Health Expenditure Trends in New Zealand 1996–2006

Citation: Ministry of Health. 2008. *Health Expenditure Trends in New Zealand 1996–2006.* Wellington: Ministry of Health.

Published in September 2008 by the
Ministry of Health
PO Box 5013, Wellington, New Zealand

ISBN 978-0-478-31731-2 (print)
ISBN 978-0-478-31732-9 (online)
HP 4563

This document is available on the Ministry of Health's website:
http://www.moh.govt.nz

Foreword

This report, *Health Expenditure Trends in New Zealand 1996–2006*, is the latest in a regular series prepared by the Ministry of Health (the Ministry). The primary purpose of the series is to provide information on expenditure in the New Zealand health and disability sector. This document focuses on the 2004/05 and 2005/06 expenditure. This series differs from other expenditure estimates because it relates to all sources of funding channelled through the public and private sectors.

The report has been prepared for use by interested individuals and agencies to foster informed debate on health funding and expenditure issues. The health system is an important and growing component of the national economy and provides essential services for the people of New Zealand.

The information in this report provides a basis for identifying and measuring trends and changes in the patterns of health and disability expenditure in New Zealand. This data is also useful in evaluating policies related to health and disability expenditure levels and patterns, plus it provides a basis for comparing New Zealand's expenditure with other nations.

As the purpose of this document is to present an estimate of current expenditure on health, it does not include any discussions on health service quality, efficiency or effectiveness. These financial estimates, together with other information supplied by the Ministry and others that do focus on qualitative issues, contribute information resources necessary for the public, researchers and policy makers to assess the performance of the health system over time. For a reader interested in more qualitative aspects of the New Zealand health system, (see http://www.moh.govt.nz/quality) the quality improvement section of the Ministry's website.

This report contains updated expenditure estimates for total current health and disability services in New Zealand at the aggregate level, on a per capita basis, by source of funds, and in nominal and real terms since 1995/96. The estimates include both public and private health expenditure. The public source of funding is predominately administered by the Ministry, primarily consisting of funding for services provided by the District Health Boards (DHBs). Other sources of public funding include other central government agencies, (for example, the Accident Compensation Corporation (ACC)) and local and regional councils. Private sector sources of health funding include private insurance, household out-of-pocket expenditure and non-governmental funding of not-for-profit organisations such as the Royal New Zealand Plunket Society and the National Heart Foundation of New Zealand.

In 2003/04, New Zealand adopted the System of Health Accounts (SHA) promulgated by the Organisation for Economic Co-operation and Development (OECD) for defining and aggregating total current health and health-related expenditure. This report contains three years of information using the SHA categories. New Zealand has not yet incorporated expenditure for capital items in the expenditure estimates. Using the SHA means that the New Zealand estimates now and in the future will be more comparable with other countries; however, for earlier years some consistency at a detailed level is lost. In order to assess the impact due to changing to SHA reporting in 2003/04 and

other refinements undertaken in that year, one must read the Health Expenditure Trends in New Zealand (HET) report for 1994–2004.

Normally a HET report is released each year. Due to the time requirements of implementing the SHA for 2003/04, a separate report, covering the 10-year period 1994/95 to 2004/05 was not produced. This report follows the 1994–2004 report.

Please note that some of the data in this report has been collected by means of sample surveys and has consequently been estimated conservatively. Therefore, care should be taken in interpreting changes in individual categories of expenditure from year to year. In addition, future refinements in the accuracy of the estimates can be expected.

This document and prior editions in the series can be located on the Ministry's website at: http://www.moh.govt.nz/publications

The Ministry is grateful for the assistance of those who have contributed data and analysis used in preparing this report.

John Hazeldine
Manager, Finance
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Acknowledgements

The author is indebted to the many individuals and organisations that provided information and gave generously of their time to assist with this study. The people and organisations involved are numerous and are named in Appendix 7: Contributors.

The author would like to thank all those people and organisations for their assistance. Special thanks are due to the Health Funds Association of New Zealand Inc for their invaluable assistance in producing this report. Special thanks also to Mark Jackson at the Ministry of Health who reviewed the report.

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Executive Summary

This report, *Health Expenditure Trends in New Zealand 1996–2006*, is the latest in a regular series prepared by the Ministry of Health (the Ministry). The primary purpose of the Health Expenditure Trends in New Zealand (HET) series is to provide information on the estimate of current expenditure in the health and disability sector with a focus on the 2004/05 and 2005/06 estimates. This HET report provides updated estimates for total current health and disability services expenditure in New Zealand, at the aggregate level, on a per capita basis, by source of funds, and in nominal and real terms, since 1995/96.

In 2003/04, New Zealand implemented the System of Health Accounts (SHA) of the Organisation for Economic Co-operation and Development (OECD), in defining and aggregating total current health expenditure and 'health-related' expenditure for reporting to the OECD and HET. The New Zealand estimates now enable better comparisons to be made between countries; however, for years prior to 2003/04, some consistency at a detailed level is lost. Therefore, this report provides consistent information only at a summary level, with SHA details only for the three-year period 2003/04 to 2005/06.

Normally, a HET report is released each year. However, due to the time requirements of implementing the SHA for 2003/04, separate reporting covering the 10-year period 1995 to 2005 was not produced. This HET report follows the HET 1994–2004 report.

The most significant impact on the estimates due to implementing SHA is the broadening of the definition of 'health sector' to include additional disability and support and long-term care services. Prior to 2003/04, HET reports identified the funding transfer from social agencies, largely from the Ministry of Social Development to the Ministry of Health, primarily in terms of disability support services, but excluded part of these services from the health expenditure. The bulk of health expenditure (mainly disability support services) previously administered by the Ministry of Social Development was transferred to the Ministry of Health between 1993/94 and 1995/96. For historical information covering the period 1995/96 to 2002/03, the estimates have been recalculated to include the previously excluded items.

The expanded definition of health functions takes into account recent changes in health care systems, especially the growing importance of services for the elderly (long-term care, including home care). Within the OECD, the most important factor affecting comparability remains the different treatment of long-term nursing care across countries (OECD 2005). New Zealand will continue to refine and improve estimates in this area in future HET editions.

Implementing the SHA provided an opportunity to review data collection sources, processes and assumptions involved in compiling health expenditure figures. As a result, several refinements have enhanced the accuracy of the estimates starting in 2003/04. In order to assess the impact due to changing to SHA reporting in 2003/04 and other refinements undertaken in that year, please refer to the HET report for 1994–2004.

The main focus of this report is on the SHA-based total current health expenditure figures for 2004/05 and 2005/06. Trend information is also provided. Historical and current expenditure comparisons use the most appropriate points in time given changes in methodologies and assumptions. The health and disability expenditure presented in this report includes goods and services tax (GST) at the prevailing rate. The GST rate is 12.5%. Unless stated otherwise, all expenditure is expressed in nominal dollar values.

Chapter 1 provides an overview of New Zealand's health sector, which establishes the scope of the data in this report.

Chapter 2 sets out the approach and definitions used in preparing the report. It contains a brief overview of the SHA classifications, which cover three dimensions: health care by functions of care, providers of health care services and sources of funding. The set of core tables in the SHA addresses three basic questions:

1. What kind of services is performed and what types of goods are purchased?
2. Where does the money go to (provider of health care services and goods)?
3. Where does the money come from (source of funding)?

The implementation of SHA introduces the concept and estimates of 'health-related' functions that are distinguished from 'core health' care functions. Health-related functions can be closely linked to health care in terms of operations, institutions and personnel, but are, as far as possible, excluded when measuring activities and expenditure belonging to core health care functions. They are mainly services that have a direct and beneficial impact on collective health and, if reported in historical HET reports, were included as public health services. For 2005/06, the estimate of health-related functions totals nearly $2.3 billion.

Chapter 3 presents the methods and conventions followed in the report, along with a description of the types of data collected.

Chapter 4 discusses trends in nominal (actual dollars spent) and real (CPI adjusted dollars spent) total current expenditure and nominal and real total per capita current expenditure on health between 1996 and 2006. Summary information on the source and final use of funds is also provided. All indicators report significant increased funding of health services; in total constant dollar terms (real dollars), on a per capita basis, as a percent of gross domestic product (GDP) and as a percent of government funding. As explained in Chapter 4, total current nominal health and disability expenditure rose 10.3% during 2005/06 to $15,433.0 million, compared with $13,986.9 million in 2004/05. Of this total, public funding increased to $12,014.0 million in 2005/06. Real per capita aggregate expenditure increased by 11.7% (an average of 5.8% per year) over these two years to $3,728 per person per year. Total current health expenditure as a percentage of gross domestic product (GDP) was 9.4% in 2005/06 compared with 9.0% in 2004/05 and 8.5% in 2003/04.

Chapters 5 to 7 present a more detailed discussion of expenditure by funding source covering the Ministry and other public and private funding channels for the years under review.

Chapter 5 provides detailed information on the Ministry's funding of health services. Separate profiles have been detailed for services funded by the Ministry and services funded through District Health Boards (DHBs). The Government's health funding through the Ministry is the largest contributor to total health and disability funding at $9,362.9 million in 2004/05 and $10,301.9 million in 2005/06, or 66.9% and 66.8% respectively of total funding. The 2004/05 expenditure represents an increase of $832.0 million compared with 2003/04 expenditure, with an additional $939.1 million spent in 2005/06. In 2005/06, Ministry funded DHB service represents $8,324.9 million, of which personal health is the largest component at $8,080.7 million.

Chapter 6, other sources of public funding are discussed. The Accident Compensation Corporation (ACC) is the second largest public funder of health services at $1,358.7 million in 2005/06 accounting for 8.8% of total current health expenditure. Other central government agencies contributing to direct health and indirect health-related expenditure included in this report are the Ministries or Departments of:

- Agriculture and Forestry
- Education
- Research, Science and Technology
- Defence
- Social Development
- Corrections
- Internal Affairs
- Te Puni Kōkiri (Māori Development)
- Pacific Island Affairs.

Other central government agencies contributions to total current health expenditure totalled $271.0 million in 2005/06. Regional and local councils funded $82.4 million in current health expenditure in 2005/06 and a more significant $1,440.8 million for health-related functions.[1]

In Chapter 7, private sources of funding comprise household out-of-pocket expenditure, health insurance and non-governmental funding of not-for-profit organisations. In total, this expenditure accounted for approximately $3,419.0 million or 22.2% of total current health expenditure in 2005/06. Within the private funding increase, private health insurance expenditure increased by 13.4% compared with 2003/04 expenditure, to $724.0 million in 2005/06. During the same period, private household spending grew 18.4% to $2,551.9 million. Expenditure by the not-for-profit sector was estimated at $143.2 million for 2005/06.

[1] Estimates of health and health-related expenditure for this group of agencies were derived from annual reports and direct survey responses.

The following figure presents the major funder groups and their contribution to total current health expenditure in 1995/06 and 2005/06.

Percentage shares of New Zealand's total health funding, 1995/96 and 2005/06

Source: Ministry of Health

Chapter 8 discusses New Zealand's current expenditure on health and disability services in the context of current health expenditure by other member countries of the OECD. The chapter provides comparisons of the level of current health expenditure, the proportion of current health expenditure to gross domestic product (GDP) and the percentage of publicly funded current health expenditure in OECD countries. One key finding from this analysis was that New Zealand's proportion of current health expenditure to GDP increased from 7.3% in 1996 to 8.5% in 2004, with further increases to 9.0% and 9.4% respectively for 2004/05 and 2005/06. In comparison, the OECD weighted average increased from 7.9% in 1996 to 9.2% in 2005.

Appendices 1 to 6 give more in-depth definitions and provide further detailed historical information on expenditure. Appendices 5 and 6 provide standard SHA tables that show what services are provided by whom and what services are funded by whom. Appendix 7 lists the organisations and individuals who provided information for this report.

Please note that some of the data in this report has been collected by means of sample surveys and has consequently been estimated conservatively. Care should be taken when interpreting changes in individual categories of expenditure from year to year. In addition, future refinements in the accuracy of the estimates are to be expected. For comparative purposes and trend analysis, the three-year period 2003/04 to 2005/06 data provides consistent information using the SHA definitions and categories. Strict comparability for earlier years at the detailed level is no longer possible because of changes in scope and category definitions.

Chapter 1: Introduction

1.1 Purpose

This *Health Expenditure Trends* (HET) report is the latest in a regular series prepared by the Ministry of Health (the Ministry). The series aims to provide information, including estimates of current expenditure, on the health and disability sector for use by interested agencies, individuals and the OECD. The expenditure estimates include all funding of health services in New Zealand channelled through the public and private sectors.

1.2 Background

The Ministry's role in the funding of health services has remained relatively stable over the past 25 years. The health reforms of the 1980s and 1990s were not of the same magnitude as the changes that occurred during the middle of the 20th century. Prior to World War II, private funding of health care dominated in New Zealand, accounting for around 57% of total funding in 1925. By 1945, however, the public share had grown to 74% of total expenditure and steadily increased to peak at 88% by the early 1980s.

Over the past 25 years, the percentage of total current funding from public sources gradually reduced from a high of 88% to within the range of 77% to 78% which has persisted since 1992. Of this public funding source, the Government's direct health funding through the Ministry is the largest contributor to the total health and disability funding, at approximately 66.8% in 2005/06 compared with 68.8% in 1995/96.

The organisation of publicly funded health and disability support services in New Zealand has undergone a number of changes in the last decade. These have ranged from a 'purchaser/provider' market-oriented model introduced in 1993 to the more community-oriented model that is currently in place. The current system was implemented through the New Zealand Public Health and Disability Act 2000 (NZPHD Act). This allowed for the creation of District Health Boards (DHBs), a key step in moving to a population-based health system. Figure 1.1, on page 4, shows the current structure of the New Zealand health and disability support sector.

1.3 Ministry responsibilities and funding levels

DHBs are responsible for providing or funding the provision of health and disability services in their geographic district. There are 21 DHBs in New Zealand that have existed since 1 January 2001. The activities of the DHBs are guided by two overarching strategies for the health and disability sector: the New Zealand Health Strategy and the New Zealand Disability Strategy. DHBs are supported by the Ministry, which provides national policy advice, regulation, funding, and monitors the performance of each DHB.[2]

[2] See: http://www.moh.govt.nz/healthsystem for more detail.

The majority of the Ministry's health services funding is allocated to DHBs; making up 70.0% of Ministry expenditure in 2004/05 and 69.6% in 2005/06. This equates to 60.6% and 59.7% of public expenditure and 46.9% and 46.5% of total current health expenditure in 2004/05 and 2005/06.

The Minister of Health (the Minister) has overall responsibility for the health system. The Minister works through the Ministry to enter into accountability arrangements with DHBs and set health and disability strategies. The Minister also agrees, together with government colleagues, how much public money will be spent on the public health system.

The Ministry is responsible for ensuring the health and disability system works for New Zealanders. The Ministry is the government's primary advisor on health policy and disability support services and is responsible for:

- providing policy advice on improving health outcomes, reducing inequalities and increasing participation
- acting as the Minister's agent
- monitoring the performance of DHBs and other Crown entities in the health sector
- implementing, administering and enforcing relevant legislation and regulations
- providing health information and processing payments
- facilitating collaboration and co-ordination within and across sectors
- planning and maintaining service frameworks nationwide
- planning and funding public health services, disability support services and other service areas that are retained centrally.

To this end, the production and distribution of this HET document contributes to informed debate on health funding and expenditure issues.

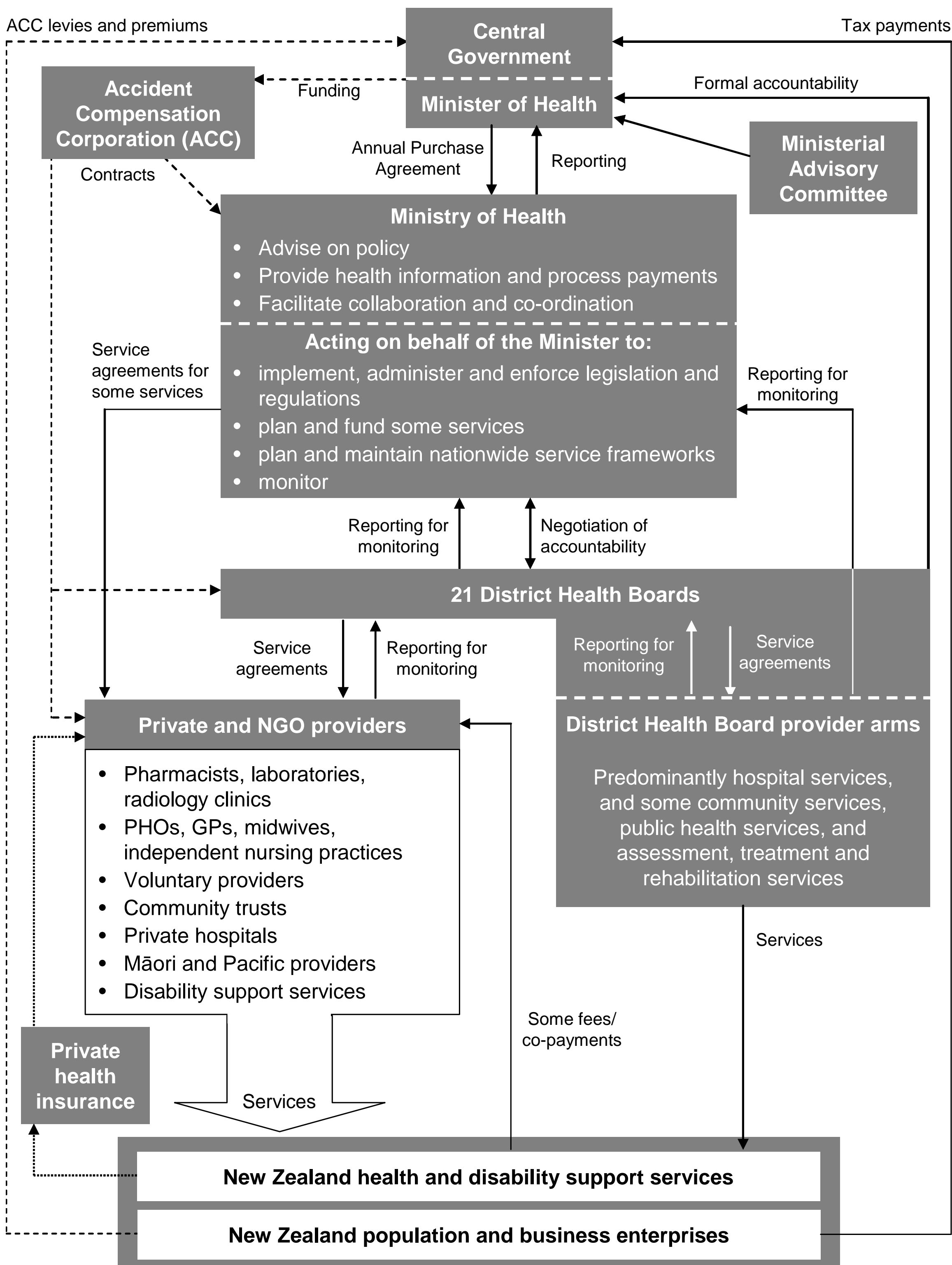
1.4 Structure of the New Zealand public health and disability sector

DHBs are responsible for planning and purchasing health and disability services for their districts and are governed by community boards that consist of a mix of elected and appointed members, with the majority (seven) elected by the community. DHBs are Crown entities whose boards are responsible to the Minister. In recognition of the Crown's relationship with Māori, each board must have at least two Māori members or a greater number if Māori make up a higher proportion of the DHB's population. DHBs are also principle providers of secondary and tertiary hospital care.

