5. HEALTH

NATURE OF OUTLAYS

The Health function covers outlays on facilities or services for the surveillance, prevention and treatment of human illness, setting standards for safety and efficacy of therapeutic goods and services, support for health research and the promotion of better health. Lower level residential aged care and most outlays directed towards Aboriginal and Torres Strait Islander people are classified to *6. Social Security and Welfare*.

The major purpose of Commonwealth health outlays is to ensure that all Australians have access to necessary health services without excessive price barriers.

Universal health cover under Medicare includes subsidised medical and pharmaceutical services and public hospital services. Other Commonwealth assistance in the health area includes subsidised residential aged care services and certain allied health services (eg hearing services). Assistance is also provided through a number of tax measures (eg sales tax exemptions on a range of medical related goods and tax rebates under the private health insurance incentives).

Medical and pharmaceutical benefits under Medicare are provided directly by the Commonwealth. Financial assistance for State hospitals under the Medicare/Australian Health Care Agreements ensures public hospital patients have free shared ward accommodation and treatment for both inpatient and outpatient services.

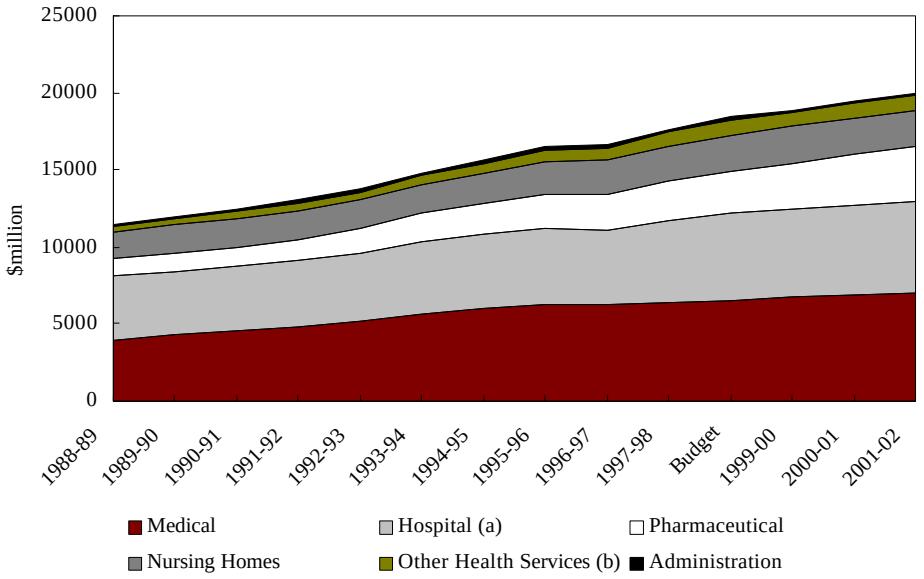
The Commonwealth promotes access of Aboriginal and Torres Strait Islander people to a range of health services through its own programmes and by working with the States in the planning and funding of mainstream health services.

The National Public Health Programme (a major component of *5.6 Other Health Services*) provides for the promotion of better health, health research and direct responses to national health issues such as HIV/AIDS and drug abuse.

This function includes outlays from the following portfolios:

- Health and Family Services; and
- Veterans' Affairs.

Chart 1. Overview of Commonwealth Outlays on Health
(1989-90 prices)



TRENDS IN HEALTH OUTLAYS

Growth in Commonwealth health outlays over the decade to 1997-98 has averaged 4 per cent a year in real terms (refer Chart 1). The growth mainly reflects a steady increase in utilisation of medical services and pharmaceutical services over the period and a drift towards more costly drugs and medical services.

In the Budget and forward years, real growth in Commonwealth health outlays is expected to average 3 per cent a year. Two sub-functions mainly contribute to the lower growth. Firstly, Medical Services and Benefits are expected to record lower growth in outlays than the 10 year trend as a result of a range of measures taken over a number of years. Secondly, lower expected growth in outlays for Residential Care Subsidies and Domiciliary Care Services reflects a lower projected increase in the population over 70 years of age in the next five years. These factors will be partly offset by continuing strong outlays growth in pharmaceutical benefits. Hospital funding is expected to increase over the Budget and forward years at about the average rate for total health outlays.

