory governments for referred medical services and benefit-paid pharmaceuticals because these are funded by the Australian Government, individuals and private health insurance funds.
- The total funding is nil or so small that it rounds to zero—shown as ‘—’.
- A flow of funds exists, but it cannot be estimated from available data sources.
- Some cells relate to ‘catch-all’ categories. When the relevant data and metadata are highly refined, it is possible to allocate all expenditure to specified areas. As a result, there are no residual data to allocate to the ‘catch-all’ categories.

Price indexes

There is a wide variety of price indexes (deflators) for the Australian health sector, and these may be distinguished by:

- the scope of the index—the economic variable to which the price indexes refer (such as all health expenditure, capital consumption, capital expenditure); the economic agents over which the indexes are combined (such as all agents, households, all government, state and territory governments); the segment of health services to which the indexes refer (such as all health services, medical services, pharmaceuticals)
- the technical manner in which the indexes are constructed—IPD or directly computed indexes (for example, base-weighted, current-weighted or symmetric indexes, chained or unchained indexes).

Different indexes are appropriate for different analytical purposes. For the purpose of this report, the AIHW prefers indexes where the scope matches 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 IPD. But available indexes are not always ideal, and in some cases it has been necessary to use proxies for the preferred indexes.

Neither the consumer price index (CPI) nor its health services subgroup is appropriate to measure movements in overall prices of health goods and services, nor to deflate macro-expenditure aggregates. This is because the CPI only measures movements in the prices that households face. The overall CPI and its components do not, for example, include government subsidies, benefit payments and non-marketed services that governments provide.

The deflators that the AIHW uses in this report are either annually re-weighted Laspeyres (base-period-weighted) chain price indexes or IPDs. The chain price indexes are calculated at a detailed level, and they provide a close approximation to measures of pure price change, while changes in the composition of goods affect IPDs.

The IPDs for the GDP and GNE are broad measures of price change in the national accounts. They provide an indication of the overall changes in the prices of goods and services produced in Australia. The reference year for both the chain price indexes and IPDs in this report is 2015–16. As such, constant price estimates indicate what expenditure would

have been had 2015–16 prices applied in all years. The change in constant price expenditures is a measure of changes in the volume of health goods and services.

This report uses 9 deflators (Table C1). Most deflators are very specific to the type of expenditure they are applied to. For example, for hospitals the government final consumption expenditure (GFCE) hospitals and nursing homes deflator is used.

The following deflators are sourced from the ABS: GFCE for hospitals and nursing homes, professional health workers wage rate index, household final consumption expenditure (HFCE) for chemist goods, and gross fixed capital formation. The ABS deflators use 2014–15 as their base year, but for this report the AIHW has re-referenced them to 2015–16. The AIHW has derived the chain price index from Medicare medical services fees charged and the IPD for PBS pharmaceuticals from data provided by the Australian Government Department of Health. The IPDs for dental services, other health practitioners and aids and appliances were derived from ABS and APRA data.

Table C1: 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 (incl. unreferral and referral services)	Medicare medical services fees charged
Dental services	Dental services
Other health practitioners	Other health practitioners
Community health and other ^(b)	Professional health workers wage rate index
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
Administration	Professional health workers wage rate index
Research	Professional health workers wage rate index
Capital expenditure	Gross fixed capital formation
Medical expenses tax rebate	Professional health workers wage rate index

(a) Public hospital services exclude certain services provided in hospitals, and can include services provided off-site, such as hospital in the home and dialysis.

(b) 'Other' includes recurrent health expenditure that could not be allocated to a specific area of expenditure. For example, expenditure by substance abuse treatment centres, providers of general health administration, or providers of regional health services not further defined.

Total health price index

The total health price index is the AIHW's index of annual ratios of estimated total national health expenditure at current prices to estimated total national health expenditure at constant prices. All prices in the total health price index for this report are referenced to 2015–16 (that is, the deflators used are given a value of 100 in 2015–16). As a result, because in most years there is positive health inflation, prices in all years before the reference year would be expected to be lower than those applying in the reference year. So all years before the reference year would usually have an index number of less than 100, except for those years where there was negative health inflation—for example, where prices in some areas of health expenditure were lower than the previous year (see tables C2 and C3).

The AIHW's method for deriving constant price estimates also allows it to produce total health price indexes for each state and territory. As the national total health price index is a measure of the change in average health prices from year to year at the national level, it can be used as a broad deflator for the health sector. The deflator, however, is not used to convert current price expenditures to constant price estimates in the AIHW's National Health Accounts. This conversion is done at the individual expenditure component level.

Table C2 shows the total health price index and other industry-wide indexes used in this report, referenced to 2015–16. Table C3 shows the corresponding annual growth rates for each of these indexes over the decade to 2015–16.