DHBs are responsible for both funding health care services to a geographically defined population and providing acute hospital services. They are responsible for improving, promoting and protecting the health and independence of their populations. Each DHB must assess the health and disability support needs of the people of its region, and manage its resources appropriately.

Central government provides broad guidelines on what services the DHBs must provide. National priorities in health have been identified in the New Zealand Health Strategy. In addition, the Minister's priorities and health targets are reflected in DHB plans and accountability arrangements. DHBs enter into service agreements with a range of providers, including public hospitals, not-for-profit health agencies, iwi groups and private organisations to meet the health needs of their geographic populations.

Figure 1.1: Structure of the New Zealand health and disability sector, 2006



1.5 Other funders of the New Zealand public health and disability sector

In addition to the Ministry, a significant amount of public funding on health services comes from the Accident Compensation Corporation (ACC). ACC is a statutory insurance organisation owned by the state that provides compulsory, comprehensive, no-fault insurance cover for accident-related injuries to all New Zealanders. In 2004/05, funding from ACC accounted for approximately 8.4% ($1,180.2 million) of total health expenditure. This increased to 8.8% ($1,358.7 million) in 2005/06.

In addition, relatively small amounts of personal health are funded by: the Department of Corrections in relation to prisoners, the New Zealand Defence Force in relation to active duty military personnel and Work and Income in relation to war pensioners. Other central government agencies fund prevention, public health, health administration and health-related services (see 6.2: Other Government Agencies).

The private funding of the health sector includes private insurance, household out-of-pocket spending and non-government funding of not-for-profit organisations. The expenditure estimates for private funding are largely based on surveys and sampling techniques. Consequently, this information is less consistent and reliable. Given this qualification, however, indications are that the private funding of health services has remained relatively stable over the past decade at approximately 22.0% of the total funding.

Chapter 2: OECD System of Health Accounts Definitions and Classifications

Below are brief definitions of the OECD System of Health Accounts (SHA) for the expenditure reported since 2003/04. A more detailed discussion of the definitions of OECD health services and health-related categories (OECD 2000) is provided in Appendix 1.

2.1 Health services

At a fundamental level, expenditure on health care and health-related services included in HET reports, conforms to the definition developed for the World Health Organisation (WHO) (Abel-Smith 1963). In defining health services, Abel-Smith states that:

> The purpose of health services is to promote health; to prevent, diagnose and treat diseases, whether acute or chronic, whether physical or mental in origin and to rehabilitate people incapacitated by disease or injury.

This general statement does not define which services are, or should be included or excluded from SHA as 'total health expenditure' or 'health-related' or 'memorandum items'. Departing from the conventions of earlier HET reports, data starting in 2003/04 includes previously defined 'non-health' items transferred from social agencies to the Ministry. These services are now considered an integral part of health by the Ministry and the OECD.

Brief descriptions of the main service categories are given below.

The SHA cover three dimensions: health care by functions of care, providers of health care (goods and services) and sources of health funding. The provision of health care and its funding is a complex, multi-dimensional process. The set of core tables in the SHA address three basic questions:

- What kinds of services are performed and what types of goods are purchased (functions of health care)?
- Where does the money go to (providers of health care services and goods)?
- Where does the money come from (source of funding)?

2.2 Functions of health care

The broad underlying concept of health care is consistent with historical HET reports. Activities of health care comprise the sum of activities performed either by institutions or individuals pursuing, through the application of medical, paramedical and nursing knowledge and technology, the goals of:

- promoting health and preventing disease
- curing illness and reducing premature mortality
- caring for persons affected by chronic illness who require nursing care

- caring for persons with health-related impairment, disability and handicaps who require nursing care
- assisting patients to die with dignity
- providing and administering public health
- providing and administering health programmes, health insurance and other funding arrangements.

(OECD 2000, p.42)

'Health care' includes personal health care services (HC.1–HC.5) provided directly to individual persons and collective health care services covering the traditional tasks of public health such as health promotion and disease prevention including setting and enforcement of standards (HC.6), and health administration and health insurance (HC.7).

2.3 Health-related functions

The OECD health-related functions are distinguished from the core health care functions. They are closely linked to health care in terms of operations, institutions and personnel, but are, as far as possible, excluded when measuring activities and expenditure belonging to core health care functions. These are services that have a direct and beneficial impact on collective health and when reported historically, were included in the HET reports as public health services.

The HET categories include separate reporting for the following health-related functions:

- education and training of health personnel
- research and development in health
- food, hygiene and drinking water control
- environmental health.

The expenditure estimates are conservative because they do not fully include the administration and provision of social services and the provision of health-related cash benefits to private households. Furthermore, no provision has been made at this time for capital formation of health provider institutions (HC.R.1), administration and provision of social services in kind to assist living with disease and impairment (HC.R.6), and administration and provision of health-related cash-benefits (HC.R.7).[3] These are refinements that may be included in subsequent years and could be material.

[3] Codes come from the SHA functions (see Appendix 1: OECD System of Health Accounts: Health-related functions).

2.4 Providers of health care services and goods

The SHA include a dimension for the provider sector: ‘Where does the money go’, or ‘Who provides the services?’ This is a new element of expenditure reporting for New Zealand. The classifications used are based on draft common industrial classification of North American Free Trade Organization (NAFTA) countries and the North American Industrial Classification System (NAICS 1998). These detailed classifications are condensed into the following groups: Hospitals, nursing, residential care facilities, ambulatory care, retail and other providers, administration and other. (HP.1–HP.9)

2.5 Sources of funding

The HET report contains a breakdown of expenditure on health by funder type as follows:

- Government-provided health care, that is further segregated by government agency – the Ministry (including DHBs), ACC, other central government and regional and local government
- out-of-pocket expenditure by private households
- private insurance
- not-for-profit organisations
- rest of the world.

This classification system corresponds to payer information contained in historical HET reports. The summary funder groups that remain intact are total public (HF.1) and total private funding (HF.2).

Chapter 3: Methods and Conventions

3.1 Report coverage

This chapter introduces the methods and conventions used in collating SHA expenditure and describe the types of data collected. As already noted, the analysis in this report is based on the OECD SHA, which defines what categories of expenditure should be included or excluded when comparing current health and health-related expenditure internationally. This report provides information and comments on health and disability expenditure within the OECD definition of 'health services'.

Appendices 5 and 6 cover two key OECD SHA tables: expenditure by function of care and provider industry and total current expenditure on health, including health-related functions by funder category. There are three tables under each of these appendices, one for each year 2003/04 to 2005/06.

3.2 Categories of health expenditure

Trend information covering the full 10-year period is aggregated by public and private funding of health, including values preceding SHA implementation in 2003/04. Information for the three-year period from 2003/04 to 2005/06 is based on summary SHA information for the following categories:

Personal health:

- inpatient care – curative and rehabilitative, and long-term nursing care
- services of day care – curative, rehabilitative and long-term nursing care
- outpatient care – curative, rehabilitative, basic medical and diagnostic services, dental care, all other specialised care and all other outpatient care
- home care – curative, rehabilitative and long-term nursing care
- ancillary services to health care
- medical goods dispensed to outpatients – pharmaceuticals and other medical non-durables, and therapeutic appliances and other medical durables.

The above services are the components of personal health care. In addition, trend information is provided for two other components of current health expenditure and health-related functions.

Collective health:

- prevention and public health services
- health administration and health insurance.

Health-related:

- education and training of health personnel
- research and development in health
- food, hygiene and drinking-water control
- environmental health.

New Zealand does not report on three health-related functions: capital formation of health care provider institutions, administration and provision of social services in kind to assist living with disease and impairment or administration and provision of health-related cash benefits. Caution should be exercised when interpreting the disaggregated information, because New Zealand has only recently implemented the SHA reporting and refinements are expected.

3.3 Funding sources

Public sector health funding includes the Government's direct health expenditure through the Ministry (including DHBs), as well as other central government funding, including ACC, other government agencies (Agriculture and Forestry; Defence; Education; Internal Affairs; Corrections; Māori Affairs; Pacific Island Affairs; Research, Science and Technology; and Social Development), local authorities (regional, district and city councils).

Private sector health funding includes; out-of-pocket expenditure by private households, expenditure by health insurance companies on behalf of their policy-holders and health expenditure by not-for-profit organisations met by funds from non-governmental sources.

3.4 Sources and assumptions for Ministry-funded services

Current Ministry expenditure is sourced and valued from internal financial records, segregated by services, and it relates to services purchased directly by the Ministry or via devolved purchasing through the DHBs. The Ministry's head office departmental expenditure represents a third category of Ministry health funding.

3.5 Ministry-funded services, excluding DHBs

The Ministry's non-departmental expenditure for services purchased from non-DHB providers have been profiled according to SHA function codes in consultation with Ministry Corporate Finance. An apportionment was also performed for the SHA provider industry.

3.6 DHB-funded services

The DHB-funded services are profiled directly from the DHB Funder arm year-end financial templates as provided to the Ministry by DHBs. Expenditure within the Funder arm represent the purchase of services from all providers, including the purchase of services from the respective DHBs' own Provider arms, other DHBs and Non Government Organisations (NGOs). Revenues from other third-party purchasers, including other central or local government agencies, are not included in the Funder arm, so there is no double counting of current health expenditure within DHB providers. The financial templates are at line-item level and thus match with SHA service function and SHA provider industry coding.

3.7 Crown Health Enterprise/District Health Board deficit financing

Deficits of DHBs, previously known as Crown Health Enterprises (CHEs) and Hospital and Health Services (HHS), have been included in HET reports since 1996/97 as part of publicly funded health expenditure. The operating deficits incurred by DHBs and CHEs reflect the difference between operating income and operating expenses. These deficits were incorporated into the government accounts funded by the Ministry. Since 2003/04, the deficits have been added to the DHB Funder arm expenditure.

The inclusion of this deficit funding is necessary to provide an accurate picture of the expenditure on current health and health-related expenditure in New Zealand in a given year. This is because these are publicly owned entities and the government is ultimately responsible for their financing. Publicly funded health expenditure, including DHB deficit financing, amounted to 77.9% of total expenditure in 2005/06. In GDP terms, deficit financing in 2005/06 was equivalent to 0.3% of GDP.

3.8 Sources and assumptions related to services funded by other central government agencies

Starting in 2003/04, the primary source for estimating other central government health expenditure changed from an annual survey conducted by the Ministry to the agencies' respective annual reports. This information is augmented by survey or direct responses when necessary. Additional information on the individual agencies is provided in 6.2: Other Government Agencies. These estimates are conservative in that they tend not to include an administrative component.

3.9 Sources and assumptions related to services funded by local government

Starting in 2003/04, the primary source for estimating local government health expenditure has been their annual reports. Changing source data for local governments is similar to the change for central government agency estimates, and again, this information is augmented by survey or direct responses when necessary. Additional information pertaining to local government expenditure is provided in 6.3: Local Authorities.

3.10 Sources and assumptions related to services funded by the private sector

Private sources of funding consist of out-of-pocket expenses, health insurance and not-for-profit organisations. The estimate for 2005/06 out-of-pocket expenditure is based on a projection of the Household Economic Survey (HES) for 2003/04.[4] This survey has consistently been the source of data for the estimate of out-of-pocket expenditure. Estimates of health insurers' total current expenditure on health care is based on data provided by the Health Funds Association of New Zealand Inc (HFANZ). This source also remains unchanged; however, the 2004/05 and 2005/06 estimates are based on aggregate information,[5] whereas previous years' estimates were based on a direct survey. Estimates for the not-for-profit sector are based on an expanding sample of organisations' annual reports. Additional information pertaining to private sector expenditure is provided in Chapter 7: Private Sector Funding.

3.11 Real dollar health expenditure

New Zealand has no index specific to health expenditure that can be used to remove the effect of price inflation from nominal expenditure on health and disability support services. As with previous reports in this series, the Consumer Price Index (CPI) has been used to inflate nominal dollars to 2006 real dollar value.

The CPI series used is given as part of Appendix 2. The series is based on the Statistics New Zealand long-term linked series for 'all groups'. Annual changes are based on the change from the previous June quarter.

3.12 Goods and services tax and overhead charges

The health and disability expenditure presented in this HET report includes goods and services tax (GST) at the prevailing rate of 12.5%. Starting in 2005/06, central governmental financial reporting is GST exclusive. To retain consistency with prior years and report the full cost to consumers of health expenditure, a factor has been added when necessary for inclusion of this cost.

3.13 Populations

The population data in this report is based on the definition of population commonly used by Statistics New Zealand. The estimated resident population is based on the census usual resident population count, with adjustments for residents missed or counted more than once by the census (net census undercount), and for residents temporarily overseas on census night.[6]

[4] The HES is a Statistics New Zealand survey that was conducted annually until 1998 but now takes the form of a tri-annual survey.

[5] Health insurance statistics, July 2006.

[6] See: http://www.stats.govt.nz/NR/rdonlyres/9C231406-8BE1-494D-9FAF-ECDC88ADC63C/0/alltabls96_06.xls.

Chapter 4: Trends in Total Current Health Expenditure by Funding Source

This chapter examines trends in New Zealand current health expenditure aggregated by public and private sources. This funding split has been consistent over the 10-year period and was not affected by the introduction of SHA definitions. The components of both public and private expenditure in 2004/05 and 2005/06 are examined in detail in the next three chapters and address trends for the three-year period since the change to SHA reporting in 2003/04.

4.1 Aggregate health expenditure

Long-term trends (1925–2006) in health expenditure in New Zealand are shown below in relation to funding source (Figure 4.1) and public and private shares (Figure 4.2). The estimates for the years from 1995/96 to 2005/06 include previously excluded non-health items, primarily disability support services.

Total current health care expenditure in New Zealand has risen from around $7 million in 1925 to around $15.4 billion[7] in 2006 in nominal terms. In real terms, total current health expenditure rose during this period at an annual average rate of 5.1% (see Figure 4.1). Publicly funded expenditure grew at an annual average rate of 5.9%, and privately funded expenditure, starting from a higher base, grew at the slower rate of 3.9% per year during this period.

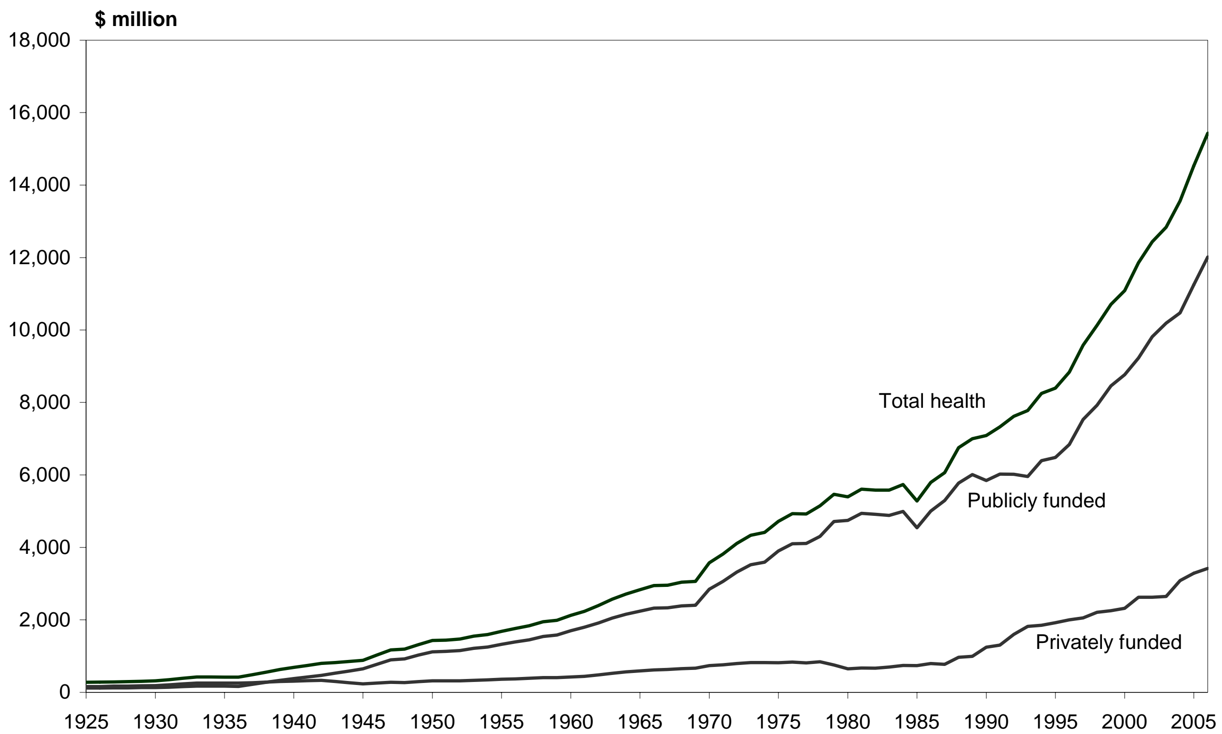
Figure 4.2 shows that prior to World War II private funding of health care dominated in New Zealand and accounted for around 57% of total funding in 1925. By 1945, however, the public share had grown to 74% of total expenditure and steadily increased to peak at 88% by the early 1980s, then gradually reduced to the range of 77% to 79% seen more recently.

Public funding has remained stable within this narrow range since 1992 (see Figures 4.1A and 4.2A). The actual average growth rate of 5.1% (see above) exceeded the population growth rate. The impact on a per capita basis reflects the same expenditure pattern as for the entire population, but at a slightly lower rate of growth. Figure 4.1B presents the same information as Figure 4.1A but on a per capita basis. Since 1995/96, total real expenditure on health care has grown at an average annual compound rate of 5.7% per year. Public and private funding of health has grown by 5.8% and 5.5% respectively.

Between 1995/96 and 2005/06, publicly funded real expenditure on health care increased by $5.17 billion (78% of the total increase). Over the same period, privately funded real expenditure rose by $1.42 billion (22% of the total increase).