			1997-98 Estimate	1998-99		2000-01 Estimate	2001-02
5.1	Medical Services and Benefits		7587.6	7961.4		8743.2	9139.9
				4.9	5.0		4.5
5.2		$m	6092.0		7058.4	7395.3	
		%		10.6		4.8	3.8
	Pharmaceutical Services and Benefits	$m		3295.1	3710.3		4630.1
		%			12.6	12.2	
5.4	Nursing Home Subsidies and		2705.1	2859.4		3045.6	3122.2
		%		5.7		3.2	2.5
	Aboriginal and Torres Strait	$m		156.1	157.4		161.5
	Islander Health			23.0	0.8		3.7
5.6		$m	935.8		1000.4	998.8	
		%		10.9		-0.2	0.8
	General Administration	$m		227.3	184.3		184.7
		%			-18.9	0.9	
	TOTAL	$m		22273.0	23418.7		25922.8
		%			5.1	5.4	

MEDICAL SERVICES AND

			1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
	Medical Benefits	$m	6387.4	6523.3	6801.2	7075.6	7378.4
		%		2.1	4.3	4.0	4.3
	Health Insurance Commission	$m	250.7	282.2	278.1	280.8	288.5
	Administrative Costs	%		12.6	-1.5	1.0	2.7
	Veterans and Dependants	$m	637.3	717.5	805.4	866.9	929.9
		%		12.6	12.3	7.6	7.3
	Other Services	$m	312.1	438.4	473.3	520.0	543.1
		%		40.5	8.0	9.9	4.4
	TOTAL	$m	7587.6	7961.4	8358.0	8743.2	9139.9
		%		4.9	5.0	4.6	4.5

The purpose of these outlays is to achieve high quality health outcomes for people by enabling access to timely and appropriate health care services at reasonable cost.

Medical Benefits

The Commonwealth provides assistance under Medicare towards the cost of out-of-hospital medical services (85 per cent of the schedule fee with a limit on the gap between the benefit and schedule fee for individual claims) and towards the cost of medical services provided to patients under private care in hospital (75 per cent of the schedule fee with no limit on the gap between the benefit and schedule fee on individual claims). A safety net applies to out-of-hospital medical services.

For medical services rendered to private patients in either public or private hospitals, registered health insurers are required to offer insurance in their hospital tables to cover the difference between 75 per cent and the full amount of the schedule fee. Insurers are not permitted to provide cover for payments above the schedule fee, unless they have an agreement with the hospital which also has an agreement with the medical practitioner providing the service.

Medical practitioners may direct-bill the Commonwealth on behalf of any patient and accept the Medicare benefit as full payment for their services.

Health Insurance Commission - Administration of Medicare Benefits

The Health Insurance Commission (HIC) is a budget-funded agency which pays Medicare benefits in respect of services listed in the Medicare Benefits Schedule to the *Health Insurance Act 1973*. Medicare benefits may be claimed through Medicare shopfronts, direct billing and also through pharmacies in some regional and metropolitan areas. Electronic claiming for patient billed services is currently being trialed through some medical practices.

Veterans and Dependants

The Commonwealth meets the costs, for eligible veterans and their dependants, of local medical officer, specialist, paramedical and dental services, the supply and maintenance of surgical aids and travelling and other expenses incurred in obtaining medical treatment.

Other Services

The largest item under this category is the General Practice Strategy designed to improve the service quality of general practice and address the structural issues contributing to growth in Medicare benefits outlays.

5.2 HOSPITAL SERVICES

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Public Hospitals	$m	5015.5	5348.3	5589.0	5902.9	6167.7
	%		6.6	4.5	5.6	4.5
Veterans and Dependants	$m	831.9	1070.2	1159.8	1188.3	1216.0
	%		28.6	8.4	2.5	2.3
Private Health Insurance Incentives	$m	243.6	316.4	309.0	301.3	293.4
	%		29.9	-2.3	-2.5	-2.6
Other Hospital Services	$m	1.0	0.7	0.7	2.8	0.7
	%		-30.0	na	na	-75.0
TOTAL	$m	6092.0	6734.0	7058.2	7394.8	7676.7
	%		10.5	4.8	4.8	3.8

Outlays under this subfunction are designed to ensure efficient and effective delivery of hospital care under Medicare, which entitles all Australian residents to free shared ward accommodation and treatment, and free outpatient, accident and emergency treatment at public hospitals. Those electing to have 'doctor-of-choice' or private ward accommodation in a public hospital must bear the cost or take out appropriate hospital insurance cover. Since July 1997, the Commonwealth has provided incentives to people to take out private health insurance through the Private Health Insurance Incentive Programme.