Table C2: Total health price index and industry-wide indexes, 2005–06 to 2015–16 (reference year 2015–16 = 100)

Index	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16
Total health price index ^(a)	80.8	83.5	85.5	88.0	90.1	91.0	92.6	94.7	96.6	98.3	100.0
GFCE on hospitals and nursing homes	76.1	79.1	81.6	84.1	87.2	88.4	90.6	93.2	95.9	98.1	100.0
Medicare medical services fees charged ^(b)	83.1	85.7	86.5	89.9	91.6	93.0	94.5	96.7	98.3	99.4	100.0
Dental services ^(a)	81.5	85.9	89.4	92.5	94.8	95.7	95.7	97.1	98.4	99.8	100.0
Other health practitioners ^(a)	73.5	75.0	74.9	78.0	80.1	82.6	87.2	90.1	93.7	97.3	100.0
Professional health workers wage rates	71.6	74.8	77.7	80.6	83.8	86.8	89.3	92.3	94.9	97.6	100.0
PBS pharmaceuticals ^(a)	100.0	100.0	100.1	100.4	100.4	100.5	100.5	100.4	100.2	100.2	100.0
HFCE on chemist goods	96.8	99.6	100.0	98.4	99.5	97.6	96.5	98.0	99.6	98.7	100.0
Aids and appliances ^(a)	110.4	112.7	115.9	113.9	108.4	102.4	100.4	100.3	97.7	101.0	100.0
Australian Government gross fixed capital formation	97.2	95.5	101.9	105.1	102.5	100.7	99.7	99.3	98.7	99.7	100.0
State and territory and local government gross fixed capital formation	84.2	85.2	92.9	96.7	94.2	94.8	95.7	96.8	97.4	99.3	100.0
Private gross fixed capital formation	86.4	88.8	90.4	92.3	92.1	93.0	92.7	93.4	95.4	97.6	100.0
GDP	79.2	83.1	86.9	91.1	92.1	97.7	99.8	99.6	101.0	100.3	100.0
GNE	79.2	81.9	84.6	87.4	89.0	91.0	92.7	94.6	96.7	98.2	100.0

(a) IPD, constructed by the AIHW.

(b) Chain price index, constructed by the AIHW.

Source: AIHW health expenditure database.

Table C3: Growth rates for the total health price index and industry-wide indexes, 2005–06 to 2015–16 (%)

Index	2005–06 to 2006–07	2006–07 to 2007–08	2007–08 to 2008–09	2008–09 to 2009–10	2009–10 to 2010–11	2010–11 to 2011–12	2011–12 to 2012–13	2012–13 to 2013–14	2013–14 to 2014–15	2014–15 to 2015–16
Total health price index ^(a)	3.3	2.3	2.9	2.5	1.0	1.7	2.3	2.0	1.8	1.7
GFCE on hospitals and nursing homes	4.0	3.1	3.1	3.7	1.3	2.4	2.9	2.8	2.4	1.9
Medicare medical services fees charged ^(b)	3.1	0.9	3.9	2.0	1.5	1.7	2.3	1.6	1.1	0.6
Dental services ^(a)	5.5	4.0	3.5	2.5	0.9	—	1.5	1.3	1.5	0.2
Other health practitioners ^(a)	2.0	–0.1	4.2	2.6	3.2	5.5	3.3	4.1	3.8	2.8
Professional health workers wage rates	4.5	3.8	3.8	4.0	3.6	2.8	3.4	2.9	2.8	2.5
PBS pharmaceuticals ^(a)	—	0.1	0.2	0.1	—	—	–0.1	–0.2	—	–0.2
HFCE on chemist goods	2.9	0.4	–1.6	1.1	–1.9	–1.1	1.5	1.6	–0.9	1.3
Aids and appliances ^(a)	2.1	2.8	–1.7	–4.8	–5.6	–1.9	–0.1	–2.6	3.4	–1.0
Australian Government gross fixed capital formation	–1.7	6.7	3.1	–2.5	–1.8	–1.0	–0.4	–0.6	1.0	0.3
State and territory and local government gross fixed capital formation	1.2	9.1	4.1	–2.6	0.6	0.9	1.1	0.6	1.9	0.7
Private gross fixed capital formation	2.7	1.9	2.0	–0.2	1.0	–0.3	0.7	2.2	2.2	2.5
GPD	5.0	4.5	4.9	1.0	6.2	2.1	–0.2	1.4	–0.7	–0.3
GNE	3.5	3.2	3.4	1.8	2.2	1.9	2.0	2.2	1.6	1.8

(a) IPD, constructed by the AIHW.

(b) Chain price index, constructed by the AIHW.

Source: AIHW health expenditure database.

Population estimates

The estimated resident population as at 31 December 2015 (ABS 2017a) is used to calculate the per person estimates of expenditure. Per person estimates included in this report are therefore not comparable to those published in earlier reports that used previously published estimated resident population data.

Table C4 shows the Australian and state and territory estimated resident populations, while Table C5 shows annual population growth.