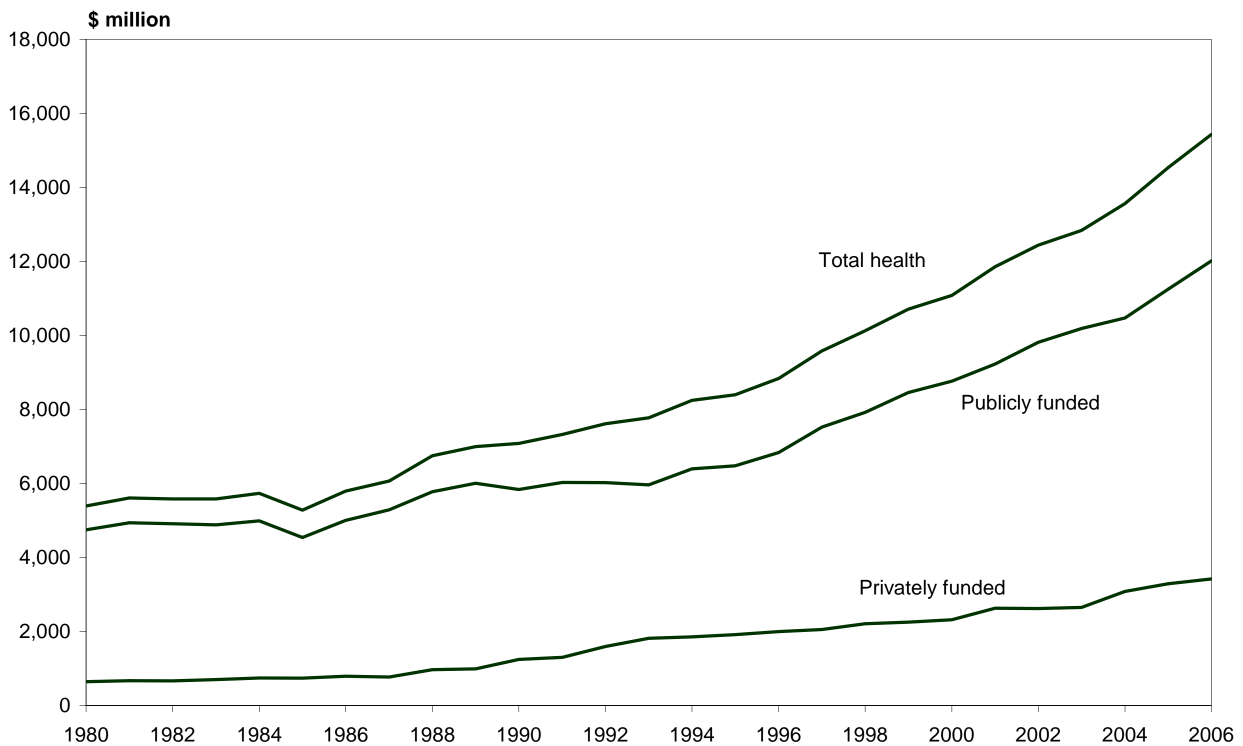
[7] This figure does not include OECD health-related expenditure.

Figure 4.1: Aggregate real ($ million 2005/06) health expenditure, 1925–2006



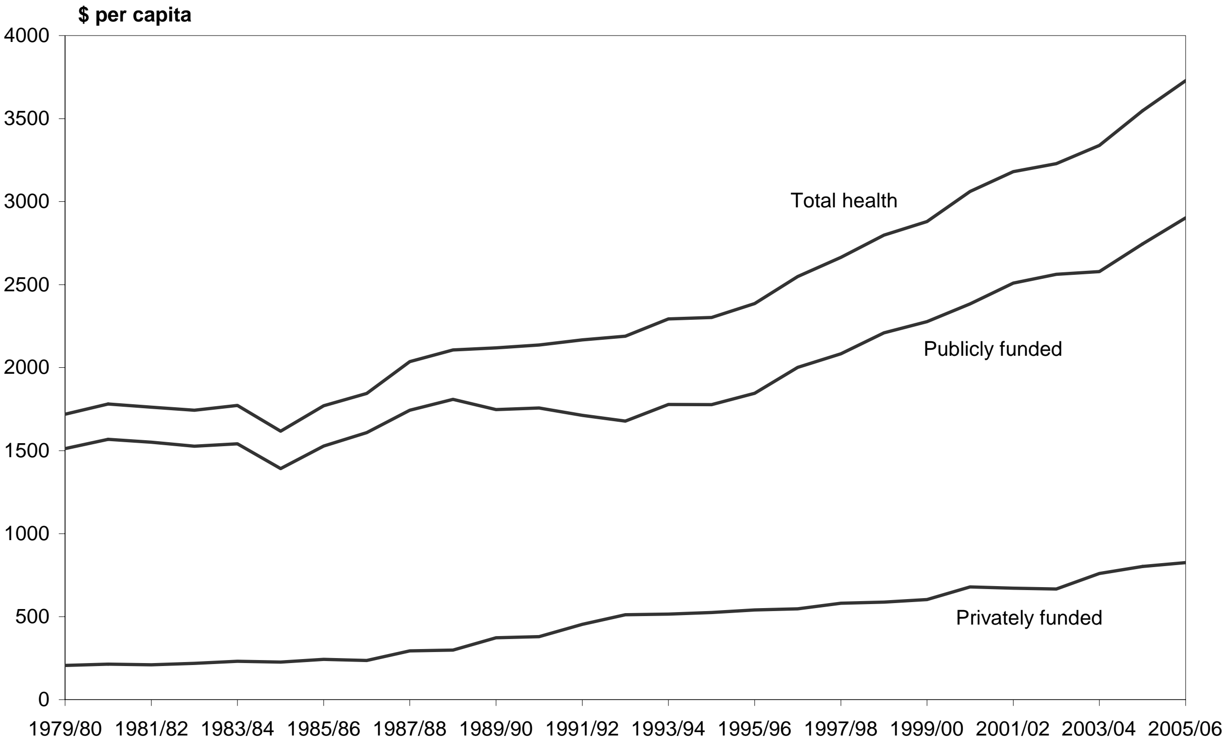
Source: Ministry of Health

Figure 4.1A: Aggregate real ($ million 2005/06) health expenditure, 1980–2006



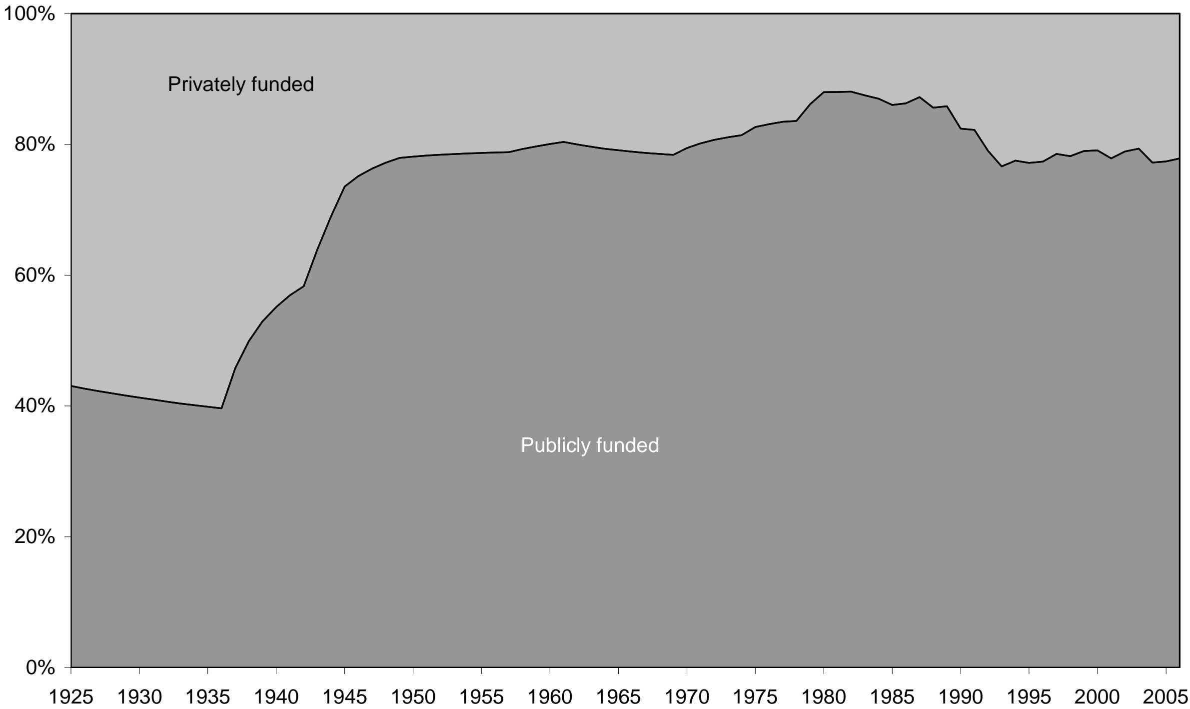
Source: Ministry of Health

Figure 4.1B: Aggregate real (per capita 2005/06) health expenditure, 1980–2006



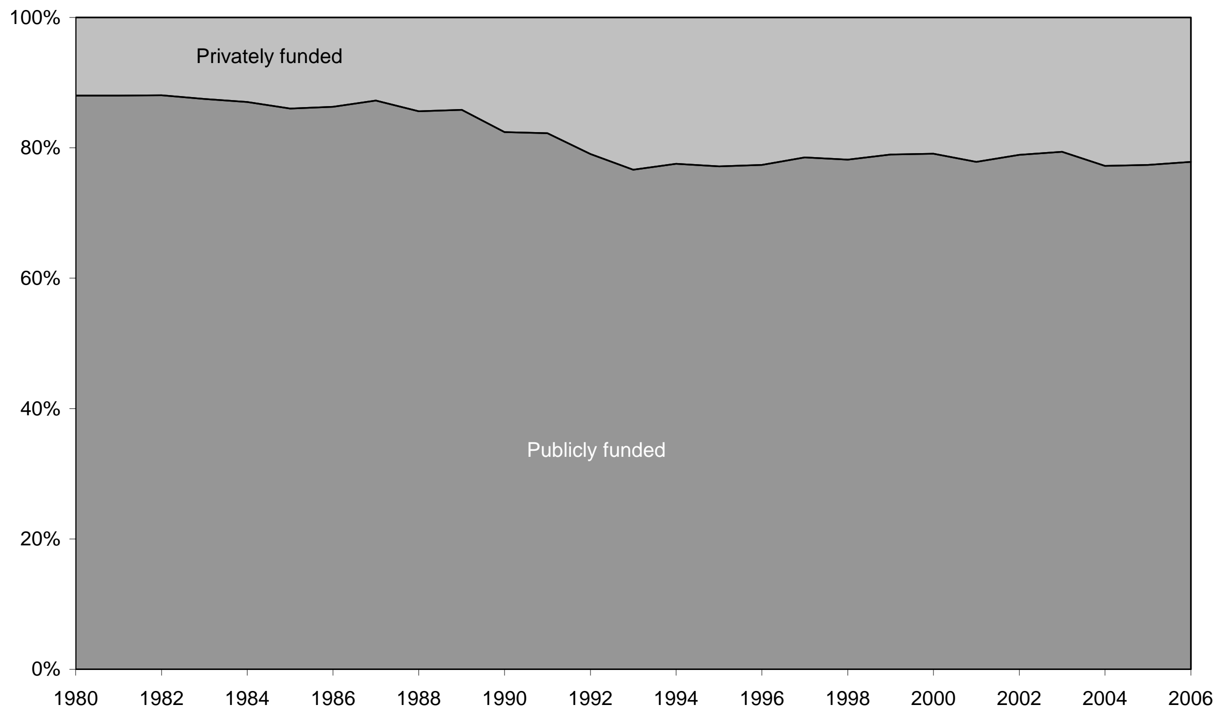
Source: Ministry of Health

Figure 4.2: Publicly and privately funded expenditure shares, 1925–2006



Source: Ministry of Health

Figure 4.2A: Publicly and privately funded expenditure shares, 1980–2006



Source: Ministry of Health

4.2 Trends in real per capita current expenditure on health

Table 4.1 and Figures 4.3 and 4.4 show the trends in real public and private current expenditure on health from 1995/96 to 2005/06. Table 4.1 also shows the gross domestic product (GDP) and the growth in GDP over this same period. As can be seen, the expenditure per capita is growing considerably faster than the growth in GDP.

Table 4.1: Real current expenditure trends, 1995/96–2005/06

Year	Total current health expenditure ($ million June 2006)			Expenditure per capita ($ June 2006) Resident' population			Real gross domestic product ($ June 2006)	
	Public	**Private**	**Total***	**Public**	**Private**	**Total***	**Total**	**Per capita**
1995/96	6,840	2,000	8,840	1,846	540	2,386	120,596	32,545
1996/97	7,526	2,057	9,583	2,001	547	2,548	123,688	32,889
1997/98	7,921	2,208	10,129	2,084	581	2,664	123,868	32,582
1998/99	8,458	2,251	10,710	2,210	588	2,798	131,846	34,443
1999/00	8,765	2,318	11,083	2,277	602	2,879	136,562	35,475
2000/01	9,230	2,626	11,856	2,384	678	3,062	142,551	36,814
2001/02	9,815	2,623	12,438	2,510	671	3,180	145,396	37,176
2002/03	10,188	2,648	12,836	2,562	666	3,228	152,492	38,354
2003/04	10,475	3,088	13,562	2,578	760	3,338	158,886	39,110
2004/05	11,252	3,287	14,539	2,745	802	3,547	162,043	39,533
2005/06	12,014	3,419	15,433	2,902	826	3,728	163,387	39,470
RAAGR†	**5.79%**	**5.51%**	**5.73%**	**4.63%**	**4.35%**	**4.57%**	**3.08%**	**1.95%**

Source: Ministry of Health

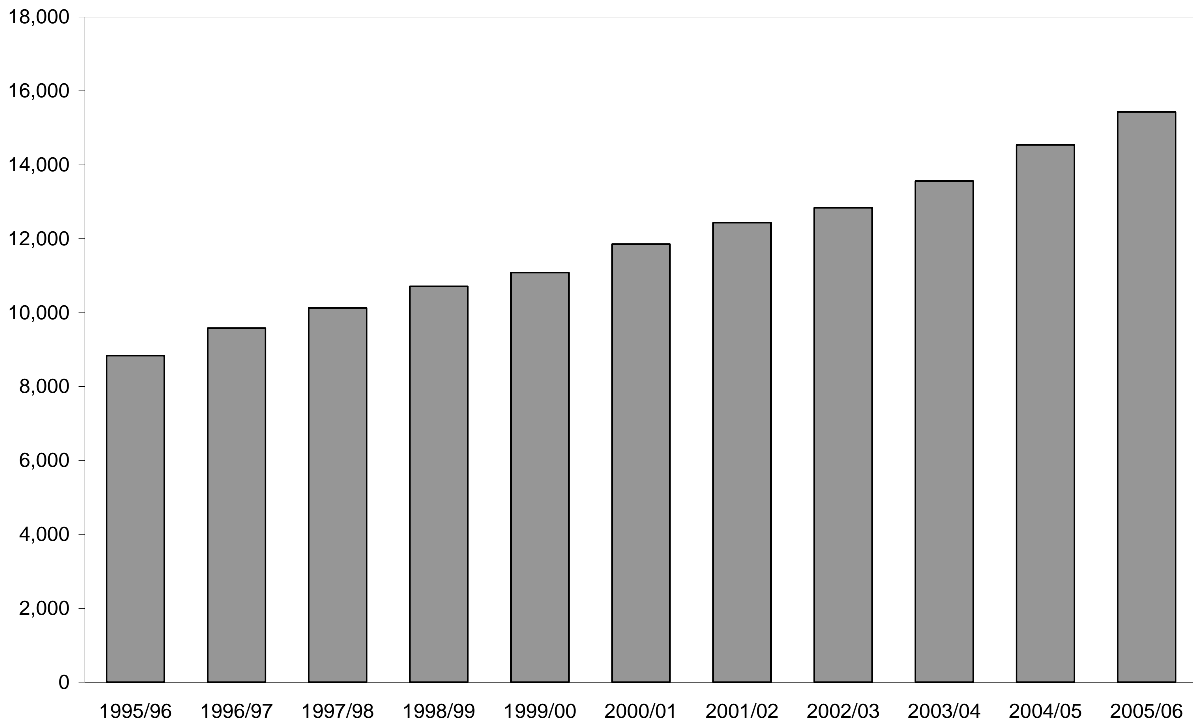
* Totals may be affected by rounding.

† Real annual average growth rate (RAAGR) between 1995/06 and 2005/06.

Table 4.1 shows that from 1995/96 to 2005/06, total per capita real expenditure increased at an average annual compound rate of 4.6%, rising at an average annual compound rate of 4.6% per year for public expenditure and at a lower rate of 4.4% per year for private expenditure.

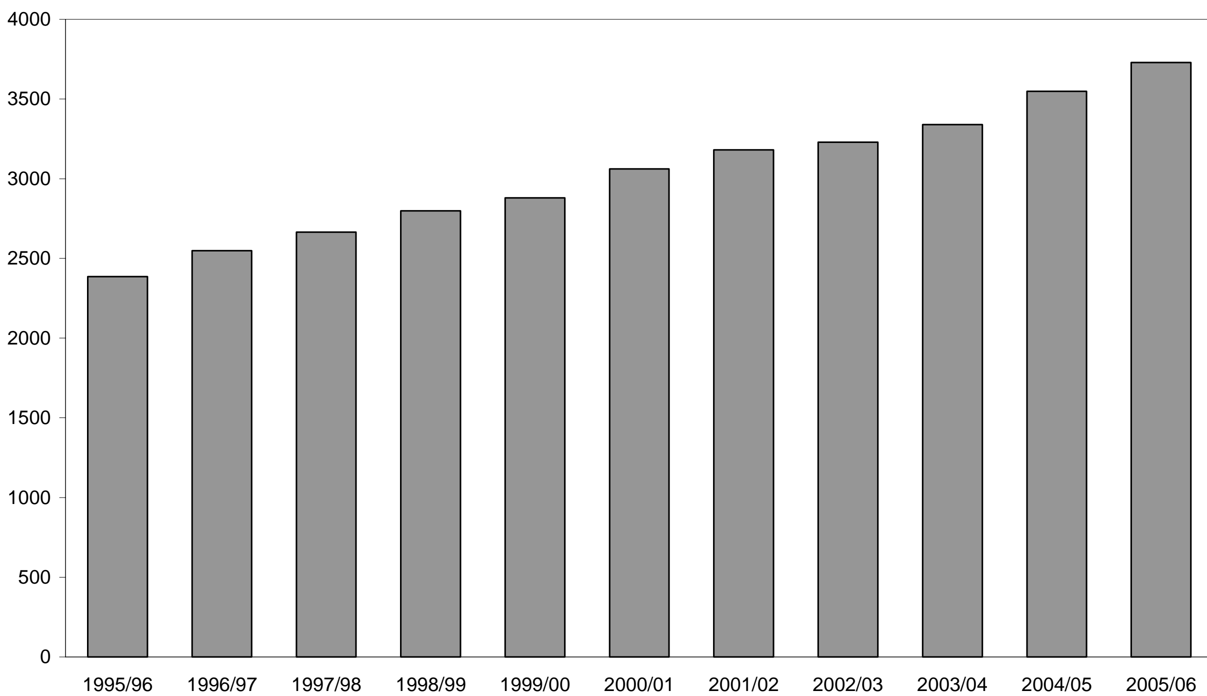
In 2005/06 aggregate current expenditure per capita amounted to $3,728. Of this total, publicly funded current expenditure amounted to $2,902 per capita and privately funded current expenditure amounted to $826 per capita.

Figure 4.3: Trends in real total current expenditure on health, 1995/96–2005/06 ($ million 2005/06)



Source: Ministry of Health

Figure 4.4: Trends in real per capita current expenditure on health, 1995/96–2005/06 ($ 2005/06)



Source: Ministry of Health

4.3 Pattern of health care funding, by source of funds

Table 4.2 shows the trend by source of funds for the period 1995/96 to 2005/06. Figure 4.5 compares 1995/96 and 2005/06 in terms of their breakdown of funding by source.