Public Hospitals

To support free hospital care under Medicare, the Commonwealth provides financial assistance to the States through hospital funding agreements amounting currently to

about half the cost of public hospitals. The current Medicare Agreements cover the period 1 July 1993 to 30 June 1998 and focus on increasing public patient access and improving the efficiency and effectiveness of service delivery.

The replacement Australian Health Care Agreements are in the process of being negotiated with the States. The Commonwealth offer reflected in these estimates provides for automatic adjustments for costs of population increases, ageing of the population and changes to private health insurance. There is provision for expected increases in demand as new and better medical services become available.

Veterans and Dependants

Veterans are treated under the Repatriation Private Patient Scheme which allows them to be treated at public hospitals or private hospitals with which the Department of Veterans' Affairs has a contract. Consequently, veterans can be treated closer to home and linked into their local health care networks, rather that at specific Repatriation General Hospitals.

Private Health Insurance Incentives

The Private Health Insurance Incentives Scheme, which commenced on 1 July 1997, provides an income-tested financial incentive to families and individuals to take out and maintain private health insurance cover. The amount of incentive paid depends on the type and level of private health insurance coverage held. Recipients have the choice of claiming the incentives through their health insurance fund in the form of reduced premiums or as an income tax rebate, claimable after the end of the income year.

5.3 PHARMACEUTICAL SERVICES AND BENEFITS

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Pharmaceutical Benefits Scheme						
General	$m	495.9	528.5	588.3	661.1	736.9
	%		6.6	11.3	12.4	11.5
Concessional	$m	2016.3	2163.1	2421.4	2721.9	3035.2
	%		7.3	11.9	12.4	11.5
Sub-total	$m	2512.2	2691.7	3009.6	3383.0	3772.2
	%		7.1	11.8	12.4	11.5
Repatriation Pharmaceutical Benefits	$m	211.1	243.2	289.0	322.2	358.4
Scheme	%		15.2	18.8	11.5	11.2
Alternative Arrangements for the	$m	283.8	314.1	363.9	407.3	451.9
Supply of Drugs	%		10.7	15.9	11.9	11.0
Pharmacy Restructuring	$m	7.5	11.5	11.7	11.6	9.0
	%		53.3	1.7	-0.9	-22.4
Health Insurance Commission	$m	37.0	34.6	36.1	37.3	38.7
Administrative Costs	%		-6.5	4.3	3.3	3.8
TOTAL	$m	3051.7	3295.1	3710.3	4161.4	4630.1
	%		8.0	12.6	12.2	11.3

Through Pharmaceutical Services and Benefits, the Commonwealth aims to ensure access by the Australian community to necessary, cost-effective medicines at the lowest cost to Government and consumers, consistent with reliable supply.

Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme

Under the Pharmaceutical Benefits Scheme (PBS), the Commonwealth provides assistance towards the cost of pharmaceuticals. Concessional patients (pensioners, the unemployed and low income families) are entitled to a higher subsidy than the general public. A safety net applies to both the general public and concessionals on a calendar year basis.

Under the Repatriation Pharmaceutical Benefits Scheme (RPBS), beneficiaries (veterans with recognised war or service related disabilities) have access to both pharmaceuticals under the PBS and a supplementary Repatriation list, at the same cost as patients entitled to the concessional payment.

Patient contributions and safety net levels are indexed annually in accordance with movements in the Consumer Price Index (CPI).

The Commonwealth presently has an agreement with retail pharmacies under which pharmacists are approved to supply benefits under these schemes, and remuneration levels for pharmacists in respect of pharmaceutical benefits are determined.