Table C6 shows the number of insured persons with hospital treatment cover between 2005–06 and 2015–16.

Table C4: Estimated resident population, by state and territory, 2005–06 to 2015–16 ('000)

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia ^(a)
2005–06	6,718	5,023	3,964	2,030	1,545	488	334	207	20,309
2006–07	6,786	5,104	4,056	2,077	1,561	492	338	211	20,625
2007–08	6,884	5,200	4,160	2,135	1,578	496	344	217	21,013
2008–09	7,002	5,313	4,276	2,209	1,598	502	351	223	21,473
2009–10	7,102	5,419	4,367	2,264	1,619	506	358	228	21,863
2010–11	7,180	5,496	4,437	2,319	1,632	510	365	230	22,169
2011–12	7,262	5,593	4,519	2,386	1,647	512	372	233	22,524
2012–13	7,358	5,712	4,611	2,463	1,663	512	380	239	22,939
2013–14	7,462	5,838	4,689	2,508	1,678	513	387	243	23,319
2014–15	7,573	5,966	4,753	2,533	1,694	514	393	243	23,670
2015–16	7,681	6,098	4,813	2,551	1,707	516	400	244	24,010

(a) Excludes other territories comprising Jervis Bay Territory, Christmas Island and the Cocos (Keeling) Islands.

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

Source: ABS 2017a.

Table C5: Annual population growth, by state and territory, 2005–06 to 2015–16 (%)

Period	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia ^(a)
2005–06 to 2006–07	1.0	1.6	2.3	2.3	1.0	0.7	1.4	1.7	1.5
2006–07 to 2007–08	1.4	1.8	2.5	2.7	1.1	0.8	1.7	2.6	1.8
2007–08 to 2008–09	1.7	2.1	2.7	3.4	1.2	1.1	2.0	2.7	2.1
2008–09 to 2009–10	1.4	1.9	2.1	2.4	1.2	0.9	1.9	2.3	1.8
2009–10 to 2010–11	1.1	1.4	1.5	2.4	0.8	0.7	1.9	1.1	1.4
2010–11 to 2011–12	1.1	1.7	1.8	2.8	0.9	0.3	1.9	1.0	1.6
2011–12 to 2012–13	1.3	2.1	2.0	3.2	0.9	—	2.2	2.8	1.8
2012–13 to 2013–14	1.4	2.2	1.6	1.8	0.9	0.2	1.7	1.5	1.6
2013–14 to 2014–15	1.4	2.1	1.3	0.9	0.9	0.2	1.5	—	1.5
2014–15 to 2015–16	1.4	2.2	1.2	0.7	0.7	0.3	1.7	0.4	1.4
Average annual growth rate (%)									
2005–06 to 2010–11	1.3	1.8	2.2	2.6	1.1	0.8	1.8	2.1	1.7
2010–11 to 2015–16	1.3	2.1	1.6	1.9	0.8	0.2	1.8	1.1	1.6
2005–06 to 2015–16	1.3	1.9	1.9	2.3	1.0	0.5	1.8	1.6	1.6

(a) Excludes other territories, comprising Jervis Bay Territory, Christmas Island and the Cocos (Keeling) Islands.

Source: ABS 2017a.

Table C6: Number of insured persons with hospital treatment coverage, 2005–06 to 2015–16

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
2005–06	2,988,945	2,128,507	1,614,167	949,550	679,193	204,546	180,668	63,821	8,809,398
2006–07	3,041,952	2,180,529	1,675,599	991,121	689,397	206,560	183,872	66,127	9,035,157
2007–08	3,141,984	2,267,809	1,774,475	1,055,205	708,720	212,894	189,918	72,645	9,423,649
2008–09	3,193,606	2,317,560	1,848,647	1,110,380	721,201	215,998	193,039	76,215	9,676,645
2009–10	3,254,655	2,367,368	1,896,070	1,149,675	731,367	218,535	196,229	79,581	9,893,479
2010–11	3,338,166	2,429,268	1,955,553	1,206,991	742,557	221,545	203,170	83,246	10,180,497
2011–12	3,415,781	2,485,557	2,017,393	1,258,238	752,159	225,134	209,233	86,522	10,450,017
2012–13	3,496,307	2,544,409	2,084,627	1,324,499	763,730	228,520	215,769	90,810	10,748,671
2013–14	3,568,274	2,600,974	2,131,816	1,374,962	772,739	230,889	221,393	94,122	10,995,168
2014–15	3,640,078	2,653,643	2,160,875	1,417,662	782,314	232,650	225,822	96,600	11,209,642
2015–16	3,687,979	2,685,400	2,158,642	1,438,696	785,797	232,780	229,112	99,265	11,317,670

Note: Data are the average of the 4 quarters of the financial year.

Source: APRA 2017.