Table 4.2: Health expenditure by source of funds (%), 1995/96–2005/06

	Ministry of Health	Deficit funding	Other government agencies	Local authorities	Total public funding	Private household – Out of Pocket	Health insurance	Not-for-profit organisations	Total private funding	Total
1995/96	68.75%	0.00%	7.99%	0.64%	77.37%	15.81%	6.51%	0.30%	22.63%	100.0%
1996/97	67.82%	2.99%	7.14%	0.59%	78.54%	14.77%	6.40%	0.29%	21.46%	100.0%
1997/98	67.48%	2.34%	7.82%	0.55%	78.21%	15.43%	6.04%	0.32%	21.79%	100.0%
1998/99	69.64%	0.44%	8.23%	0.67%	78.98%	14.77%	5.92%	0.34%	21.02%	100.0%
1999/00	69.54%	0.07%	8.83%	0.64%	79.09%	14.61%	5.96%	0.34%	20.91%	100.0%
2000/01	66.95%	0.74%	9.55%	0.62%	77.85%	15.95%	5.88%	0.32%	22.15%	100.0%
2001/02	66.27%	2.18%	9.86%	0.61%	78.91%	15.32%	5.47%	0.30%	21.09%	100.0%
2002/03	66.33%	1.85%	10.56%	0.63%	79.37%	14.85%	5.47%	0.31%	20.63%	100.0%
2003/04	67.27%	0.00%	9.46%	0.50%	77.23%	17.00%	5.04%	0.73%	22.77%	100.0%
2004/05	66.94%	0.00%	10.01%	0.44%	77.39%	16.83%	4.73%	1.05%	22.61%	100.0%
2005/06	66.75%	0.00%	10.56%	0.53%	77.84%	16.54%	4.69%	0.93%	22.16%	100.0%

Source: Ministry of Health

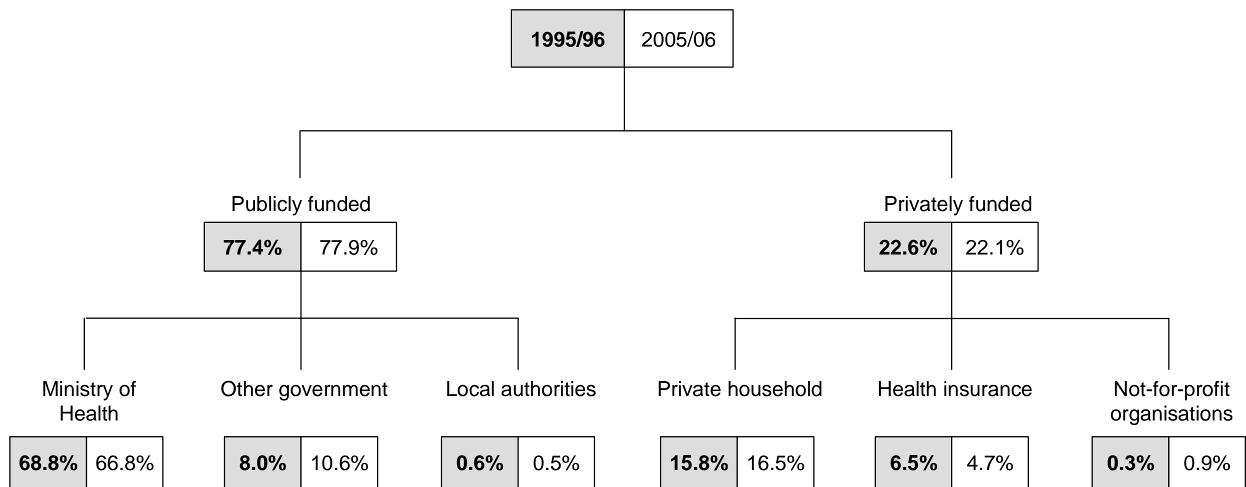
Notes: Totals may be affected by rounding.

Starting in 2003/04 the DHB operating deficits are reflected in the Ministry figures.

Private funding as a percentage of total funding has remained between 20% and 22% from 1995/96 to 2005/06. Note, however, that estimates and not survey results were used for out-of-pocket expenditure for the years 1998/99, 1999/00, 2001/02 and 2002/03.[8] For these years the values had been underestimated because they were based on inflating the most recent survey results by the Consumers Price Index (CPI). For the years 2004/05 and 2005/06, the projections are based on actual historical growth rates that are higher than the change in the CPI.

[8] 1998 was the last year of an annual Household Economic Survey (HES), now conducted every three years.

Figure 4.5: Total health funding (%), 1995/96 and 2005/06



Source: Ministry of Health

4.4 Trends in uses of aggregate health and health-related funds

The trends in total current expenditure for SHA health and health-related functions are shown in Table 4.3. These values have been estimated and reported in accordance with SHA definitions.

Table 4.3: Destinations of total health funding (including health-related), 2003/04–2005/06

Health care services and goods by function	ICHA-HC code	2003/04 (000s)	2004/05 (000s)	Increase 2003/04 to 2004/05 (000s)	2005/06 (000s)	Increase 2004/05 to 2005/06 (000s)	Average annual growth rate
Services of curative and rehabilitative care	HC.1:HC.2	6,898,114	7,587,468	689,353	8,302,245	714,777	9.7%
Services of long-term nursing care	HC.3	2,084,290	2,158,761	74,470	2,469,891	311,131	8.9%
Ancillary services to health care	HC.4	836,504	971,911	135,407	1,045,490	73,579	11.8%
Medical goods dispensed to outpatients	**HC.5**	**1,613,874**	**1,855,221**	**241,346**	**2,025,115**	**169,894**	**12.0%**
Pharmaceuticals and other medical non-durables	HC.5.1	1,527,018	1,748,987	221,969	1,912,182	163,195	11.9%
Therapeutic appliances and other medical durables	HC.5.2	86,856	106,234	19,378	112,933	6,700	14.0%
Subtotal: Personal medical services/goods		**11,432,782**	**12,573,361**	**1,140,576**	**13,842,741**	**1,269,381**	**10.0%**
Prevention and public health services	HC.6	724,793	875,072	150,280	982,761	107,689	16.4%
Health administration and health insurance	HC.7	523,269	538,441	15,172	607,505	69,063	7.7%
Total current expenditure on health		**12,680,844**	**13,986,874**	**1,306,028**	**15,433,007**	**1,446,113**	**10.3%**
Memorandum items: Further health-related functions							
Education and training of health personnel	HC.R.2	476,054	532,885	56,831	577,477	44,592	10.1%
Research and development in health	HC.R.3	162,351	196,410	34,059	207,766	11,356	13.1%
Food, hygiene and drinking-water control	HC.R.4	197,791	228,571	30,780	249,417	20,846	12.3%
Environmental health	HC.R.5	1,136,570	1,211,152	74,582	1,277,485	66,333	6.0%
Total health-related expenditure		**1,972,766**	**2,169,018**	**196,252**	**2,312,145**	**143,127**	**8.3%**
Total health and health-related expenditure		**14,653,610**	**16,155,892**	**1,502,280**	**17,745,152**	**1,589,260**	**10.0%**

Overall, current health expenditure has increased on average by 10.3% per year for the three-year period 2003/04 to 2005/06. Personal health services have increased on average by 10.0% and are the major contributors to total expenditure. Within personal health services, institutional services (curative, rehabilitative and long-term nursing care) have grown at a slower rate than community-based services. The health function with the highest rate of growth is prevention and public health services at 16.4% Administration and insurance has the lowest increase at 7.7%. Expenditure on health-related functions is growing at a slower rate of 8.3%. Environmental health has consistently been the largest contributor in dollar values to this category, but shows the lowest increase of 6.0%.

Chapter 5: Public Sector Funding – Ministry of Health

Public sector funding is the major source of health funding in New Zealand. In 2005/06 this amounted to $12,014 million or 77.9% of the total health expenditure. Within this source, the government's direct health funding through the Ministry is the largest contributor at $10,302 million, or 66.8% of the total health expenditure. Other government agencies, including regional and local governments, provide an additional $1,712 million or 11.1% of current health expenditure. Other government agencies also provide a significant amount of funding for health-related services. Total funding of health-related services represents an additional $2,312 million, of which $2,048 million is publicly funded.

This chapter discusses the trends in Ministry funding. Expenditure trends by the other government agencies are discussed in Chapter 6: Other Public Sector Funding.

5.1 Ministry of Health funding

Health expenditure estimates for 2005/06 reflect total current expenditure on health and health-related services, conforming to SHA conventions. The vast majority of the Ministry expenditure relates to bulk funds devolved to DHBs for purchasing at a local level. For historical information covering the period 1995/96 to 2002/03, the total estimates have been recalculated to include the previously excluded non-health items, primarily disability support services. Unlike HET reports prior to 2003/04, annual expenditure is no longer analysed both inclusive and exclusive of these non-health items. The difference between the two categories amounted to $563 million in 2002/03. These disability support services are now considered a core health service.

Expenditure growth by the Ministry has accelerated in recent years. To show the movements in the Ministry of Health's current expenditure, Table 5.1 gives details in aggregate and per capita expenditure (both nominal and real dollars) and as a percentage of both GDP and government expenses for the period 1995/96 to 2005/06. The Ministry's current funding of health services has increased by 1.3% of GDP and has increased as a proportion of total central government funding by 2.8% from 1995/96 levels.

Table 5.1: Ministry of Health expenditure, 1995/96–2005/06

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Total ($ million nominal)	4,936	5,573	5,906	6,245	6,550	7,030	7,662	7,990	8,531	9,363	10,302
Total real (June 2006)	6,077	6,786	7,073	7,506	7,715	8,025	8,514	8,752	9,124	9,733	10,302
Per capita – resident population basis											
Per capita ($ nominal)	1,332	1,482	1,553	1,631	1,702	1,815	1,959	2,010	2,100	2,284	2,489
Per capita real (June 2006)	1,640	1,804	1,860	1,961	2,004	2,072	2,177	2,201	2,246	2,374	2,489
GDP ($ million nominal)	97,952	101,589	103,430	109,696	115,941	124,875	130,856	139,225	148,558	155,885	163,387
GDP real (June 2006)	120,596	123,688	123,868	131,846	136,562	142,551	145,396	152,492	158,886	162,043	163,387
Per capita real GDP (June 2006)	32,545	32,889	32,582	34,443	35,475	36,814	37,176	38,354	39,110	39,533	39,470
Total as % of GDP	5.04%	5.49%	5.71%	5.69%	5.65%	5.63%	5.86%	5.74%	5.74%	6.01%	6.31%
Total as % of govt outlays	15.55%	15.62%	15.98%	16.15%	16.86%	17.03%	17.94%	17.01%	18.22%	18.00%	18.35%

Sources: Ministry of Health, Statistics New Zealand, The Treasury[9]

Note: Real dollars are expressed in June 2006 currency.

Table 5.1 shows that the total Ministry expenditure over the 10 years ended June 2006 grew to $10,302 million. This figure translates to an average annual compound rate of growth of 7.6% for this period.

Table 5.1 illustrates the following trends

- Nominal Ministry current expenditure grew steadily throughout the review period. Expenditure in 2005/06 was 108.7% higher than in 1995/96.
- Reflecting the trend in total Ministry current expenditure, nominal per capita spending increased throughout the period. Estimated 2005/06 per capita spending was 86.8% higher than in 1995/96 (up on average 6.4% per year).
- Total real current expenditure growth averaged 5.4% per year since 1995/96.
- Real per capita growth followed a similar pattern to growth in real spending, averaging 4.2% per year from 1995/96.
- During this 10-year period, the Ministry's current funding as a percentage of GDP was at its lowest at 5.0% in 1995/96. It has steadily increased to 6.3% in 2005/06.
- The Ministry's current funding as a percentage of total government expenditure was 15.6% in 1995/96. It has increased steadily to 18.4% of government current expenses in 2005/06.

[9] The source of total government outlays has changed from New Zealand Statistics to the Financial Statements of the Government of New Zealand for the Year Ended 30 June 2006.

5.2 Ministry funding by major expenditure category

The change in Ministry funding from 2003/04 to 2005/06 in accordance with SHA is presented in Table 5.2. Further detail dividing total Vote Health funding into subsets of DHB devolved and Ministry direct funding of health expenditure is given in Table 5.3. Expenditure is detailed for health and health-related functions.

Table 5.2: Destinations of Ministry funding, 2003/04–2005/06

Health care by function	ICHA-HC code	Total Ministry funding			Total change		Average annual growth rate
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2003/04 to 2004/05 (000s)	2004/05 to 2005/06 (000s)	
Inpatient care							
Curative and rehabilitative care	HC.1.1; 2.1	2,529,283	2,456,316	2,646,518	(72,967)	190,202	2.3%
Long-term nursing care	HC.3.1	856,172	907,806	1,057,962	51,634	150,156	11.2%
Services of day care							
Curative and rehabilitative care	HC.1.2; 2.2	138,204	105,196	123,106	(33,008)	17,910	-5.6%
Long-term nursing care	HC.3.2	87,477	78,826	95,548	(8,651)	16,721	4.5%
Outpatient care							
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**1,583,396**	**1,989,571**	**2,197,567**	**406,175**	**207,996**	**17.8%**
Basic medical and diagnostic services	HC.1.3.1	1,151,251	1,561,708	1,733,619	410,457	171,911	22.7%
Outpatient dental care	HC.1.3.2	123,164	147,227	156,560	24,063	9,333	12.7%
All other specialised health care	HC.1.3.3	0	0	0	0	0	N/A
All other outpatient care	HC.1.3.9	11,844	19,986	15,604	8,142	(4,382)	14.8%
Home care							
Curative and rehabilitative care	HC.1.4; 2.4	267,817	394,588	400,811	126,771	6,223	22.3%
Long-term nursing care	HC.3.3	803,454	777,299	881,539	(26,155)	104,240	4.7%
Ancillary services to health care	HC.4	464,337	565,477	606,193	101,140	40,716	14.3%
Medical goods dispensed to outpatients	**HC.5**	**970,348**	**1,156,956**	**1,266,117**	**186,608**	**109,161**	**14.2%**
Pharmaceutical and other medical non-durables	HC.5.1	960,542	1,139,328	1,253,023	178,786	113,695	14.2%
Therapeutic appliances and other medical durables	HC.5.2	9,806	17,628	13,094	7,822	(4,534)	15.6%
Total expenditure on personal health care		**7,700,488**	**8,432,035**	**9,275,361**	**731,547**	**843,326**	**9.8%**
Prevention and public health services	HC.6	451,681	561,412	610,499	109,731	49,087	16.3%
Health administration and health insurance	HC.7	378,714	369,410	416,055	(9,304)	46,645	4.8%
Total current expenditure on health care		**8,530,883**	**9,362,857**	**10,301,915**	**831,974**	**939,058**	**9.9%**
Memorandum items: further health-related functions							
Education and training of health personnel	HC.R.2	92,116	121,010	127,137	28,894	6,127	17.5%
Research and development in health	HC.R.3						
Food, hygiene and drinking-water control	HC.R.4						
Environmental health	HC.R.5	70	0	0	(70)	0	-100.0%
Total health-related expenditure		**92,186**	**121,010**	**127,137**	**28,824**	**6,127**	**17.4%**
Total health and health-related expenditure		**8,623,069**	**9,483,867**	**10,429,052**	**860,798**	**945,185**	**10.0%**

5.2.1 Personal health

Funding for health services provided to individuals for the purpose of improving or protecting their health is identified as personal health expenditure. In 2005/06, the Ministry share of personal health expenditure totalled $9,275.4 million or 67.0% of total personal health expenditure. With three years of consistently compiled data using SHA, some trends are starting to emerge. Total current expenditure has increased on average by 9.9% per year and personal health care (the largest component) has grown by 9.8%. Care provided in an institutional setting, both inpatient and day care, is growing at a lower rate than outpatient, home care and community-based services (ancillary services and medical goods dispensed to outpatients).

Basic medical and diagnostic services provided to outpatients have seen the largest increase at an average of 22.7%. This is the SHA function that includes the additional funding for primary health initiatives. In dollar terms, this function has increased by approximately $582.4 million ($410.5 million in 2004/05 and $171.9 million in 2005/06).

5.2.2 Public health

Public health funding, also known as collective health is for services relating to the whole population or population groups. This broad focus distinguishes public health funding from funding for individual personal health services. Public health services are primarily concerned with health protection, improvement and/or promotion. With the change to OECD SHA definitions and reporting in 2003/04, certain services historically reported as public health are now reported as administration or included in the health-related areas.

Specific objectives of public health service delivery include:

- ensuring that health and disability services meet population needs, and that health gains are maximised and provided efficiently
- improving regulatory frameworks so that they better protect the health and safety of New Zealanders while minimising industry compliance costs
- improving the health status of at-risk groups, especially Māori, by increased responsiveness to their needs.

Within public health services, functions of prevention and public health have grown considerably, by 16.3%, while administrative and insurance costs have grown at a much lower rate, by 4.8% per annum.

Table 5.3: Destinations of Ministry Direct and DHB Devolved Funding, 2003/04–2005/06

Health care by function	ICHA-HC code	Ministry Direct Funding			DHB Devolved Funding		
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)
Inpatient care							
Curative and rehabilitative care	HC.1.1; 2.1	161,334	169,926	196,383	2,367,949	2,286,390	2,450,135
Long-term nursing care	HC.3.1	231,778	114,401	107,592	624,394	793,405	950,370
Services of day care							
Curative and rehabilitative care	HC.1.2; 2.2	0	0	0	138,204	105,196	123,106
Long-term nursing care	HC.3.2	24,935	28,071	36,566	62,542	50,755	58,982
Outpatient care							
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**83,687**	**50,679**	**65,102**	**1,499,709**	**1,938,892**	**2,132,465**
Basic medical and diagnostic services	HC.1.3.1	324	363	14,338	1,150,927	1,561,345	1,719,281
Outpatient dental care	HC.1.3.2	25	678	354	123,139	146,549	156,206
All other specialised health care	HC.1.3.3	0	0	0	0	0	0
All other outpatient care	HC.1.3.9	11,844	19,986	15,604	0	0	0
Home care							
Curative and rehabilitative care	HC.1.4; 2.4	14,385	15,831	16,800	253,432	378,757	384,011
Long-term nursing care	HC.3.3	557,549	432,286	506,966	245,905	345,013	374,573
Ancillary services to health care	HC.4	110,669	164,645	167,891	353,668	400,832	438,302
Medical goods dispensed to outpatients	**HC.5**	**13,492**	**39,175**	**97,388**	**956,856**	**1,117,781**	**1,168,729**
Pharmaceutical and other medical non-durables	HC.5.1	12,321	39,175	97,388	948,221	1,100,153	1,155,635
Therapeutic appliances and other medical durables	HC.5.2	1,171	0	0	8,635	17,628	13,094
Total expenditure on personal health care		**1,197,829**	**1,015,014**	**1,194,688**	**6,502,659**	**7,417,021**	**8,080,673**
Prevention and public health services	HC.6	310,293	412,960	443,438	141,388	148,452	167,061
Health administration and health insurance	HC.7	263,747	279,088	338,847	114,967	90,322	77,208
Total current expenditure on health care		**1,771,869**	**1,707,062**	**1,976,973**	**6,759,014**	**7,655,795**	**8,324,942**
Memorandum items: further health-related functions							
Education and training of health personnel	HC.R.2	92,116	116,080	120,227	0	4,930	6,910
Research and development in health	HC.R.3						
Food, hygiene and drinking-water control	HC.R.4						
Environmental health	HC.R.5	70	0	0	0	0	0
Total health-related expenditure		**92,186**	**116,080**	**120,227**	**0**	**4,930**	**6,910**
Total health and health-related expenditure		**1,864,055**	**1,823,142**	**2,097,200**	**6,759,014**	**7,660,725**	**8,331,852**

5.2.3 Ministry direct and DHB devolved funding

DHB devolved funding as a percentage of Ministry funding increased from 79% in 2003/04 to 81% in 2005/06. This represents a funding shift and devolution of additional responsibilities to DHBs for the funding of health services. Over this three-year period, DHB devolved funding increased by $1,565.9 million, or an average 11% per annum, while Ministry direct funding increased by a smaller $205.1 million, or an average 6% per annum. The most significant items of Ministry direct funding fall within; long-term nursing care provided to individuals in their homes or the community, (these consist largely of disability support services), and medical goods dispensed to out-patients and prevention and public health services.