Alternative Arrangements for the Supply of Drugs

In certain circumstances, some pharmaceuticals are not suitable for the normal supply arrangements under the PBS and alternative arrangements are made. These include:

- supply of influenza vaccine free of charge through doctors and targeted to older Australians;

- human growth hormone which is supplied free of charge through doctors, mainly paediatricians;

- selected highly specialised drugs (including drugs for the treatment of HIV/AIDS), which are supplied by States through hospitals to outpatients as they require administration via specialised hospital clinics. The Commonwealth funds the costs of these drugs through grants to the States, with additional costs met by patient contributions; and

- some essential vaccines will be provided free of charge through doctors and other immunisation providers as part of the Immunise Australia Programme in the broadbanded National Public Health Programme.

Health Insurance Commission - Administration of Pharmaceutical Benefits

The Health Insurance Commission (HIC) administers the PBS. It reimburses pharmacists for the difference between the Commonwealth price of pharmaceuticals and patient contributions. It also undertakes measures to ensure that benefits are supplied correctly and only to eligible people.

5.4 RESIDENTIAL CARE SUBSIDIES AND DOMICILIARY CARE SERVICES

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Residential Care Subsidies for the Aged	$m	2238.0	2261.7	2309.6	2373.5	2425.8
(High Care Needs)	%		1.1	2.1	2.8	2.2
Nursing Care for Veterans and	$m	249.3	342.4	345.6	348.1	350.7
Dependants	%		37.3	0.9	0.7	0.7
Domiciliary Nursing Care Benefit	$m	71.6	98.6	129.9	146.7	155.3
	%		37.7	31.7	12.9	5.9
Home Nursing Service	$m	146.3	156.7	164.9	177.2	190.4
	%		7.1	5.2	7.5	7.4
TOTAL	$m	2705.1	2859.4	2950.0	3045.6	3122.2
	%		5.7	3.2	3.2	2.5

The Commonwealth provides funding for aged persons living in residential care facilities and receiving care in the community. In 1997-98 nursing homes and hostels were brought together under one set of arrangements for residential care. The outlays shown here relate to the higher levels of care provided by services previously classified as nursing homes. Hostel-type facilities and community based care funding are covered under *6. Social Security and Welfare.*

Access to residential care services and Community Aged Care Packages follows identification of care needs by Aged Care Assessment Teams which are administered by the States with recurrent funding provided by the Commonwealth.

Residential Care Subsidies for the Aged (High Care Needs)

The Commonwealth pays subsidies for residents of aged care facilities, based on their care needs. All residents pay a basic daily fee. Those residents who enter care from 1 March 1998 may be asked to pay an additional income tested fee, depending on their income and level of care, and this reduces the subsidy paid by the Commonwealth. The subsidies and fees in combination provide for the nursing and personal care costs of residents.

An accommodation charge was introduced from November 1997 for new residents entering nursing home level care. This charge will provide the principal funding source for the construction, extension and upgrading of these facilities.

Nursing Care for Veterans and Dependants

Nursing care for veterans and dependants is funded through the Department of Veterans' Affairs. Funds are made available to the Department of Health and Family Services which acts as the agent in making payments.

Domiciliary Nursing Care Benefit

The Commonwealth pays a fortnightly benefit (adjusted by the Consumer Price Index each January) to eligible persons who provide care at home for persons aged 16 years or more who would otherwise be eligible for a high level of residential care. Domiciliary Nursing Care Benefit will be combined with the Child Disability Allowance and renamed Carer Allowance. This new payment will be delivered by Centrelink.

Home Nursing Service

Home nursing services are part of a range of services offered through the Home and Community Care programme. Others include respite care, home help and dementia projects (see also *6. Social Security and Welfare*).

5.5 ABORIGINAL AND TORRES STRAIT ISLANDER HEALTH

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Aboriginal and Torres Strait	$m	126.9	156.1	157.4	155.8	161.5
Islander Health	%		23.0	0.8	-1.0	3.7
TOTAL	$m	126.9	156.1	157.4	155.8	161.5
	%		23.0	0.8	-1.0	3.7

The Commonwealth funds a network of community controlled primary health care services for Aboriginal and Torres Strait Islander people. Commonwealth funding also supports a range of specialist services, including mental health, sexual health and hearing services. These services complement mainstream health services. The Commonwealth works with the States and other stakeholders in the planning and funding of mainstream and Aboriginal and Torres Strait Islander specific health services to ensure Indigenous Australians have access to necessary services.