Appendix D: Data quality statement for AIHW health expenditure data—2015–16

Summary of key data quality issues

- Total health expenditure excludes some types of health-related expenditure, including health-related Australian Defence Force expenditure, some local government expenditure and some non-government organisation expenditure, such as that by the National Heart Foundation and Diabetes Australia.
- The state and territory estimates are intended to give some indication of differences in the overall levels of expenditure on health within the states and territories; they do not necessarily reflect levels of activity by state and territory governments.
- The data, to the greatest extent possible, are produced on an accrual basis.
- Estimates in this report are not comparable with the data published in reports issued before 2005–06, due to the reclassification of expenditure on high-level residential aged care from 'health services' to 'welfare services'.
- The processing of the 2015–16 health expenditure was carried out with improved methods for allocating areas of expenditure by non-government funders compared with previous years. Hence, data on funding by workers compensation insurers and compulsory third-party motor vehicle insurers may not be directly comparable with data for previous years.

Description

The AIHW annually compiles its health expenditure database, which comprises a wide range of information about health expenditure in Australia. Data from this database are reported 15 months after the end of the financial year. Each release provides a 10-year time series from the reference year. In this release, data are provided for 2015–16 and back to 2005–06.

Health expenditure is defined as expenditure on health goods and services and health-related investment. The definition closely follows the definitions and concepts that the OECD System of Health Accounts (OECD, Eurostat & WHO 2011) framework provides. It excludes:

- expenditure that may have a health outcome, but is incurred outside the health sector (such as expenditure on building safer transport systems 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.

Recurrent expenditure, capital expenditure and the medical expenses tax rebate are included.

These data are provided to the OECD annually to enable monitoring of the impact of changes in the way health care is delivered and financed, as well as to enable international comparisons.

Institutional environment

The AIHW is a major national agency set up by the Australian Government under the *Australian Institute of Health and Welfare Act 1987* to provide reliable, regular and relevant information and statistics on Australia's health and welfare. It is an independent corporate Commonwealth entity established in 1987, governed by a management board, and accountable to the Australian Parliament through the Australian Government health portfolio.

The AIHW aims to improve the health and wellbeing of Australians through the provision of better health and welfare information and statistics. It collects and reports information on a wide variety of topics and issues—from health and welfare expenditure, hospitals, disease and injury, and mental health, to ageing, homelessness, disability and child protection.

The Institute also plays a role in developing and maintaining national metadata standards. This work contributes to improving the quality and consistency of national health and welfare statistics. The Institute works closely with governments and non-government organisations to achieve greater adherence to these standards in administrative data collections, in order to promote national consistency of reporting and comparability of data.

One of the main functions of the AIHW is to work with the states and territories to improve the quality of administrative data and, where possible, to compile national data sets based on data from each jurisdiction, to analyse these data sets, and to disseminate updated information and statistics.

The *Australian Institute of Health and Welfare Act 1987*, in conjunction with compliance to the *Privacy Act 1988*, (Cth) ensures that the data collections managed by the AIHW are kept securely and under the strictest conditions with respect to privacy and confidentiality.

For further information see <www.aihw.gov.au>.

The AIHW's reporting on expenditure forms Australia's National Health Accounts, which are distinct from but related to the National Accounts produced by the ABS.

The AIHW compiles its health expenditure database from a wide variety of government and non-government sources. Since 2008–09, the main source of state and territory government expenditure data has been the GHE NMDS, which consists of data provided by the states and territories to the AIHW. Information about Australian Government expenditure is sourced from the Australian Government Department of Health, Treasury, Australian Taxation Office, ABS, DVA and APRA.

Timeliness

This release includes data for the 2015–16 financial year, as well as data back to 2005–06.

The AIHW health expenditure database cannot be compiled for a given year until all providers have supplied data for that year. Timely reporting depends on whether all providers meet the deadline for data supply. Any delay to data supply past the deadline has an impact on the release date.

The data are generally released 15 months after the end of the reference year, as part of the *Health expenditure Australia* series of publications.

There have been some revisions to previously published estimates of health expenditure, due to receipt of extra or revised data or changes in method. As a result, comparisons over time should be based on the estimates provided in the most recent publication, or from the data visualisation tool available at

<www.aihw.gov.au/reports-statistics/health-welfare-overview/health-welfare-expenditure/overview>, rather than by reference to earlier editions.

Accessibility

Reports are published and are available on the AIHW website where they can be downloaded for free: see www.aihw.gov.au/reports-statistics/health-welfare-overview/health-welfare-expenditure/reports.

Tables and figures (and the underlying data) in the report are available in Excel format and can be downloaded free from www.aihw.gov.au/reports-statistics/health-welfare-overview/health-welfare-expenditure/data.

Data are also available through a data visualisation tool at www.aihw.gov.au/reports-statistics/health-welfare-overview/health-welfare-expenditure/overview.

General enquiries about AIHW publications can be made to the Strategic Communications and Stakeholder Engagement Unit on (02) 6244 1000 or via email to info@aihw.gov.au.