5.2.4 Ministry of Health – head office

Table 5.4 provides a breakdown of funding by output class for the Ministry of Health in 2004/05 and 2005/06. It reflects the Ministry of Health's 'head office' costs incurred in the administration of but not provision of health services. It shows that information services are the largest output class, accounting for $60.0 million in 2005/06, or 31.7%. Information services include the cost of administering the HealthPAC system, a claims payment facility. Public health is the next largest output class, with funding at 25.2%. The Ministry also directly funds a small amount for bio security services at the departmental level.

Table 5.4: Ministry of Health expenditure, by output class, 2004/05 and 2005/06

Output class	2004/05		2005/06	
	$ million	% of total	$ million	% of total
Health and disability policy advice	12.4	7.2%	13.2	6.9%
Performance management	16.9	9.8%	18.8	9.9%
Ministerial support services	2.7	1.6%	3.2	1.7%
Māori health	4.2	2.4%	3.9	2.1%
Public health	40.2	23.3%	47.8	25.2%
Disability issues	8.8	5.1%	10.7	5.6%
Health sector development	1.0	0.6%	0.0	0.0%
Mental health	7.4	4.3%	7.3	3.9%
Personal and family services	16.8	9.7%	14.4	7.6%
Screening programmes	10.2	5.9%	10.2	5.4%
Information services	51.8	30.0%	60.0	31.7%
Total	**172.4**	**100.0%**	**189.5**	**100.0%**
Biosecurity – policy advice	1.5	3.8%	1.9	19.3%
Biosecurity – specific pest and disease responses	6.3	96.2%	8.0	80.7%
Total	**7.8**	**100.0%**	**9.9**	**100.0%**

Source: Ministry of Health

Note: Totals may be affected by rounding.

Chapter 6: Other Public Sector Funding

As discussed in Chapter 5, the main contribution to the public sector funding of health, comes from the Government through the Ministry of Health. In addition, Accident Compensation Corporation (ACC) contributes a significant amount to public sector health expenditure.

ACC is a statutory insurance organisation, owned by the state which provides compulsory, comprehensive no-fault insurance cover for accident-related injuries to all New Zealanders. Other central government agencies and local authorities also incur expenditure that directly or indirectly affects the health status of New Zealand residents.

In 2005/06 funding from ACC at $1,358.7 million accounted for 8.8% of total current health expenditure. Other central government agencies provided an additional $271.0 million, or 1.8%. Local and regional authorities contributed an additional $82.4M. Total other public funding for health services in 2005/06, other than from the Ministry, amounted to $1,712.1 million. Other central government agencies (exclusive of the Ministry and ACC) also contributed $480.3 million to SHA memorandum health-related services.

Regional and local councils contributed $82.4 million, or 0.5% of total current health expenditure plus $1,440.8 million to memorandum health-related expenditure.

In this chapter, trends in expenditure by ACC, other government agencies and local authorities are discussed in more detail.

Total current health expenditure from other central government agencies has increased from $1,199.8 million in 2003/04 to $1,629.7 million in 2005/06, an increase of $429.9 million. The Department of Corrections funds personal health in relation to prisoners, the New Zealand Defence Force provides funding for active duty military, plus Work and Income funds personal health for war pensioners.

Estimates of current health and health-related expenditure by other central government agencies for the period 2003/04 to 2005/06 are shown in Table 6.2. Table 6.3 provides information on local government funding and Table 6.4 presents information from all public funds except for the Ministry.

6.1 Accident Compensation Corporation

The ACC compensation scheme is a 24-hour per day, 7-day per week, no-fault scheme that provides treatment, rehabilitation and compensation for New Zealand citizens, residents and temporary visitors to New Zealand who suffer personal injury through accident while in New Zealand. In return, people who have coverage under ACC legislation may not sue for personal injury, other than for exemplary damages.

ACC is the Crown entity responsible for administering the Accident Compensation Scheme. Responsibilities include:

- preventing injury
- collecting accident levies
- determining whether claims for injury are covered by the scheme and providing entitlements to people who are eligible
- paying compensation
- buying health and disability support services to treat, care for and rehabilitate injured people
- advising the government.

ACC is funded principally by levies collected from a range of sources, including employers, self-employed people, employees and motor vehicle licensing. ACC also receives direct government funding. ACC is not funded from the Ministry of Health; however ACC does provide funding to the Ministry for acute services. This funding is now reported in the Provider arm of the DHBs.

Historically, ACC health expenditure information used in the HET reports was obtained by survey; starting in 2003/04, the source changed to the ACC annual report, adjusted to include GST. In addition, starting in 2003/04, the estimate for ACC current expenditure was increased to include components for accident prevention and ACC administration. These functions are estimated at $46.5 million and $185.6 million respectively for 2005/06.

In a broader context, one could include all ACC expenditure in health or health-related categories; however, this approach has not been taken for estimates based on SHA definitions at this time. Various WHO and OECD documents address how countries could classify various income related benefits (sickness, accident, age-related, other social benefits). These services are likewise not included in these estimates as of 2005/06. Table 6.1 presents ACC's total current health expenditure from 2000/2001 to 2005/06.

Table 6.1: ACC current health expenditure ($ million), 2000/01–2005/06

	2000/01	2001/02	2002/03	2003/04*	2004/05	2005/06
Total expenditure	784.1	865.0	950.9	991.7	1,180.2	1,358.7

Source: ACC surveys and annual reports.

* Starting in 2003/04 values include a factor for GST at 12.5%.

Note: From 2003/04 onwards, these figures include an estimate for accident prevention and administration and exclude public health acute services now included in the DHB Funder arm expenditure.

6.2 Other government agencies

Other central government agencies contributing to direct health and indirect health-related expenditure included in this report are the ministries or departments of Agriculture and Forestry (MAF); Education; Internal Affairs; Research, Science and Technology; Defence; Social Development; Corrections; Te Puni Kōkiri (Māori Development) and Pacific Island Affairs. Estimates of current health and health-related expenditure for this group of agencies were derived from annual reports and by direct surveys.

6.2.1 Bio-security

Vote Bio-security brings together the bio-security activities of the ministries or departments of MAF, Health, Fisheries and Conservation. Expenditure by the Ministry of Health is discussed in Chapter 5. Current expenditure incurred by Fisheries and Conservation appear to relate more directly to biodiversity than to public health, and totalled approximately $10 million in 2003/04. This expenditure has been excluded from this HET report. Starting in 2003/04, current expenditure by MAF is sourced from their annual reports.

One strategic area that receives a large proportion of MAF's expenditure is vector control. Key responsibilities for this service include:

- developing and implementing strategies for managing risks posed by pests, weeds and diseases to the economy, biological diversity and people's health
- monitoring the effectiveness of policy and legislative frameworks for managing the risks posed by pests, weeds and diseases to the economy, biological diversity and people's health.

Current health expenditure incurred by MAF for biosecurity in 2005/06 totalled $186.3 million, compared with $149.5 million in 2004/05, and covers the cost of the following services and activities.

- **Border inspection and quarantine services** control quarantine risks at the border and undertake post-entry quarantine in line with the provisions of the Biosecurity Act 1993. Health activities include border clearance procedures for aircraft and vessels (including for passengers), investigating suspected illegal imports and the identifying intercepted organisms. In 2005/06, MAF expenditure in this area came to $58.1 million.
- **Pest and disease surveillance services** maintain the health of domestic animal and plant populations, report internationally on the health status of domestic animals and plants and detect unwanted organisms. Pest and disease emergency response services maintain a capability (personnel and diagnostic capacity) to respond to the introduction of unwanted organisms that are harmful to animals and plants. In 2005/06, MAF's combined expenditure on these services was $89.7 million.

- **Control of tuberculosis vectors** covers the government contribution to implementing the bovine tuberculosis national pest management strategy. The objective of the strategy is to reduce the number of bovine tuberculosis-infected cattle and deer herds. This objective is jointly funded by government and industry. MAF expenditure in 2005/06 totalled $38.5 million.

6.2.2 Food safety

MAF also administers food safety, with the main aims being to:

- provide a coherent and seamless food regulatory regime
- reduce the incidence of domestic food-borne illness
- retain and develop policy and technical expertise in food safety
- create a centre for excellence in risk-management based food safety administration
- provide advice and acknowledge the whole-of-government interest in food administration.

Note: Food Safety became its own government department in May 2007.

Expenditure on food safety amounted to $86.2 million in 2005/06 compared with $83.0 million in 2004/05. The most significant spending was on regulatory programmes and regulatory standards, at $36.2 million and $40.3 million respectively. Other expenditure included food safety policy advice, response to food safety emergencies, consultation and food safety information. These activities are reported as a health-related service under food, hygiene and drinking-water control in SHA.

6.2.3 Education

Ministry of Education spending on current health-related activities includes the cost of providing tertiary training and education for doctors, nurses, dentists, dieticians, physiotherapists, clinical psychologists, audiologists, pharmacists, midwives and occupational and speech therapists. Starting in 2003/04, the estimates represent a significant change in the magnitude of the expenditure on educating health professionals and clinical research. The change involves a move to estimate the full cost of tertiary education not limited to the costs incurred by the Ministry of Education.

The source for these estimates has changed to the Tertiary Education Statistics on the Ministry of Education website[10] and the annual reports from four leading tertiary institutions:[11] Massey University, Auckland University of Technology, University of Auckland, and University of Otago. An adjustment for GST has been included (12.5%). The estimate is conservative as only the University of Otago provided a separate cost for their medical programme; these costs are significantly higher per pupil than those incurred for other programmes. For all other tertiary institutions, an unweighted cost per pupil was used.

[10] See: http:/www.educationcounts.govt.nz/statistics/tertiary_education

[11] Prior estimates were sourced from the annual survey and included Ministry of Education bulk subsidies only.

The total estimates for 2005/06 are $450.3 million for educating health professionals and $107.3 million for clinical research undertaken by tertiary institutions, compared with $411.9 million and $108.9 million respectively for 2004/05. An estimate for the non-government portion of this funding is attributed to out-of-pocket private funding. In accordance with SHA definitions and classifications, this function is a health-related expenditure.

6.2.4 Research, science and technology

In July 1997, part of the public investment in health research was transferred from the Ministry of Health to the Ministry of Research, Science and Technology (MoRST). Health research is now included in the priority setting and management process applied to other public-good science and technology investments. In 2005/06, expenditure on health research was $67.5 million, compared with $54.3 million in 2004/05.

The 2005/06 estimate is sourced from the MoRST annual report. To conform to SHA definitions and classifications, research is now reported as a health-related service and not a core health service.

6.2.5 Defence

The Ministry of Defence provides funding for health care services to Army, Navy and Air Force personnel. The estimate of current health expenditure includes the cost of medical and dental treatments carried out within the Defence service branches, as well as payments for services obtained from external professionals and organisations. The estimate excludes expenditure relating to medical examinations.

The estimated expenditure on health care for 2005/06 is $27.6 million, compared with $24.5 million in 2004/05. The estimate for 2004/05 was sourced by direct response. The total expenditure was distributed to SHA personal health functions in proximity to expenditure patterns in the previous year.

6.2.6 Social Development

The bulk of health expenditure (mainly disability support services) previously administered by the Ministry of Social Development was transferred to the Ministry of Health between 1993/94 and 1995/96.[12] However, a provision remains within the Ministry of Social Development for Vote Veterans' Affairs to fund assistance to war pension recipients by meeting the costs of medical treatment or equipment required as a result of a disability caused or aggravated by war service.

The estimated total expenditure in 2005/06 is $16.8 million, compared with $12.9 million in 2004/05. Since 2003/04, the source for these estimates is from the Ministry of Social Development annual report. The expenditure has been distributed across SHA health functions of outpatient and home care for acute, rehabilitative and long-term care services and represents a slight increase to personal health of $3.9 million.

[12] Work and Income, however, retains a significant disability funding capacity.

The Ministry of Social Development also administers the Community Services Card programme. Expenditure in 2005/06 for administering this programme amounted to $6.2 million, compared with $6.1 million in 2004/05. In accordance with SHA definitions this activity is considered part of government administration of health services, and is therefore part of core health expenditure. Funding for youth suicide prevention has been transferred to the Ministry of Health.

6.2.7 Department of Corrections

The Department of Corrections incurs costs relating to the provision of health care services for prison inmates and those held in judicial custody. The total estimated cost of $30.4 million for 2005/06 includes expenditure on general medical treatment ($18.8 million) and psychiatric treatment ($11.6 million). This represents an increase of $8.2 million or 37% compared with the 2004/05 expenditure of $22.2 million.

The current health expenditure estimates are consistently sourced by direct survey. Starting in 2003/04 the expenditure has been distributed across SHA health functions of outpatient and home care for acute, rehabilitative and long-care services. There is no change in methodology for this estimate.

6.2.8 Internal Affairs

The New Zealand Lottery Grants Board, which is administered by The Department of Internal Affairs, funded health and health-related projects amounting to $6.9 million during 2005/06 compared with $5.5 million in 2004/05. The data source for these estimates is the New Zealand Lotteries Commission annual report.

Included in the above estimate are direct grants made to individuals with disabilities to purchase disability support equipment, not funded by other sources, to increase and maintain their participation, fulfilment, enjoyment and achievement in the community. These grants totalled $3.9 million in 2005/06. Additional lottery grants totalling $3.0 million were distributed to fund health research and are attributed to a health-related function. Grants to seniors are no longer separately identifiable and are not included in these estimates.

6.2.9 Te Puni Kōkiri (Māori Development)

Health expenditure under Te Puni Kōkiri contributes to policy advice to the Government's objective of reducing inequalities between Māori and non-Māori in the delivery of health and disability support services.

The policy advice has focused on three main areas.

- How to make progress towards reducing inequalities in health status between Māori and non-Māori.
- How to improve Māori health outcomes by increasing Māori participation in the purchase and provision of health services.

- The development of new Māori health initiatives for the wellbeing of Māori, including the development of strategies to increase Māori access to health services and the adoption of healthy lifestyle choices.

6.2.10 Pacific Island Affairs

During 2005/06, the Ministry of Pacific Island Affairs incurred health expenditure of $0.149 million for the provision of health policy advice, compared with $0.144 million in 2004/05. This service has been attributed to the SHA function: health administration, health expenditure. Starting in 2003/04, this information has been sourced from the Ministry of Pacific Island Affairs annual report, whereas earlier estimates came from direct survey responses.

Table 6.2: Current health expenditure and health-related expenditure by other central government agencies (including ACC), 2003/04–2005/06

Health care by function	ICHA–HC code	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Average annual growth rate
Inpatient care							
Curative and rehabilitative care	HC.1.1; 2.1	43,856	47,557	60,524	3,701	12,967	17.9%
Long-term nursing care	HC.3.1	9,296	10,203	11,599	907	1,396	11.7%
Services of day care							
Curative and rehabilitative care	HC.1.2; 2.2	43,856	47,557	60,524	3,701	12,967	17.9%
Long-term nursing care	HC.3.2	9,296	10,203	11,599	907	1,396	11.7%
Outpatient care							
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**311,217**	**371,129**	**430,116**	**59,912**	**58,987**	**17.6%**
Basic medical and diagnostic services	HC.1.3.1	85,582	100,491	116,230	14,909	15,739	16.5%
Outpatient dental care	HC.1.3.2	16,024	21,067	24,100	5,043	3,033	22.9%
All other specialised health care	HC.1.3.3	67,854	77,798	90,640	9,944	12,842	15.6%
All other outpatient care	HC.1.3.9	113,406	137,418	159,317	24,012	21,899	18.5%
Home care							
Curative and rehabilitative care	HC.1.4; 2.4	200,565	234,968	274,333	34,403	39,365	17.0%
Long-term nursing care	HC.3.3	163,115	194,238	221,664	31,123	27,426	16.6%
Ancillary services to health care	HC.4	40,641	51,718	58,518	11,077	6,800	20.2%
Medical goods dispensed to outpatients	**HC.5**	**58,752**	**67,546**	**76,575**	**8,794**	**9,029**	**14.2%**
Pharmaceutical and other medical non-durables	HC.5.1	17,053	18,361	20,965	1,308	2,604	10.9%
Therapeutic appliances and other medical durables	HC.5.2	41,699	49,185	55,610	7,486	6,425	15.5%
Total expenditure on personal health care		**880,594**	**1,035,119**	**1,205,452**	**154,525**	**170,333**	**17.0%**
Prevention and public health services	HC.6	174,615	195,634	232,781	21,019	37,147	15.5%
Health administration and health insurance	HC.7	144,555	169,032	191,450	24,477	22,418	15.1%
Total current expenditure on health care		**1,199,764**	**1,399,785**	**1,629,683**	**200,021**	**229,898**	**16.5%**
Memorandum items: further health-related functions							
Education and training of health personnel	HC.R.2	184,290	197,700	216,163	13,410	18,463	8.3%
Research and development in health	HC.R.3	142,085	165,924	177,941	23,839	12,017	12.0%
Food, hygiene and drinking-water control	HC.R.4	74,187	83,008	86,153	8,821	3,145	7.8%
Environmental health	HC.R.5	20,333	12,841	0	-7,492	-12,841	-100.0%
Total health-related expenditure		**420,895**	**459,473**	**480,257**	**38,578**	**20,784**	**6.8%**
Total health and health-related expenditure		**1,620,659**	**1,859,258**	**2,109,940**	**238,599**	**250,682**	**14.1%**

6.2.11 Other central government expenditure trends

In 2005/06, total current health expenditure by all the other central government agencies, excluding the Ministry but including ACC, totalled $1,629.7 million, compared with $1,199.8 million in 2003/04, an increase of approximately $429.9 million or 35.8%. As presented in Table 6.2 above, personal health expenditure represents the majority of current health expenditure by other central government agencies at $1,205.5 million, or 74.0% of the total health expenditure. This pattern is heavily influenced by ACC. For the three-year period, the SHA functions reflect a fairly consistent increase of approximately 17% across all functions, ranging from a high of 22.9% for outpatient dental care (a function with a very low dollar value) to a low of 10.9% within pharmaceuticals and other non-durables.

6.3 Local authorities

Prior to 2003/04, estimates for local government were based on the Ministry sample survey, with the results extrapolated to calculate an estimate for the total population of New Zealand. Starting in 2003/04, expenditure has been estimated by compiling information from local government annual reports. Regional governments, which are largely responsible for environmental services and in some cases water and sewage, had been excluded from the sample prior to 2003/04. Consequently the expenditure estimates for local government services were significantly undervalued for the periods before 2003/04.

