

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH PORTFOLIO

Budget Estimates 2014 - 2015, 2/3 June 2014

Ref No: SQ14-000498

OUTCOME: 0 - Whole of Portfolio

Topic: Sustainability of Health Care System

Type of Question: Written Question on Notice

Senator: Xenophon, Nick

Question:

In a Sunday Age news article from May 4, 2014, the four health and economics experts interviewed by Fairfax Media said there was little evidence that Australia's healthcare costs were unsustainable.

- a) What are the current levels of Commonwealth health spending?
- b) What per cent of GDP is spent on health?
- c) How much is Commonwealth health spending expected to rise over the next 20 years in \$AUD and per cent of GDP?
- d) How does this compare to other OECD countries? Does Australia spend more or less?
- e) Is a modest rise in health expenditure inevitable, given an ageing population and more Australians with chronic health conditions?
- f) Had the Department included factors such as an ageing population, medical technology, personalised medicines and genomics in current projections on future health expenditure?
- g) The Minister has been quoted as saying health spending was not sustainable "when it is above economic growth". Is Australia's health spending above economic growth?

Answer:

- a) Commonwealth health expenditure for 2013-14 is estimated to have been \$64.5 billion.
Source: Australian Government. (2013). *Budget Paper No 1*. Statement 6, page 21.
- b) In 2012-13, Commonwealth health expenditure accounted for 4.0 per cent of Gross Domestic Product (GDP).
Source: Australian Government. (2013). *Final Budget Outcome 2012-13*. Table 5.
ABS. (2013). *Australian System of National Accounts, 2012-13*. Table 1.
- c) Total Commonwealth health expenditure in 2009-10 was \$50.6 billion (4.0 per cent of GDP). Total Commonwealth health expenditure is projected to rise to \$171.4 billion (4.8 per cent of GDP) by 2029-30.
Source: Treasury. (2010), *Intergenerational Report, Australia to 2050: future challenges*. (unpublished underlying data)

- d) It is not appropriate to compare the level of Commonwealth health spending with spending by national governments in other nations, given the roles of national and sub-national governments vary widely between nations.
- e) While population ageing and increases in chronic disease prevalence contribute to growth in health expenditure, the costs of treatments and services change over time as technology and other factors change. For this reason, the exact impact of ageing and chronic disease on health expenditure in the longer term cannot be known.
- f) The Department of Health undertakes forward estimates of programme expenditure which takes into account historical trends, increasing demand for health services and changes in demographics, such as the ageing of the population. We cannot estimate the impact of changes in technology and personalised medicine.
- g) Australian total health expenditure grew by an average of 8.3 per cent per annum from 2001-02 to 2011-12 in nominal terms, while nominal GDP grew by an average of 6.9 per cent per annum over the same period.

Source: AIHW. (2013). *Health Expenditure Australia 2011-12*. Table 2.1.

ABS. (2013). *Australian System of National Accounts, 2012-13*. Table 1.