Specific enquiries about health expenditure data can be made to the Expenditure and Workforce Unit via email to info@aihw.gov.au.

Interpretability

See Appendix C for detailed descriptions of concepts, data sources and estimation methods, and see the Glossary for the terms used.

Further information on the GHE NMDS can also be found on the AIHW's METeOR system: see <http://meteor.aihw.gov.au/content/index.phtml/itemId/540601>.

Relevance

Scope and coverage

The AIHW health expenditure database is highly relevant for monitoring trends in health expenditure, including international comparisons. Policymakers, researchers, government and non-government organisations and the public use these data for many purposes.

Comparisons with GDP enable consideration of the size of the health sector relative to the broader economy, and per person expenditure provides an indication of changes in expenditure in relation to the population.

The relative contribution of the Australian Government and state and territory governments is relevant to health policy and administration. Similarly, non-government sector expenditure, including the out-of-pocket expenses of individuals, is also relevant to various health policy issues, such as those related to access and provision of services.

The estimates enable state and territory governments to monitor the impact of their policy initiatives on their overall expenditure on health goods and services.

Reference period

The most recent reference period for these data is the 2015–16 financial year.

Geographic detail

Data are presented at the national and state and territory levels.

Statistical standards

The data are collated in terms of the AIHW's classification of area of expenditure and source of funds as well as the OECD's System of Health Accounts.

Accuracy

Potential sources of error

Total health expenditure reported for Australia (both domestically and internationally) is slightly underestimated—it excludes some types of health-related expenditure, including that of the Australian Defence Force and some local government expenditure.

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

The estimates do not include indirect expenditure, such as the cost of lost wages for people accessing health services.

In some cases, public hospitals receive fees from medical practitioners in return for the right to practise privately within the hospital. The medical practitioner may then receive payment from the MBS, individuals and/or private health insurance funds for these services. The expenditure from these sources is captured in the expenditure data, but the fees received by the hospital are not always captured as revenue in the hospitals' data. This can effectively lead to a double counting of expenditure on the same service. For example, it may appear as though the hospital paid for a portion of the service as well as the MBS.

The AIHW does not separately collect health expenditure information from local government authorities. If local government authorities received funding for health care from the Australian Government or state and territory government, it appears as expenditure by that respective body.

The data, to the greatest extent possible, are produced on an accrual basis; that is, expenditures and funding reported for each area relate to expenses and revenues incurred in the year in which they are reported. This is not always achievable. For example, the data from private health insurance funds are sometimes provided on the basis of the date when the claims for benefit are processed, which is not necessarily the same as the date when the services were provided.

Data validation

Data provided by state and territory health agencies are validated by the agency to ensure they have been collected accurately. State and territory health agencies are also provided with an opportunity to review the final data for their jurisdiction before publication.

Agency participation

The AIHW's Health Expenditure Advisory Committee provides advice on health expenditure collection and reporting. The committee consists of representatives from the Australian Government Department of Health, Treasury, ABS, DVA, Commonwealth Grants Commission, Australian Government Department of Human Services, Independent Hospital Pricing Authority (IHPA), APRA, and each state and territory health department.

Coherence

Due to differing estimation methods and data sources, state and territory estimates reported here may differ from the data published by individual jurisdictions and in other reports, including AIHW reports such as the *Australian hospital statistics* series and publications by the IHPA, the National Health Funding Body and the Productivity Commission.

Since 2008–09, some of the data presented in this series have been collected through the GHE NMDS. The data collection process requires state and territory data providers to allocate expenditure against a different range of categories from those used for previous collections. These data have been mapped back to the expenditure categories from previous *Health expenditure Australia* reports to ensure consistency and comparability in these statistics over time.

The processing of the 2015–16 health expenditure data was carried out with improved methods for allocating areas of expenditure by non-government funders compared with previous years. Hence, data on funding by workers compensation insurers and compulsory third-party motor vehicle insurers may not be directly comparable with data for previous years.

Glossary

admitted patient: A patient who undergoes a hospital's admission process to receive treatment and/or care. This treatment and/or care are provided over time and can occur in hospital and/or in the person's home (for hospital in the home patients).

aids and appliances: 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 prostheses fitted externally (rather than implanted surgically). Excludes prostheses fitted as part of admitted patient care in a hospital.

Australian Government health expenditure: Total expenditure that the Australian Government actually incurs 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.

average annual growth rate: To calculate the average annual growth rate in health expenditure between 2005–06 and 2015–16, the following formula applies:
$$((\$ \text{ million in 2015–16} / \$ \text{ million in 2005–06})^{(1/10)} - 1) * 100.$$

benefit-paid pharmaceuticals: Pharmaceuticals listed in the schedule of the PBS and the Repatriation PBS for which pharmaceutical benefits have been paid or are payable. Does not include listed pharmaceutical items where the full cost is met from the patient copayment under the PBS or Repatriation PBS.

capital consumption: The amount of fixed capital used up each year—sometimes referred to as depreciation.

capital expenditure: Expenditure on large-scale fixed assets (for example, new buildings and equipment with a useful life extending over a number of years). The term is used in this report to refer to what the ABS calls gross fixed capital formation (see also **capital formation**).