As has been consistently stated from the inception of HET reporting in the early 1980s, health-related expenditure had been significantly under-reported. This was due to the application of the narrow WHO definition of public health prior to 2003/04. Examples of services previously excluded include: control of foul water, drainage, sewerage collection and treatment, rubbish collection and disposal, overflow prevention, stagnation of flood water and water purification. The estimate now includes these and other services. Specific services not included by the SHA definitions are civil defence and road safety. Consequently the original definitions have not been retained and internal consistency has been lost. The estimates have, however, gained greater international comparability and are now more accurate and complete.

The estimates since 2003/04 have been sourced from annual reports, augmented by survey responses where appropriate and necessary. An estimate for GST has been included by increasing the values by 12.5%. Significant activities are easily identified in annual reports, such as sewage systems and rubbish collection and disposal. Other activities that are more on a line-item level are not consistently identified in regional or local government annual reports. Examples of this latter group include: swimming pool testing and treatment and road-cleaning costs. These less material services are included in the overall estimates, using the survey results if they did not appear to be duplicative.

The estimates are conservative as most annual reports do not include an allocation of support and administration costs to services. In addition, if there was doubt as to whether a service should be included in the estimate, it was excluded. Appendix 7 contains a complete list of the regional and local authorities included in the 2005/06 sample.

The sample represents regional authorities covering approximately 94% and local authorities covering approximately 66% of the total New Zealand population. There is currently a mix of services being provided at regional and local levels, primarily for water and sewage services. It was therefore necessary to estimate intermediate per capita expenditure on a regional basis before the final extrapolation of the single national per capita cost estimate to a total national value.

Table 6.3: Current health and health-related expenditure by local authorities, 2003/04–2005/06

Health care by function	ICHA-HC code	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Average annual growth rate
Inpatient care							
Curative and rehabilitative care	HC.1.1; 2.1	0	0	0	0	0	N/A
Long-term nursing care	HC.3.1	0	0	0	0	0	N/A
Services of day care							
Curative and rehabilitative care	HC.1.2; 2.2	0	0	0	0	0	N/A
Long-term nursing care	HC.3.2	0	0	0	0	0	N/A
Outpatient care							
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**0**	**0**	**0**	**0**	**0**	**N/A**
Basic medical and diagnostic services	HC.1.3.1	0	0	0	0	0	N/A
Outpatient dental care	HC.1.3.2	0	0	0	0	0	N/A
All other specialised health care	HC.1.3.3	0	0	0	0	0	N/A
All other outpatient care	HC.1.3.9	0	0	0	0	0	N/A
Home care							
Curative and rehabilitative care	HC.1.4; 2.4	0	0	0	0	0	N/A
Long-term nursing care	HC.3.3	0	0	0	0	0	N/A
Ancillary services to health care	HC.4	0	0	0	0	0	N/A
Medical goods dispensed to outpatients	**HC.5**	**0**	**0**	**0**	**0**	**0**	**N/A**
Pharmaceutical and other medical non-durables	HC.5.1	0	0	0	0	0	N/A
Therapeutic appliances and other medical durables	HC.5.2	0	0	0	0	0	N/A
Total expenditure on personal health care		**0**	**0**	**0**	**0**	**0**	**N/A**
Prevention and public health services	HC.6	63,242	61,882	82,371	-1,360	20,489	14.1%
Health administration and health insurance	HC.7	0	0	0	0	0	N/A
Total current expenditure on health care		**63,242**	**61,882**	**82,371**	**-1,360**	**20,489**	**14.1%**
Memorandum items: further health-related functions							
Education and training of health personnel	HC.R.2						
Research and development in health	HC.R.3						
Food, hygiene and drinking-water control	HC.R.4	123,604	145,563	163,265	21,959	17,702	14.9%
Environmental health	HC.R.5	1,116,167	1,198,311	1,277,485	82,144	79,174	7.0%
Total health-related expenditure		**1,239,771**	**1,343,874**	**1,440,750**	**104,103**	**96,876**	**7.8%**
Total health and health-related expenditure		**1,303,013**	**1,405,756**	**1,523,121**	**102,743**	**117,365**	**8.1%**

6.3.1 Local government expenditure trends

As Table 6.3 above shows, total current health and health-related expenditure by regional and local authorities increased from $1,303.0 million in 2003/04 to $1,523.1 million in 2005/06. However, only a relatively small portion of this expenditure is health expenditure: prevention and public health services amount to $63.2, $61.9 and $82.4 million for 2003/04, 2004/05 and 2005/06, respectively.

6.4 Trends in the use of other public funding

Table 6.4 presents the trends in other public funding, excluding the Ministry, for other central agencies and regional and local government. Other public funding for current health expenditure in 2005/06 is estimated at $1,712.0 million, an increase of $449.0 million or 35.5%. The three-year period reflects an average annual increase of 16.4% per annum on health expenditure, with the largest dollar value increases in outpatient curative and rehabilitative care. The expenditure pattern and increases are heavily influenced by ACC purchasing.

Table 6.4: Total other public funding (excluding the Ministry), 2003/04–2005/06

Health care by function	ICHA-HC code	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Average annual growth rate
Inpatient care							
Curative and rehabilitative care	HC.1.1; 2.1	43,856	47,557	60,524	3,701	12,967	17.9%
Long-term nursing care	HC.3.1	9,296	10,203	11,599	907	1,396	11.7%
Services of day care							
Curative and rehabilitative care	HC.1.2; 2.2	43,856	47,557	60,524	3,701	12,967	17.9%
Long-term nursing care	HC.3.2	9,296	10,203	11,599	907	1,396	11.7%
Outpatient care							
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**311,217**	**371,129**	**430,116**	**59,912**	**58,987**	**17.6%**
Basic medical and diagnostic services	HC.1.3.1	85,582	100,491	116,230	14,909	15,739	16.5%
Outpatient dental care	HC.1.3.2	16,024	21,067	24,100	5,043	3,033	22.9%
All other specialised health care	HC.1.3.3	67,854	77,798	90,640	9,944	12,842	15.6%
All other outpatient care	HC.1.3.9	113,406	137,418	159,317	24,012	21,899	18.5%
Home care							
Curative and rehabilitative care	HC.1.4; 2.4	200,565	234,968	274,333	34,403	39,365	17.0%
Long-term nursing care	HC.3.3	163,115	194,238	221,664	31,123	27,426	16.6%
Ancillary services to health care	HC.4	40,641	51,718	58,518	11,077	6,800	20.2%
Medical goods dispensed to outpatients	**HC.5**	**58,752**	**67,546**	**76,575**	**8,794**	**9,029**	**14.2%**
Pharmaceutical and other medical non-durables	HC.5.1	17,053	18,361	20,965	1,308	2,604	10.9%
Therapeutic appliances and other medical durables	HC.5.2	41,699	49,185	55,610	7,486	6,425	15.5%
Total expenditure on personal health care		**880,594**	**1,035,119**	**1,205,452**	**154,525**	**170,333**	**17.0%**
Prevention and public health services	HC.6	237,857	257,516	315,152	19,659	57,636	15.1%
Health administration and health insurance	HC.7	144,555	169,032	191,450	24,477	22,418	15.1%
Total current expenditure on health care		**1,263,006**	**1,461,667**	**1,712,054**	**198,661**	**250,387**	**16.4%**
Memorandum items: further health-related functions							
Education and training of health personnel	HC.R.2	184,290	197,700	216,163	13,410	18,463	8.3%
Research and development in health	HC.R.3	142,085	165,924	177,941	23,839	12,017	11.9%
Food, hygiene and drinking-water control	HC.R.4	197,791	228,571	249,417	30,780	20,846	12.3%
Environmental health	HC.R.5	1,136,500	1,211,152	1,277,485	74,652	66,333	6.0%
Total health-related expenditure		**1,660,666**	**1,803,347**	**1,921,006**	**142,681**	**117,659**	**7.6%**
Total health and health-related expenditure		**2,923,672**	**3,265,014**	**3,633,060**	**341,342**	**368,046**	**11.5%**

Chapter 7: Private Sector Funding

Private sector funding sources were the major contributors to total current health funding in the early years of the New Zealand health services. However, since the end of World War II, public sector funding has dominated.

Private sources of funding consist of out-of-pocket, health insurance and not-for-profit organisations. Together, they accounted for approximately 22.1% of total current health expenditure in 2005/06, compared with 22.6% in 2004/05 – considerably higher than the low of 12% in 1979/80 (see Figure 4.1). Out-of-pocket expenditure by private households is the largest component of private sector funding, contributing approximately 16.5% to total current health expenditure in 2005/06, while health insurance and not-for-profit organisations contributed 4.7% and 0.9% respectively.

A minimal estimate has been included for privately funded long-term nursing care. This estimate is likely to be understated and is subject to refinement.

7.1 Out-of-pocket expenditure

Data on out-of-pocket expenditure for 2005/06 is based on an extrapolation of the Household Economic Survey (HES) produced by Statistics New Zealand.[13] Surveys were conducted for 2000/01 and 2003/04. The figures for 2001/02 and 2002/03 had been estimated based on the CPI, which did not adequately address the actual growth in out-of-pocket expenditure known once the 2003/04 survey responses were available. For the 2004/05 and 2005/06 estimates, the extrapolation uses the actual growth rates from the two most recent surveys.

Household consumption expenditure covers expenditure by resident households, whether this occurs in New Zealand or overseas. Resident households include individuals living in private dwellings or in non-private dwellings, such as boarding houses, rest homes and prisons.[14]

Out-of-pocket HES data is collected in three ways:

- a 12-month recall (for single payments of $200 or more); $100 for medical services
- latest payment (for regular commitments such as electricity, telephone, rates, rent)
- 14-day diary keeping.

It is believed that the HES underestimate expenditure in a number of areas, such as contributions to health insurance. This is because payments are often deducted at source from salaries, etc, and are sometimes overlooked in the survey data collection.[15] Health insurance payments are covered under the ‘health service costs (NEC)’ (not elsewhere classified) in the HES.

[13] An annual survey until 1998.

[14] See: www2.stats.govt.nz.

[15] See: www2.stats.govt.nz.

Consequently the HES produce conservative estimates. Use of this survey as a data source for out-of-pocket expenses remains unchanged. Table 7.1 presents the results of the survey for 2000/01 and 2003/04 to 2005/06. During this period, total out-of-pocket expenditure on health services increased on average by 7.8% per annum. Medical and other health practitioners' fees increased more significantly by 11.6% and 8.1% respectively.

For 2005/06, the major components of out-of-pocket expenditure on health were pharmaceuticals (23.9%) and other health practitioner fees (primarily dental care) (30.0%); most of these services were provided by the private sector.

Table 7.1: Survey responses ($ million), 2000/01, 2003/04–2005/06

Survey categories	2000/01	2003/04	2004/05	2005/06	Increase 2004/05 to 2005/06	Average annual growth rate
Medical goods						
Pharmaceutical supplies	431.168	519.804	563.421	610.698	47.277	7.2%
Medical equipment	23.691	28.769	31.325	33.953	2.628	7.5%
Medical goods subtotal	**454.859**	**548.573**	**594.746**	**644.651**	**49.905**	**7.2%**
Health services						
Medical practitioners' fees	298.189	417.083	475.400	515.291	39.891	11.6%
Other health practitioners' fees	517.062	644.247	705.662	764.875	59.213	8.1%
Hospital and nursing fees	66.369	80.156	87.059	94.365	7.306	7.3%
Health service costs NEC	418.098	465.390	491.446	532.684	41.238	5.0%
Health services subtotal	**1,299.718**	**1,606.876**	**1,759.567**	**1,907.215**	**147.648**	**8.0%**
Medical goods and health services	**1,754.577**	**2,155.449**	**2,354.313**	**2,551.866**	**197.553**	**7.8%**

Source: Statistics New Zealand, Household Economic Survey

Notes: The 2000/01 value differs slightly from the historical value of 1,656,853. Survey categories do not reflect implementation of the SHA.

NEC: Not elsewhere classified.

7.1.1 Out-of-pocket expenditure trends

The trends in total out-of-pocket expenditure from 1995/96 to 2005/06 are reported in Appendix 3.1. Total out-of-pocket expenditure on health increased from $1,135.1 million in 1995/96 to $2,551.9 million in 2005/06. In nominal terms, the rate of this increase was approximately 8.4% per year (6.2% in real terms). The actual growth rate from 2000/01 to 2003/04 (actual survey years) was used to project the expenditure for 2004/05 and 2005/06.

In 2005/06, the total out-of-pocket funder category also included $234.2 million for the cost of educating health professionals not covered by the government subsidy. This is a health-related function and thus not included in the current health expenditure nor are the values in the preceding section or in Table 7.1.

7.2 Health insurance

Estimates of health insurers' total current expenditure on health care during the review year are based on data provided by the executive director of the Health Funds Association of New Zealand Inc (HFANZ). The 2005/06 estimates show that current health expenditure by the insurance industry has increased from $660.9 million in 2004/05 to $724.0 million in 2005/06. During 2005/06, health insurance accounted for close to 4.7% of all current spending on health, compared with 4.7% in 2004/05 and 6.5% in 1995/96.

The 2004/05 and 2005/06 estimates are based on aggregate information from the HFANZ statistics of July 2006, whereas earlier years' estimates were based on direct survey. Recent trends reflect an increase in 'major medical' insurance but a decline in comprehensive medical policies.

Table 7.2: Destinations of insurance funding ($ million), 2001/02–2005/06

	2001/02	2002/03	2003/04	2004/05	2005/06	Change 2004/05–2005/06	Average annual growth rate
Public institutions	0.415	0.714	0.640	0.591	0.570	-0.021	8.2%
Private institutions	385.552	421.007	431.890	461.496	521.418	59.922	7.8%
Community care	226.348	221.648	206.062	198.842	202.012	3.170	-2.8%
Total	612.315	643.369	638.592	660.929	724.000	63.071	4.3%

7.2.1 Expenditure trends

Aggregate health insurance expenditure grew from $467.7 million in 1995/96 to $724.0 million in 2005/06. The average annual compound growth in insurance expenditure during the period was 4.5% (2.0% in real terms). A breakdown by category of trends in health insurance expenditure since 1995/96 is provided in Appendix 4.

Table 7.3 gives details of insurance coverage by age group across the population for 2001/02 to 2005/06. There has been no material change in age distribution over the past five years.

Table 7.3: Proportion of the New Zealand population covered by medical insurance (by age group), 2002, 2005 and 2006

Age	2002	2005	2006	Change 2005 to 2006	Percent % 2005 to 2006	Average annual growth rate
0–4	49,259	58,475	58,970	495	0.8%	4.6%
5–9	80,792	82,360	82,219	-141	-0.2%	0.4%
10–14	95,273	96,969	95,312	-1,657	-1.7%	0.0%
15–19	93,593	95,570	97,487	1,917	2.0%	1.0%
20–24	63,969	66,917	67,315	398	0.6%	1.3%
25–29	61,778	61,369	62,416	1,047	1.7%	0.3%
30–34	88,380	89,989	88,146	-1,843	-2.0%	-0.1%
35–39	106,227	108,675	109,518	843	0.8%	0.8%
40–44	119,441	125,109	124,057	-1,052	-0.8%	1.0%
45–49	116,332	125,305	126,591	1,286	1.0%	2.1%
50–54	117,761	120,908	121,069	161	0.1%	0.7%
55–59	99,546	115,470	117,936	2,466	2.1%	4.3%
60–64	75,165	78,750	81,501	2,751	3.5%	2.0%
65–69	43,741	45,417	49,975	4,558	10.0%	3.4%
70–74	31,268	29,005	29,378	373	1.3%	-1.5%
75–79	22,065	21,160	21,922	762	3.6%	-0.2%
80–84	12,560	13,905	14,363	458	3.3%	3.4%
85–89	5,281	4,944	5,519	575	11.6%	1.1%
90–94	1,288	1,342	1,475	133	9.9%	3.4%
95–99	128	132	146	14	10.6%	3.3%
100+	16	30	20	-10	-33.3%	5.7%
Unknown	26	57	47	-10	-17.5%	16.0%
Total	**1,283,889**	**1,341,858**	**1,355,382**	**13,524**	**1.0%**	**1.4%**

Source: HFANZ, health insurance statistics, July 2006.

7.3 Voluntary and not-for-profit organisations

In order to estimate the voluntary and not-for-profit contribution to health funding, a large sample was compiled with data sourced from annual reports.[16] (See Appendix 7 for a list of the organisations.) The not-for-profit estimate represents funding from non-governmental sources, primarily contributions, donations, corporate grants and earnings on investments.[17] The sample of not-for-profit organisations is increasing as additional entities providing health and health-related services are located. An estimate for GST has been included by increasing the values by 12.5%.

[16] Sourced from the Ministry of Economic Development website: http://www.companies.govt.nz/cms/banner_template/OBNAME

[17] Many of these organisations received income from the Ministry of Health, DHBs, and other central or local government sources. To avoid double counting, revenues from these sources are not included.

The majority of this estimate has been attributed to SHA health expenditure, as not-for-profit organisations mainly contribute to primary health care, disability support and public health promotion and protection functions. Some organisations also contribute to health research, a health-related activity; this has been recognised on an organisational basis. For example, a portion of the Cancer Society's total funding has been apportioned to research.

This estimate remains conservative as it still reflects only a sample of the sector, with the full extent of this sector remaining unknown. The sample may be missing some key organisations that provide significant levels of service. For example, it is likely that patient transportation, especially fixed-wing and rotary-flight air transportation, is underestimated. Also, significant contributions for hospice services are also likely to be missing. In addition, where there has been doubt as to whether a revenue source should be included in the estimates, they have been excluded.

Major not-for-profit organisations include the Cancer Society of New Zealand, the Royal New Zealand Plunket Society, the National Heart Foundation of New Zealand, CCS Disability Action (formerly Crippled Children's Society), Presbyterian Support New Zealand, Arthritis New Zealand, Barnardos New Zealand, Asthma and Respiratory Foundation of New Zealand and many others that provide voluntary health or health-related services.

7.3.1 Expenditure trends

Estimates for the not-for-profit sector have increased from $21.7 million in 1995/96 to $143.2 million in 2005/06. The values reported for periods prior to 2003/04 are significantly underestimated as they were based on a very small sample without an extrapolation to a national level. Each year, additional organisations are located, and the sample grows. Therefore the year-on-year change reflects both organisations being added to the sample and the change in funding by previously identified organisations.

7.4 Trends in uses of private source funding

The estimates for total private source funding by SHA from 2003/04 to 2005/06 are shown in Table 7.4. Details for 2005/06 by individual funder group are presented in Table 7.5.