5.6 OTHER HEALTH SERVICES

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Health Research	$m	169.3	194.2	179.5	183.4	185.0
	%		14.7	-7.6	2.2	0.9
Health Promotion and Disease	$m	276.5	345.8	333.0	338.2	336.4
Prevention	%		25.1	-3.7	1.6	-0.5
Health Support Services	$m	432.1	439.3	455.0	465.6	473.9
	%		1.7	3.6	2.3	1.8
Other	$m	58.0	58.6	33.0	11.6	11.4
	%		1.0	-43.7	-64.8	-1.7
TOTAL	$m	935.8	1037.9	1000.4	998.8	1006.6
	%		10.9	-3.6	-0.2	0.8

The Commonwealth, in partnership with other levels of government and the non-government sector, aims to support an improvement in the health of all Australians and help reduce the health disparities between social groups.

Health Research

Commonwealth support for health research activities includes funding for health and medical research administered by the National Health and Medical Research Council. Funding is also provided for the Australian Institute of Health and Welfare and for capital works at medical research institutes.

Health Promotion and Disease Prevention

The bulk of funding under the National Public Health Programme, provided as both Commonwealth own-purpose outlays and Specific Purpose Payments, is for public

health activities aimed at promoting and protecting the health of all Australians, and minimising the incidence and severity of preventable illness, injury and disability. Under the Public Health Outcome Funding Agreements, the specific purpose payments for eight Public Health Programme areas have been broadbanded into a single specific purpose payment.

The Commonwealth's role in public health is to provide national coordination and leadership in research and information, education campaigns, service delivery, evaluation and redevelopment of legislation, and public health education and training. Particular focus is given to the Government's identified core public health priority areas of childhood immunisation, HIV/AIDS and related diseases, the national drug strategy, cancer control and injury prevention.

The National Youth Suicide Prevention Strategy provides funding for counselling services, information programmes, education and research. The Commonwealth also provides funding under the National Mental Health Strategy to accelerate the transfer of mental health services out of stand-alone psychiatric institutions into the acute hospital and community care systems, and for innovative mental health projects of national significance.

Health Support Services

These services include:

- provision of a range of blood products from Australian sourced plasma, through a commercial contract with CSL Limited;

- operating and capital costs of the Red Cross Society's Blood Transfusion Service which are shared by the States and the Commonwealth;

- health support services under the National Rural and Remote Health Support programme:

  — aero-medical services to rural and remote communities by the Royal Flying Doctor Service;

  — training of medical professionals under the Advanced Specialist Training Post programme and university departments of rural health;

  — innovative delivery of health services to rural and remote communities, and

  — rural health research;

- the provision of a range of hearing services to eligible pensioners and all people under the age of 21 years. On 1 November 1997, consumer choice in hearing services increased through the introduction of the Hearing Services Voucher system. The voucher system entitles eligible pensioners to subsidised hearing services through the Australian Hearing Services (AHS) and private sector providers. AHS continues to provide hearing services to people under the age of 21 years;

- the Therapeutic Goods Administration (TGA), which is responsible for ensuring the safety and effectiveness of therapeutic goods available in Australia. The TGA currently recovers a large proportion of its costs from the therapeutic goods industry. This will increase to 100 per cent from 1 July 1998; and

- the development and maintenance of appropriate food standards for Australia and New Zealand by the Australia New Zealand Food Authority.

5.7 GENERAL ADMINISTRATION

		1997-98 Estimate	1998-99 Budget	1999-00 Estimate	2000-01 Estimate	2001-02 Estimate
Department of Health and Family	$m	201.0	196.2	154.1	155.2	153.3
Services	%		-2.4	-21.5	0.7	-1.2
Department of Veterans' Affairs	$m	34.1	31.1	30.2	30.8	31.3
	%		-8.8	-2.9	2.0	1.6
TOTAL	$m	235.1	227.3	184.3	186.0	184.7
	%		-3.3	-18.9	0.9	-0.7

Outlays under this subfunction comprise part of the general administrative and capital expenses of the Department of Health and Family Services (DHFS) and the Department of Veterans' Affairs.

Department of Health and Family Services

This item comprises a proportion of the operating costs of DHFS. The balance of the operating costs of DHFS is classified under *6. Social Security and Welfare.*