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 1 year. See *Australian national accounts: concepts, sources and methods* (ABS 2000, 2016a) for more details. (See also **capital expenditure**).

chain price index: An annually re-weighted index providing a close approximation to measures of pure price change.

community health services: Non-residential health services that establishments offer to patients/clients in an integrated and coordinated manner in a community setting, or the coordination of health services elsewhere in the community.

Including, for example:

- 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, community mental health and alcohol and drug treatment services
- specialised mental health programs delivered in a community setting.

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 annually re-weighted chain price indexes or IPDs. For this report, the reference year for both the chain price indexes and the IPDs is 2015–16. Constant price estimates indicate what expenditure would have been had 2015–16 prices applied in all years. As a result, expenditures in different years can be compared on a dollar-for-dollar basis, using this as a measure of changes in the volume of health goods and services (see also **real expenditure**).

copayment: A payment made by an individual who has health insurance, usually at the time a health service is received, to offset some of the cost of care.

current prices: Refers to expenditures reported for a particular year, unadjusted for inflation. Changes in current price expenditures reflect changes in both price and volume.

dental services: Services that registered dental practitioners provide. These include oral and maxillofacial surgery items, orthodontic, pedodontic and periodontic services, cleft lip and palate services, dental assessment, and other dental items listed in the MBS. The term covers dental services funded by health funds, state and territory governments and also individuals' out-of-pocket payments.

excess health inflation: The difference when the health inflation rate exceeds the general inflation rate—that is, the rise in the price of goods and services in the health-care sector exceeds the rise in the price of goods and services in the economy as a whole.

general inflation: The rise 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 that are owned and/or controlled by the Australian Government, state and territory governments and local governments. See ABS 2005 and ABS 2015 for more details.

gross domestic product (GDP): Commonly used to indicate national income—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 depreciation.

gross national expenditure (GNE): An alternative measure to GDP; GNE is equal to GDP minus export income, but including imports.

health administration: Activities related to the formulation and administration of government and non-government health policy, and in the setting and enforcement of standards for health personnel and health services. One activity, for example, is the regulation and licensing of providers of health services.

The term includes only those administrative services that cannot be allocated to a particular health good or service. Such services might include, for example, maintaining an office for the chief medical officer, a departmental liaison officer in the office of the minister, or other agency-wide items for which it is not possible to derive appropriate or meaningful allocations to particular health programs.

health inflation: The rise in the price level of goods and services in the health sector.

health research: Research done at tertiary institutions, in private non-profit organisations, and in government facilities that has a health socioeconomic objective.

It excludes commercially oriented research that private business funds, the costs of which are assumed to be included in the prices charged for the goods and services (for example, medications that have been developed and/or supported by research activities).

hospital services: Services provided to a patient who is receiving admitted patient services or non-admitted patient services in a hospital, but excluding non-admitted dental services, community health services, patient transport services, public health activities and health research done within the hospital. They can include services provided off-site, such as dialysis or hospital in the home.

household final consumption expenditure (HFCE): Net expenditure on goods and services by households and by private non-profit institutions serving households.

implicit price deflator (IPD): An index obtained using the ratio of current price expenditure to constant price expenditure.

individuals' out-of-pocket funding: Payments by individuals where they meet the full cost of a good or service, or where they share the cost of goods and services with third-party payers, such as private health insurance funds or the Australian Government.

injury compensation insurers: Workers compensation and compulsory third-party motor vehicle insurers.

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 where its functions involve policies that are primarily of concern at the local level.

medical expenses tax rebate: An Australian Government subsidy to assist with the cost of medical expenses. It applies to a wide variety of health expenditures, not just expenses associated with doctors. This rebate is now income tested and is currently being phased out.

medical services expenditure: Includes services provided by, or on behalf of the following parties: registered medical practitioners who are funded by the MBS, DVA, compulsory third-party motor vehicle insurance, workers compensation insurance, private health insurance funds, Australian Government premium rebates allocated to medical services, Medicare copayments, and other out-of-pocket payments.

Most medical services in Australia are provided on a fee-for-service basis and attract benefits from the Australian Government under Medicare. These include both private in-hospital medical services and out-of-hospital medical services.

This term includes medical services not from the MBS, such as vaccines for overseas travel, as well as some expenditure by the Australian Government under alternative funding arrangements.