Table 7.4: Destination of private funding of health services, using SHA, 2003/04–2005/06

Health care by function	Total private sector			Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Average annual growth rate
	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)			
Inpatient care						
Curative and rehabilitative care	554,862	604,592	670,635	49,730	66,043	9.9%
Long-term nursing care	12,825	13,929	15,098	1,104	1,169	8.5%
Services of day care						
Curative and rehabilitative care	132,392	144,293	160,250	11,901	15,957	10.0%
Long-term nursing care	1,620	1,763	1,916	143	153	8.8%
Outpatient care						
Outpatient curative and rehabilitative care	973,407	1,069,468	1,148,536	96,061	79,068	8.6%
Basic medical and diagnostic services	133,714	143,790	149,894	10,076	6,104	5.9%
Outpatient dental care	88,923	95,015	102,277	6,092	7,262	7.2%
All other specialised health care	131,637	146,834	158,925	15,197	12,091	9.9%
All other outpatient care	619,133	683,829	737,440	64,696	53,611	9.1%
Home care						
Curative and rehabilitative care	119,258	122,232	129,320	2,974	7,088	4.2%
Long-term nursing care	141,035	164,494	172,966	23,459	8,472	10.9%
Ancillary services to health care	331,526	354,717	380,779	23,191	26,062	7.2%
Medical goods dispensed to outpatients						
Pharmaceutical and other medical non-durables	549,422	591,298	638,193	41,876	46,895	7.8%
Therapeutic appliances and other medical durables	35,351	39,421	44,229	4,070	4,808	11.9%
Total expenditure on personal health care	**2,851,698**	**3,106,207**	**3,361,922**	**254,509**	**255,715**	**8.6%**
Prevention and public health services	35,254	56,144	57,111	20,890	967	30.5%
Health administration and health insurance	0	0	0	0	0	N/A
Total current expenditure on health care	**2,886,952**	**3,162,351**	**3,419,033**	**275,399**	**256,682**	**8.8%**
Memorandum items: further health-related functions						
Education and training of health personnel	199,648	214,175	234,177	14,527	20,002	8.3%
Research and development in health	20,266	30,486	29,825	10,220	-661	24.1%
Food, hygiene and drinking-water control						
Environmental health						
Total health-related expenditure	**219,914**	**244,661**	**264,002**	**24,747**	**19,341**	**9.6%**
Total health and health-related expenditure	**3,106,866**	**3,407,012**	**3,683,035**	**300,146**	**276,023**	**8.9%**

Over this three-year period, the total private funding of health care services has grown by 8.8% on average. Although this reflects significant growth, it is less than the total public funding growth rate of 10.3%. Within private funding, the growth on personal health care is slightly lower than the total at 8.6%, although this figure is skewed by the expansion of not-for-profit organisations in the sample and their significant contribution to prevention and public health functions. The range in growth is from a low of 4.2% to a high of 11.9% for curative and rehabilitative care, and therapeutic appliances and other medical durables respectively. However, note the low dollar values for therapeutic appliances and other medical durables. The largest dollar value increase is for outpatient curative and rehabilitative care.

Table 7.5: Destination of private funding of health services using SHA and funder, 2003/04–2005/06

Health care by function	Not-for-profit			Insurance			Out-of-pocket		
	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)
Inpatient care									
Curative and rehabilitative care	0	0	0	336,729	358,714	404,125	218,133	245,878	266,510
Long-term nursing care	0	0	0	0	0	0	12,825	13,929	15,098
Services of day-care									
Curative and rehabilitative care	0	0	0	84,271	89,789	101,172	48,121	54,505	59,078
Long-term nursing care	0	0	0	17	22	29	1,603	1,741	1,887
Outpatient care									
Outpatient curative and rehabilitative care	**27,178**	**35,113**	**33,133**	**85,425**	**82,287**	**83,448**	**860,804**	**952,068**	**1,031,957**
Basic medical and diagnostic services	0	0	0	26,718	21,980	17,863	106,996	121,810	132,031
Outpatient dental care	0	0	0	24,498	24,449	25,790	64,425	70,566	76,487
All other specialised health care	0	0	0	24,721	25,111	26,989	106,916	121,723	131,937
All other outpatient care	27,178	35,113	33,133	9,488	10,747	12,806	582,467	637,969	691,502
Home care									
Curative and rehabilitative care	0	0	0	26,180	23,943	22,783	93,078	98,289	106,537
Long-term nursing care	21,793	42,284	43,675	26,164	23,921	22,754	93,078	98,289	106,537
Ancillary services to health care	8,685	13,570	9,251	43,607	46,279	51,917	279,234	294,868	319,610
Medical goods dispensed to outpatients									
Pharmaceutical and other medical non-durables	0	0	0	29,618	27,877	27,495	519,804	563,421	610,698
Therapeutic appliances and other medical durables	0	0	0	6,582	8,097	10,276	28,769	31,325	33,953
Total expenditure on personal health care	**57,656**	**90,967**	**86,059**	**638,593**	**660,929**	**723,999**	**2,155,449**	**2,354,313**	**2,551,865**
Prevention and public health services	35,254	56,144	57,111	0	0	0	0	0	0
Health administration and health insurance	0	0	0	0	0	0	0	0	0
Total current expenditure on health care	**92,910**	**147,111**	**143,170**	**638,593**	**660,929**	**723,999**	**2,155,449**	**2,354,313**	**2,551,865**
Memorandum items: further health-related functions									
Education and training of health personnel	0	0	0	0	0	0	199,648	214,175	234,177
Research and development in health	20,266	30,486	29,825	0	0	0	0	0	0
Food, hygiene and drinking-water control	0	0	0	0	0	0	0	0	0
Environmental health	0	0	0	0	0	0	0	0	0
Total health-related expenditure	**20,266**	**30,486**	**29,825**	**0**	**0**	**0**	**199,648**	**214,175**	**234,177**
Total health and health-related expenditure	**113,176**	**177,597**	**172,995**	**638,593**	**660,929**	**723,999**	**2,355,097**	**2,568,488**	**2,786,042**

The not-for-profit estimate increased significantly from 2003/04 to 2004/05 but remained fairly stable for 2005/06, when the estimate on health expenditure decreased slightly.

As presented in Table 7.5, out-of-pocket and insurance expenditure are the main contributors to personal health care.

Insurance expenditure functions in outpatient and home care are declining, but this is in line with a shift away from comprehensive insurance products towards major medical coverage only.[18]

Out-of-pocket expenditure by private households is the largest component of private sector funding contributing on average 76% of total private health funding with nominal dollar growth of 8.8% over this three-year period. In-patient expenditure grew 10.5% while out-patient expenditure grew 9.5%.

[18] HFANZ, health insurance statistics July 2006.

Chapter 8: International Comparisons

8.1 Data comparison issues

Health expenditure is determined by a mix of social, political and economic factors, which means that no single figure represents the 'right' amount to spend on health. Therefore, care should be exercised when comparing data on international health expenditure, as these comparisons do not indicate whether:

- a country should spend more or less on health
- the mix of health care services is appropriate or directly comparable
- the production of health care services is technically efficient
- quality of care, equity and access considerations are appropriate
- the right quantity of health care reaches the right consumers.

Technical issues also mean that this data should be interpreted cautiously. The most important limitation is the lack of consistent and reliable time-series information on health expenditure for some countries. Following are some of the factors contributing to such technical limitations.

- There are differences in the definitions of the variables included in the various categories of health expenditure, leaving open the possibility of differing interpretations between countries, especially as this relates to long-term nursing.
- Countries do not have formal requirements for reporting health expenditure.
- It is difficult to measure and control social, medical, cultural, demographic and economic differences between countries.
- There are problems measuring health outcomes.

With this HET report, an additional year of data has been produced for New Zealand in advance of OECD release of comparable data for other countries. All tables reflect data from 1995/96 to 2005, or the most recent year with complete data for OECD countries, and also 2006 data for New Zealand. The following comparisons of health expenditure in OECD countries should be viewed with these limitations in mind.

Two modifications have been made to the historical OECD data. The first modification is to remove the capital component from total health expenditure for those countries reporting capital expenditure. This results in greater comparability with New Zealand. The second modification is to recalibrate the values reported for New Zealand to include previously excluded non-health expenditure, primarily disability support services directly funded by the Ministry. These modifications have been made for all the following OECD data.

8.2 Per capita health expenditure in US dollar purchasing power parities

The concept of purchasing power parities (PPPs) provides a mechanism for comparing the health spending of different countries on a common basis. PPPs are the rates of

currency conversion that equalise the purchasing power of different currencies. Table 8.1 presents this information.

Table 8.1: Per capita current health expenditure (US$ PPP) for OECD countries, 1996–2005, plus 2006 for New Zealand

Country	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Rank 2004	Rank 2005
Australia	1,730	1,823	1,935	2,070	2,252	2,381	2,568	2,770	2,984	DNR		11th	DNR
Austria	2,200	2,314	2,452	2,552	2,679	2,761	2,890	3,102	3,270	3,367		6th	5th
Belgium	1,795	1,822	1,914	2,007	2,171	2,335	2,491	2,931	3,135	3,224		7th	7th
Canada	1,998	2,092	2,250	2,316	2,404	2,608	2,739	2,864	3,022	3,183		10th	8th
Czech Republic	844	848	842	887	922	1,014	1,142	1,300	1,366	1,425		24th	20th
Denmark	1,895	1,964	2,078	2,232	2,320	2,487	2,587	2,679	2,853	2,983		13th	10th
Finland	1,474	1,531	1,563	1,591	1,666	1,796	1,940	1,978	2,136	2,255		20th	17th
France	2,077	2,152	2,234	2,304	2,430	2,593	2,732	2,931	3,098	3,274		8th	6th
Germany	2,257	2,274	2,346	2,417	2,531	2,642	2,769	3,010	3,048	3,162		9th	9th
Greece	1,238	1,283	1,320	1,402	1,839	2,118	2,302	2,541	2,595	2,902		15th	11th
Hungary	652	654	734	783	824	939	1,065	1,243	1,284	DNR		25th	DNR
Iceland	1,931	2,013	2,279	2,479	2,629	2,711	2,959	3,102	3,286	3,383		5th	4th
Ireland	1,171	1,309	1,372	1,463	1,599	1,891	2,121	2,343	2,593	2,756		16th	13th
Italy	1,581	1,683	1,768	1,813	1,982	2,089	2,182	2,187	2,332	2,425		18th	15th
Japan	1,564	1,603	1,654	1,752	1,896	2,010	2,080	2,178	2,303	DNR		19th	DNR
Korea	564	587	561	652	738	880	921	992	1,076	1,245		26th	21st
Luxembourg*	2,134	2,144	2,292	2,715	2,949	3,239	3,678	4,632	5,240	DNR		2nd	DNR
Mexico*	372	407	434	464	497	543	574	605	650	658		29th	24th
Netherlands	1,778	1,841	1,957	2,034	2,146	2,411	2,645	2,762	2,945	DNR		12th	DNR
New Zealand	1,269	1,354	1,450	1,522	1,605	1,709	1,850	1,911			6.8%		
New Zealand restated	1,311	1,435	1,527	1,619	1,687	1,815	1,939	1,998	2,112	2,321	2,536	21st	16th
Norway	1,936	2,210	2,369	2,598	2,872	3,055	3,386	3,623	3,836	4,081		4th	3rd
Poland	455	458	521	546	568	627	706	723	777	816		28th	23rd
Portugal	1,138	1,208	1,257	1,381	1,555	1,615	1,720	1,735	1,812	1,953		23rd	19th
Slovak Republic*	N/A	543	560	564	583	631	711	763	973	1,089		27th	22nd
Spain	1,216	1,246	1,316	1,406	1,473	1,557	1,661	1,891	2,037	2,187		22nd	18th
Sweden	1,758	1,782	1,876	2,005	2,163	2,302	2,473	2,641	2,712	2,787		14th	12th
Switzerland	2,591	2,752	2,898	2,931	3,097	3,280	3,552	3,773	4,045	4,177		3rd	2nd
Turkey*	233	267	313	376	431	443	460	492	539	554		30th	25th
United Kingdom*	1,381	1,525	1,600	1,713	1,859	2,034	2,228	2,328	2,560	2,724		17th	14th
United States	3,723	3,867	4,030	4,229	4,481	4,826	5,205	5,575	5,922	6,279		1st	1st
Unweighted mean	1,552	1,588	1,675	1,777	1,908	2,054	2,214	2,390	2,552	2,609			
Weighted mean	1,876	1,944	2,050	2,166	2,313	2,476	2,671	2,908	3,138	3,202			
Average annual growth rate										6.1%			

Source: OECD health data, July 2007, and Ministry of Health.

* Does not report investment on medical facilities for this period.

DNR: Did not report.

New Zealand restated: Includes previously reported 'non-health' items now included in core health, primarily disability support services funded by the Ministry of Health.

Note: Includes impact of Greece upward revision of GDP of 26% as reported in May 2007.

In 2004 and 2005, the United States had the highest per capita health expenditure of the OECD countries, followed by Luxembourg (2004), Switzerland, and then Norway. In 2004 New Zealand ranked 21st, after Finland and before Spain, and 16th in 2005 of 25 countries reporting so far.[19] The complete listing of countries can be found in Table 8.1 above. For the 10-year period ending 2006, New Zealand's rate of growth increased to 6.8% and exceeds the OECD eight-year average of 6.1%. Due to recalibrated values reported for New Zealand to include previously excluded non-health expenditure, (primarily disability support services directly funded by the Ministry); it is likely New Zealand will advance in the ranking once comparable data for other countries becomes available.

[19] June 2006.

8.3 Health expenditure as a percentage of GDP

Table 8.2 presents information by country for the period 1996 to 2005 for the percentage of GDP spent on health, with additional 2006 data presented for New Zealand.

Table 8.2: Current health expenditure as a percentage of GDP, 1996–2005, plus 2006 for New Zealand

Country	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Rank 2004	Rank 2005
Australia	7.7%	7.7%	7.8%	7.9%	8.2%	8.4%	8.6%	8.8%	9.1%	DNR		11th	DNR
Austria	9.2%	9.4%	9.7%	9.6%	9.4%	9.5%	9.6%	9.8%	9.8%	9.8%		6th	6th
Belgium	7.9%	7.8%	7.9%	8.1%	8.1%	8.3%	8.5%	9.6%	9.8%	9.8%		7th	7th
Canada	8.6%	8.5%	8.8%	8.5%	8.5%	8.9%	9.2%	9.3%	9.3%	9.3%		10th	10th
Czech Republic	6.1%	6.1%	6.0%	6.3%	6.2%	6.4%	6.7%	7.1%	7.0%	6.9%		26th	21st
Denmark	8.0%	7.9%	8.1%	8.2%	8.1%	8.3%	8.5%	8.7%	8.9%	8.7%		13th	12th
Finland	7.4%	7.0%	6.7%	6.6%	6.4%	6.5%	6.8%	7.1%	7.1%	7.3%		24th	18th
France	9.6%	9.5%	9.4%	9.4%	9.4%	9.5%	9.8%	10.6%	10.7%	10.8%		3rd	3rd
Germany	10.0%	9.8%	9.8%	9.9%	9.9%	10.0%	10.2%	10.4%	10.2%	10.3%		4th	4th
Greece	7.2%	7.1%	7.0%	7.2%	8.8%	9.6%	9.5%	9.7%	9.4%	9.8%		8th	5th
Hungary	6.7%	6.3%	6.7%	6.8%	6.7%	6.9%	7.2%	8.0%	7.8%	DNR		22nd	DNR
Iceland	8.0%	7.9%	8.4%	8.9%	9.1%	9.0%	9.7%	10.1%	9.9%	9.3%		5th	9th
Ireland	6.0%	5.9%	5.6%	5.6%	5.5%	6.1%	6.4%	6.8%	7.1%	7.1%		25th	20th
Italy	7.1%	7.4%	7.4%	7.4%	7.7%	7.8%	8.0%	8.0%	8.3%	8.5%		17th	14th
Japan	6.7%	6.6%	6.9%	7.2%	7.4%	7.7%	7.8%	7.9%	7.9%	DNR		20th	DNR
Korea	4.1%	4.0%	4.1%	4.3%	4.5%	5.1%	5.0%	5.1%	5.2%	5.6%		30th	25th
Luxembourg	5.7%	5.6%	5.7%	5.8%	5.8%	6.3%	6.7%	7.6%	8.1%	DNR		18th	DNR
Mexico	5.1%	5.3%	5.4%	5.5%	5.5%	5.9%	6.1%	6.3%	6.4%	6.2%		28th	23rd
Netherlands	7.8%	7.6%	7.7%	7.7%	7.6%	7.9%	8.5%	8.7%	8.8%	DNR		14th	DNR
New Zealand	7.1%	7.3%	7.8%	7.6%	7.7%	7.8%	8.2%	8.0%			2.5%		
New Zealand restated	7.3%	7.8%	8.2%	8.1%	8.1%	8.3%	8.6%	8.4%	8.5%	9.0%	9.4%	16th	11th
Norway	7.3%	7.9%	8.6%	8.6%	7.8%	8.2%	9.2%	9.4%	9.0%	8.5%		12th	15th
Poland	5.5%	5.1%	5.5%	5.5%	5.3%	5.7%	6.1%	6.0%	5.9%	5.9%		29th	24th
Portugal	7.8%	7.7%	7.7%	8.0%	8.5%	8.5%	8.7%	9.2%	9.3%	9.8%		9th	8th
Slovak Republic		5.7%	5.6%	5.6%	5.4%	5.4%	5.6%	5.6%	6.6%	6.8%		27th	22nd
Spain	7.3%	7.1%	7.1%	7.1%	7.0%	7.0%	7.0%	7.6%	7.8%	8.0%		21st	17th
Sweden	7.9%	7.8%	7.9%	7.9%	8.0%	8.3%	8.7%	8.9%	8.7%	8.7%		15th	13th
Switzerland	9.8%	9.9%	10.0%	10.1%	10.2%	10.6%	10.8%	11.2%	11.5%	11.6%		2nd	2nd
Turkey	3.9%	4.2%	4.8%	6.2%	6.3%	7.2%	7.0%	7.3%	7.4%	7.2%		23rd	19th
United Kingdom	6.6%	6.8%	6.9%	7.1%	7.3%	7.5%	7.7%	7.8%	8.1%	8.3%		19th	16th
United States	12.9%	12.8%	12.8%	12.8%	12.9%	13.7%	14.4%	14.9%	14.9%	15.0%		1st	1st
Unweighted mean	7.2%	7.3%	7.5%	7.6%	7.6%	7.9%	8.2%	8.5%	8.6%	8.7%			
Weighted mean	7.9%	7.8%	7.9%	8.0%	8.1%	8.4%	8.6%	9.0%	9.3%	9.2%			
Average annual growth rate									2.2%				

Source: Copyright OECD health data July 2007, and Ministry of Health.

DNR: Did not report.

New Zealand restated: Includes previously reported 'non-health' items now included in core health, primarily disability support services funded by the Ministry of Health.

Note: Includes impact of Greece upward revision of GDP of 26% in May 2007.

New Zealand spent 9.0% on health in 2005 compared with 8.5% of GDP in 2004, just below the weighted OECD average of 9.2% and 9.3% for 2005 and 2004 respectively (not all countries have reported for 2005). The actual weighted average for 2005 is subject to change once all countries provide information. Table 8.2 shows that New Zealand's health expenditure as a percentage of GDP was the 16th highest of the 30 OECD member countries in 2004 and 11th of the 25 reporting for 2005. In 2004, the United States had the highest proportion of current health expenditure to GDP at 14.9%, while Korea, at 5.2%, had the lowest proportion. This ranking remains unchanged for the countries reporting so far for 2005.