It excludes medical services provided to public patients admitted to public hospitals and medical services provided to public patients at outpatient clinics in public hospitals.

medications: Benefit-paid pharmaceuticals and other medications.

other health practitioner services: Services that health practitioners (other than doctors and dentists) provide. These include, but are not limited to practice nurses, chiropractors, optometrists, physiotherapists, occupational therapists, speech therapists, audiologists, dieticians, podiatrists, homeopaths, naturopaths, practitioners of Chinese medicine and other forms of traditional medicine.

other medications: Pharmaceuticals for which no PBS or Repatriation PBS benefit was paid. They include:

- pharmaceuticals listed in the PBS or Repatriation PBS, the total costs of which are equal to, or less than, the statutory patient contribution for the class of patient (under copayment pharmaceuticals)

- pharmaceuticals dispensed through private prescriptions that do not fulfil the criteria for payment of benefit under the PBS
- Repatriation PBS over-the-counter medicines, including pharmacy-only medicines, aspirin, cough and cold medicines, vitamins and minerals, herbal and other complementary medicines, and various medical non-durables, such as condoms, adhesive and non-adhesive bandages.

out-of-pocket costs: The total costs incurred by individuals for health-care services over and above any refunds from Medicare and private health insurance funds.

over-the-counter medicines: Medicinal preparations that are primarily bought from pharmacies and supermarkets, that are not prescription medicines.

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. Patient transport services include 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. From 2003–04 onwards, this category includes patient transport expenses that are included in the operating costs of public hospitals.

Pharmaceutical Benefits Scheme (PBS): A national, government-funded scheme that subsidises the cost of a wide variety of pharmaceutical drugs, and that covers all Australians to help them afford standard medications. The PBS lists all the medicinal products available under the PBS and explains the uses for which they can be subsidised (see **Repatriation Pharmaceutical Benefits Scheme**).

primary health care: Primary health-care expenditure includes recurrent expenditure on health goods and services, such as medical services, dental services, other health practitioner services, pharmaceuticals and community and public health services. Primary health-care services are delivered in many settings, such as general practices, community health centres, Aboriginal health services and allied health practices (for example, physiotherapy, dietetic and chiropractic practices, and tele-health) and come under numerous funding arrangements.

private hospital: A privately owned and operated institution, catering for patients who are treated by a doctor of their own choice. Patients are charged fees for accommodation and other services provided by the hospital and relevant medical and paramedical practitioners. Acute care and psychiatric hospitals are included, as are private free-standing day hospital facilities (see **public hospital**). Private hospital expenditure includes expenditures incurred by a private hospital in providing contracted and/or ad hoc treatments for public patients.

private patient: Person admitted to a private hospital, or person admitted to a public hospital who decides to choose the doctor(s) who will treat them or to have private ward accommodation. This means they will be charged for medical services, food and accommodation.

public health activities: The core types of activities done or funded by the key jurisdictional health departments that deal with issues related to populations, rather than individuals. These activities comprise:

- communicable disease control
- selected health promotion

- organised immunisation
- environmental health
- food standards and hygiene
- cancer screening
- prevention of hazardous and harmful drug use
- public health research.

These activities do not include treatment services.

public health services: 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.

Public health services until 2008–09 also include departmental costs for the following Commonwealth regulators: the Therapeutic Goods Administration, the Office of Gene Technology Regulator, and the National Industrial Chemicals Notification and Assessment Scheme. These are now reported as administration expenses.

public hospital: A hospital controlled by a state or territory health authority. In Australia public hospitals offer free diagnostic services, treatment, care and accommodation to all Australians who need them. Public hospitals include some denominational hospitals that are privately owned. Defence force hospitals are not included in the scope of public hospitals (see **private hospital**).

public hospital services: The balance of public hospital expenditure remaining, after community health services, public health services, non-admitted dental services, patient transport services, and health research activities done by public hospitals have been removed and reallocated to their own expenditure categories.

public patient: A patient admitted to a public hospital who has agreed to be treated by doctors of the hospital's choice and to accept shared ward accommodation. This means that the patient is not charged.

real expenditure: Expenditure that has been adjusted to remove the effects of inflation (for example, expenditure for all years has been compiled using 2015–16 prices). Removing the effects of inflation enables comparisons to be made between expenditures in different years on an equal dollar-for-dollar basis. Changes in real expenditure measure the change in the volume of goods and services produced (see **constant prices**).

rebates of health insurance premiums: Introduced in January 1999, a non-income-tested rebate on private health insurance premiums replaced the Private Health Insurance Incentives Scheme subsidy. From 1 July 2012, the private health insurance rebate became income tested. From 1 April 2014, all rebate percentages are adjusted annually by a rebate adjustment factor—the rebate was reduced from 9.68%–38.72% to 9.27%–37.09% on 1 April 2015, and to 8.93%–35.72% on 1 April 2016.

There are 2 mechanisms for rebates of health insurance premiums:

- The first is where the rebate is taken as a reduced premium payable by the individual with private health cover (with the health fund claiming reimbursement from the Australian Government).
- The second is taken as an income tax rebate, where individuals with private health cover elect to claim the rebate through the tax system at the end of the financial year, having paid the health funds 100% of their premiums up front.

recurrent expenditure: Expenditure for which organisations are liable on a recurring basis, for the provision of health goods and services, which does not result in creating or acquiring fixed assets (new or second-hand). It consists mainly of expenditure on wages, salaries and supplements, purchases of goods and services, and depreciation. This excludes capital expenditure. For all years, recurrent expenditure includes capital consumption (depreciation).

referred medical services: Non-hospital medical services that are not classified as primary health care (see **unreferred medical services**).

Repatriation Pharmaceutical Benefits Scheme (Repatriation PBS): Provides assistance to eligible veterans (with recognised war- or service-related disabilities) and their dependants for pharmaceuticals listed on the PBS and a supplementary repatriation list, at the same cost as patients entitled to the concessional payment under the PBS (see **Pharmaceutical Benefits Scheme**).

specific purpose payments (SPPs): Australian Government payments to the states and territories under the provisions of section 96 of the Constitution, 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. The SPP associated with the National Healthcare Agreement, implemented from 1 July 2009, provides payments to state and territory governments that are to be spent only within the sector described—for example, within the health sector. In addition, there are NPPs under national partnership agreements that are aimed at specific areas of health expenditure.

state and territory dental services: School dental programs, community dental services and hospital dental programs that state and territory health authorities fund.

total health expenditure: Comprises **recurrent expenditure**, **capital expenditure** and **medical expenses tax rebate**.

total health price index: The ratio of total national health expenditure at current prices, to total national health expenditure at constant prices.

unreferred medical services: A medical service provided to a person by, or under the supervision of, a medical practitioner, being a service that has not been referred to that practitioner by another medical practitioner or person with referring rights. In this report, these are medical services that are classified as primary health care (see **referred medical services**).

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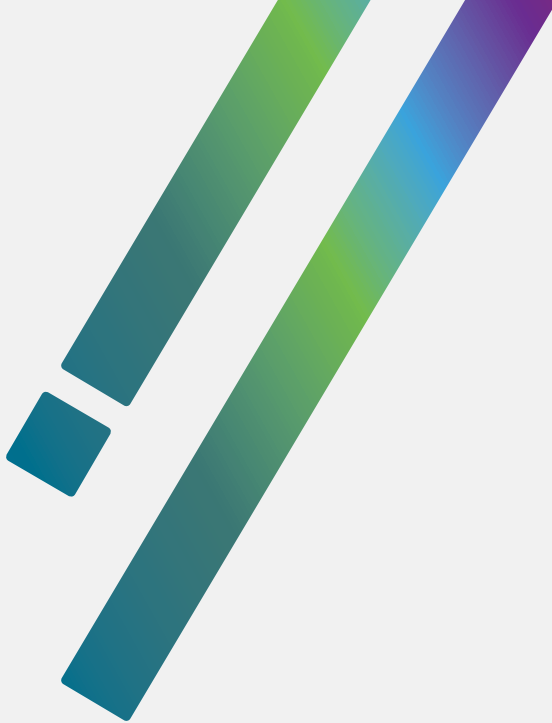
Related publications

This report, *Health expenditure Australia 2015–16*, is part of an annual series. The earlier editions and any published subsequently can be downloaded free from www.aihw.gov.au/reports-statistics/health-welfare-overview/health-welfare-expenditure/reports. The website also includes information on ordering printed copies.

The following AIHW publications about health expenditure might also be of interest:

- AIHW 2016. Health expenditure Australia 2014–15. Health and welfare expenditure series no. 57. Cat. no. HWE 67. Canberra: AIHW.
- AIHW 2016. 25 years of health expenditure in Australia 1989–90 to 2013–14. Health and welfare expenditure series no. 56. Cat. no. HWE 66. Canberra: AIHW.
- AIHW 2015. Health expenditure Australia 2013–14: analysis by sector. Health and welfare expenditure series no. 55. Cat. no. HWE 65. Canberra: AIHW.
- AIHW 2013. Expenditure on health for Aboriginal and Torres Strait Islander people 2010–11. Health and welfare expenditure series no. 48. Cat. no. HWE 57. Canberra: AIHW.
- AIHW 2013. Expenditure on health for Aboriginal and Torres Strait Islander people 2010–11: an analysis by remoteness and disease. Health and welfare expenditure series no. 49. Cat. no. HWE 58. Canberra: AIHW.

A series of topic-based fact sheets using the 2015–16 data will be released in coming months and available at www.aihw.gov.au/reports-statistics/health-welfare-overview/health-welfare-expenditure/reports.



Total spending on health in Australia was \$170.4 billion in 2015–16, \$6.0 billion (3.6%) higher in real terms than in 2014–15. This was the fourth consecutive year that growth was below the 10 year average of 4.7%.

Despite the low growth, the share of the economy (GDP) represented by health (10.3%) continued to grow, due to slower real GDP growth (2.7%).

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