For New Zealand, the proportion of current health expenditure to GDP increased from 7.3% in 1996 to 9.0% in 2005. In comparison, the OECD weighted average over the same period increased from 7.9% to 9.2%. For New Zealand the percentage of GDP spent on current health expenditure increased to 9.4% in 2005/06. Given that New Zealand's rate of growth over the 10-year period of 2.5% exceeds the OECD average annual eight-year growth rate of 2.2%; it is likely that New Zealand will advance in the ranking once comparable data for other countries is available.

Current health expenditure as a proportion of GDP is often used in international comparisons. However, given that expenditure contains price and volume components, high ratios of health expenditure to GDP could reflect a higher price rather than a higher volume of health care services, so this measure should be used with caution. Partly for this reason, there is no 'right' or 'wrong' proportion of a country's GDP to be spent on health.

8.4 Publicly funded current health expenditure as a proportion of total health expenditure

Table 8.3 shows the trends in publicly funded current health expenditure as a proportion of total current health expenditure.

Table 8.3: Publicly funded health expenditure as a proportion of total health expenditure, 1996–2005, plus 2006 for New Zealand

Country	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Rank 2004	Rank 2005
Australia	66.1	67.8	67.3	70.0	68.4	67.5	67.5	67.5	67.5	DNR		24th	DNR
Austria	70.4	75.5	75.7	76.1	75.9	75.7	75.4	75.3	75.6	75.7		15th	13th
Belgium	79.5	76.8	76.3	76.1	76.0	76.6	75.2	71.6	73.1	72.3		17th	16th
Canada	70.9	70.3	70.7	70.0	70.4	70.0	69.6	70.2	70.2	70.3		22nd	19th
Czech Republic	90.7	90.3	90.4	90.5	90.3	89.8	90.5	89.8	89.2	88.6		2nd	1st
Denmark	82.4	82.3	82.0	82.2	82.4	82.7	82.9	84.2	84.3	84.1		5th	4th
Finland	75.8	76.1	76.3	75.3	75.1	75.9	76.3	76.2	77.2	77.8		12th	9th
France	78.4	78.6	78.6	78.4	78.3	78.3	78.6	79.4	79.4	79.8		9th	7th
Germany	82.2	80.8	80.1	79.8	79.7	79.3	79.2	78.7	76.9	76.9		13th	11th
Greece	53.0	52.8	52.1	53.4	44.2	47.4	47.0	46.4	44.6	42.8		29th	25th
Hungary	81.6	81.3	74.8	72.4	70.7	69.0	70.2	71.3	70.5	DNR		21st	DNR
Iceland	83.3	82.1	81.2	83.1	82.0	81.9	82.7	82.5	82.4	82.5		7th	6th
Ireland	71.2	73.7	73.5	72.7	72.9	73.6	75.6	76.7	78.2	78.0		10th	8th
Italy	70.6	70.8	70.4	70.7	72.5	74.6	74.5	74.7	75.8	76.6		14th	12th
Japan	82.8	81.5	80.8	81.1	81.3	81.7	81.5	81.5	81.7	DNR		8th	DNR
Korea	38.9	41.4	46.6	46.9	46.8	53.0	51.6	51.9	52.6	53.0		26th	22nd
Luxembourg	92.8	92.5	92.4	89.8	89.3	87.9	90.3	90.6	90.6	DNR		1st	DNR
Mexico	41.4	44.7	46.0	47.8	46.6	44.9	43.9	44.1	46.4	45.5		27th	23rd
Netherlands	66.2	67.8	64.1	62.7	63.1	62.8	62.5	DNR	DNR	DNR		DNR	DNR
New Zealand	76.7	77.3	77.0	77.5	78.0	76.4	77.9	78.3	77.5				
New Zealand restated	77.4	78.5	78.2	79.0	79.1	77.9	78.9	79.4	77.2	77.4	77.9	11th	10th
Norway	84.2	81.3	82.2	82.6	82.5	83.6	83.5	83.7	83.6	83.6		6th	5th
Poland	73.4	72.0	65.4	71.1	70.0	71.9	71.2	69.9	68.6	69.3		23rd	20th
Portugal	65.3	65.7	67.1	67.6	72.5	71.5	72.2	73.4	71.6	72.7		19th	15th
Slovak Republic	0.0	91.7	91.6	89.6	89.4	89.3	89.1	88.3	73.8	74.4		16th	14th
Spain	72.4	72.5	72.2	72.0	71.6	71.2	71.3	70.3	70.9	71.4		20th	18th
Sweden	86.9	85.8	85.8	85.7	84.9	84.9	85.1	85.4	84.6	84.6		4th	3rd
Switzerland	54.7	55.2	54.9	55.3	55.6	57.1	57.9	58.5	58.5	59.7		25th	21st
Turkey	69.2	71.6	71.9	61.1	62.9	68.2	70.4	71.6	72.3	71.4		18th	17th
United Kingdom	82.9	80.4	80.4	80.6	80.9	83.0	83.4	85.6	86.3	87.1		3rd	2nd
United States	45.4	45.1	44.0	43.5	43.7	44.6	44.7	44.5	44.7	45.1		28th	24th
Weighted mean	**72.1**	**72.7**	**72.1**	**71.9**	**71.7**	**72.1**	**72.4**	**72.8**	**69.7**	**74.3**			

Source: OECD health data July 2007, and Ministry of Health.

New Zealand restated: Includes previously reported 'non-health' items now included in core health, primarily disability support services funded by the Ministry of Health.

Note: Includes impact of Greece upward revision of GDP of 26% as reported in May 2007.

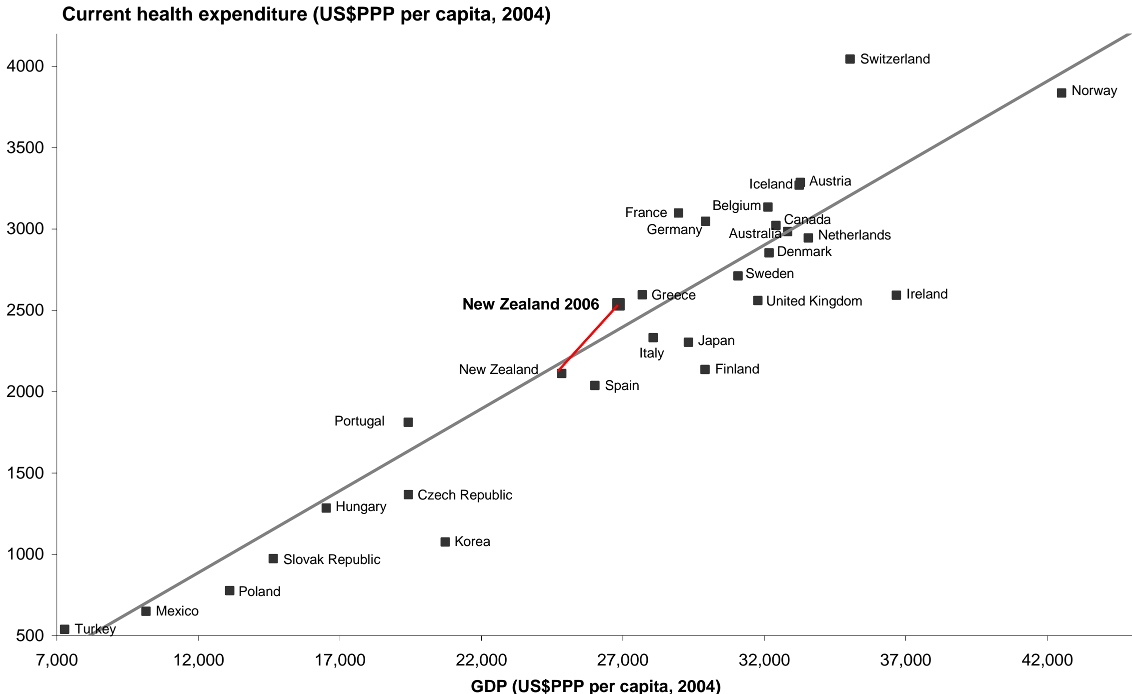
As shown in Figure 8.3, current public health expenditure in the OECD, accounts for about three-quarters of total health expenditure. In 2004, Luxembourg had the highest public expenditure as a proportion of total current health expenditure (90.6%), while Greece had the lowest (44.6%). New Zealand was ranked 11th, with public funding accounting for 77.2% of total health spending and ranks 10th for the 25 countries reporting to date with 2005 information. In 2006, New Zealand's public funding increased to 77.9%. New Zealand's position and ranking is not likely to change significantly when more recent information becomes available for other countries.

During the 1960s, there was a shift among OECD countries towards more public funding of health care. This pattern stabilised during the late 1970s and early 1980s and has reversed slightly in more recent years. Since 1992, New Zealand has remained within the narrow range of 77% to 79% and continues within this range in 2004/05 and 2005/06.

8.5 Health expenditure and GDP per capita

Figure 8.1 and Table 8.4 show the positive relationship between health expenditure and GDP for 30 OECD countries. There is a well-established relationship between GDP per capita and health expenditure per capita: the higher a country's GDP per capita, the greater its health expenditure per capita is likely to be compared with other countries. Figure 8.1 presents data for all countries in 2004, overlaid with 2006 data for New Zealand.

Figure 8.1: Relationship between current health expenditure and GDP (US$ PPP) in OECD countries, 2004, plus 2006 for New Zealand



Source: OECD health data July 2007 and Ministry of Health.

Note: The United States and Luxembourg are off the scale of these figures with per capita GDP and current health expenditure of $39,697 and $64,843 and $5,922 and $5,240 respectively.

As Figure 8.1 shows, New Zealand expenditure on health care is similar to what could be expected for another OECD country with a similar level of GDP. There is no agreed optimal level of health care spending relative to GDP. However, as New Zealand's economy continues to grow, it is expected that health expenditure per capita will increase proportionally.

As can be seen with the 2005/06 values, with increases in GDP and health expenditure, New Zealand has 'moved up the line'. It is possible that New Zealand's ranking will improve further once information is available for all other countries.

Table 8.4: Per capita GDP and per capita current health expenditure (US$ PPP) for OECD countries, 2004, 2005 and 2006 for New Zealand

Country	GDP per capita 2004	GDP per capita 2005	GDP per capita 2006	Current health expenditure per capita 2004	Current health expenditure per capita 2005	Current health expenditure per capita 2006
Australia	32,825	34,484		2,984	DNR	
Austria	33,234	34,394		3,270	3,367	
Belgium	32,133	33,021		3,135	3,224	
Canada	32,413	34,057		3,022	3,183	
Czech Republic	19,426	20,633		1,366	1,425	
Denmark	32,173	34,110		2,853	2,983	
Finland	29,910	30,911		2,136	2,255	
France	28,971	30,350		3,098	3,274	
Germany	29,920	30,776		3,048	3,162	
Greece	27,691	29,578		2,595	2,902	
Hungary	16,520	17,484		1,284	DNR	
Iceland	33,271	36,183		3,286	3,383	
Ireland	36,675	39,019		2,593	2,756	
Italy	28,077	28,401		2,332	2,425	
Japan	29,322	30,777		2,303	DNR	
Korea	20,723	22,098		1,076	1,245	
Luxembourg	64,843	70,600		5,240	DNR	
Mexico	10,145	10,537		650	658	
Netherlands	33,559	35,112		2,945	DNR	
New Zealand	24,844	25,963	26,850	2,112	2,321	2,536
Norway	42,509	48,162		3,836	4,081	
Poland	13,104	13,915		777	816	
Portugal	19,419	20,030		1,812	1,953	
Slovak Republic	14,652	15,983		973	1,089	
Spain	26,018	27,400		2,037	2,187	
Sweden	31,072	32,111		2,712	2,787	
Switzerland	35,037	35,956		4,045	4,177	
Turkey	7,277	7,711		539	554	
United Kingdom	31,781	32,896		2,560	2,724	
United States	39,697	41,827		5,922	6,279	

Source: OECD health data July 2007 and Ministry of Health.

Shaded fill: Does not report investment on medical facilities for this period.

DNR: Did not report.

New Zealand restated: Includes previously reported 'non-health' items now included in core health, primarily disability support services funded by the Ministry of Health.

Note: Includes impact of Greece upward revision of GDP of 26% in May 2007.

Reasons for differences in international health spending and performance are outlined below.

- Some differences result from health service cost (and price) variations. Richer countries pay a higher price per unit of medical care consumed, given the higher labour costs and higher prices for services.
- The intensity of treatment differs between countries.
- The rates at which various invasive procedures are performed differ widely between countries.
- The rapid and extensive introduction of new medical technologies in the United States in particular explains a significant part of the difference in growth of expenditure outlays between the United States and elsewhere.
- As major determinants of health expenditure, demographic characteristics also vary significantly between countries. Some countries have high life expectancies and relatively old populations and therefore need to spend more on older people, whose health care costs are the highest per capita. (The converse is true of countries with younger populations.)
- Cultural and religious factors result in differences not only in the perception of morbidity but also in the choice of therapeutic responses.
- Variations in welfare philosophies and private insurance coverage affect public provision and the level of health care assistance provided in different countries.
- Differences between countries in the origin of funding can also significantly affect the demand for health care and expenditure.
- The incidence of litigation against health providers varies between countries. In countries with a higher incidence (as in the United States in particular), providers of health care are more likely to take out expensive insurance cover.

Appendix 1: OECD System of Health Accounts

1.1: Functions of health care

Health care refers to the sum of activities performed either by institutions or individuals pursuing, through the application of medical, paramedical and nursing knowledge and technology, the goals of:

- promoting health and preventing disease
- curing illness and reducing premature mortality
- caring for persons affected by chronic illness who require nursing care
- caring for persons with health-related impairment, disability and handicaps who require nursing care
- assisting patients to die with dignity
- providing and administering public health
- providing and administering health programmes, health insurance and other funding arrangements.

Health care can be divided into personal health care services provided directly to individual persons and collective health care services covering the traditional tasks of public health such as health promotion and disease prevention, including setting and enforcing standards, and health administration and health insurance.

Within the System of Health Accounts (SHA), personal health care services are defined as:

1. curative care
2. rehabilitative care
3. services of a (long-term) nursing type care
4. ancillary services to health care
5. medical goods dispensed to outpatients, which include self-medication and other goods consumed by households with or without a prescription from medical or paramedical professionals.

Much of personal health (functions 1–5 above) is two-dimensional, combining the ‘basic function of service’ (curative, rehabilitative and long-term) with the ‘mode of production’ or settings of care (inpatient, day care, outpatient or home-based care).

Basic function of care

Definitions of the components of the basic function of care have been developed by the Australian Health Data Committee and the United States Joint Commission on Accreditation of Healthcare Organisations (OECD 2000).

Curative

An episode of curative care has the purpose of relieving symptoms of illness or injury, reducing the severity of an illness or injury, or protecting against exacerbation and/or complication of an illness or injury that threatens life or normal function.

Rehabilitative

An episode of rehabilitative care has the purpose of improving the functional level of the individual, where the limitations either are due to a recurrent event of illness or injury or are of a recurrent nature. Rehabilitative care is generally less intensive than curative care but more intensive than long-term care. It requires frequent and recurrent patient assessment and progresses in accordance with a treatment plan for a limited period.

Long-term

Long-term care is not episodic. It consists of ongoing care of individuals who need assistance on a continuing basis due to chronic impairments and a reduced degree of independence and activities of daily living. Long-term care is typically a mix of clinical and social services. Only clinical care expenditure is included as health expenditure.

Mode of production

SHA functions of care are further stratified into modes of care based on the essential differences in the technical and managerial organisations of care. The fundamental differences relate to the substantially different information systems, including the administrative paperwork and statistics that are in place within these types of organisations.

Inpatient

This is care provided to patients who are formally admitted to an institution for treatment and stay for a minimum of one night. Accommodation in institutions providing social services where health care is an important but not predominant component of care should not be included as a health function.

Day care

This is care delivered to patients who are formally admitted to an institution and the intention is to discharge the patient on the same day. These patients are usually admitted and discharged after staying between three and eight hours.

Outpatient

This care is delivered to patients who are not formally admitted and do not stay overnight. The boundary is wider than for institutional care and covers services provided at physician’s offices and ambulatory care centres.

Home-based care

This is care delivered to an individual in their own home. The New Zealand interpretation is that an individual's home is not limited to a private residence.

Other personal health functions

Ancillary

This covers a variety of services, mainly performed by paramedical or medical technical personnel, including diagnostic imaging, laboratory work and patient transport. These services can be provided either with or without referral and direct supervision by a medical doctor.

Medical goods dispensed to outpatients

These services involve goods bought by a private household at their own initiative for the purpose of home care and cover items purchased with and without prescription.

Other health functions

Health functions undertaken for the public, as opposed to the individual, are described below.

Prevention and public health

Public health services are primarily preventative in nature and comprise a wide range of services with intended benefits for the public, or groups within the public, rather than the individual. Examples include epidemiological surveillance, disease prevention and the promotion of good health.

Health and safety is not covered under prevention and public health. Examples of functions specifically excluded are occupational health services relating to improving the working environment, such as ergonomics, environmental protection and accident prevention; road safety; product safety monitoring; and civil defence (OECD 2000). Some safety services are covered later at A1.2 Health-related Functions.

Administration and health insurance

This service includes the planning, management, regulation and collection of funds and handling claims of the health delivery system. It includes both public governmental agencies and the private insurance sector.

Functions of health care

HC.1 Services of curative care
- HC.1.1 Inpatient curative care
- HC.1.2 Day cases of curative care
- HC.1.3 Outpatient curative care
  - HC.1.3.1 Basic medical and diagnostic services
  - HC.1.3.2 Outpatient dental care
  - HC.1.3.3 All other specialised health care
  - HC.1.3.9 All other outpatient curative care
- HC.1.4 Services of curative home care

HC.2 Services of rehabilitative care
- HC.2.1 Inpatient rehabilitative care
- HC.2.2 Day cases of rehabilitative care
- HC.2.3 Outpatient rehabilitative care
- HC.2.4 Services of rehabilitative home care

HC.3 Services of long-term nursing care
- HC.3.1 Inpatient long-term nursing care
- HC.3.2 Day cases of long-term nursing care
- HC.3.3 Long-term nursing care: home care

HC.4 Ancillary services to health care
- HC.4.1 Clinical laboratory
- HC.4.2 Diagnostic imaging
- HC.4.3 Patient transport and emergency rescue
- HC.4.9 All other miscellaneous ancillary services

HC.5 Medical goods dispensed to outpatients
- HC.5.1 Pharmaceuticals and other medical non-durables
  - HC.5.1.1 Prescribed medicines
  - HC.5.1.2 Over-the-counter medicines
  - HC.5.1.3 Other medical non-durables
- HC.5.2 Therapeutic appliances and other medical durables
  - HC.5.2.1 Glasses and other vision products
  - HC.5.2.2 Orthopaedic appliances and other prosthetics
  - HC.5.2.3 Hearing aids
  - HC.5.2.4 Medico-technical devices, including wheelchairs
  - HC.5.2.9 All other miscellaneous medical durables

- HC.6 Prevention and public health services
  - HC.6.1 Maternal and child health; family planning and counselling
  - HC.6.2 School health services
  - HC.6.3 Prevention of communicable diseases
  - HC.6.4 Prevention of non-communicable diseases
  - HC.6.5 Occupational health care
  - HC.6.9 All other miscellaneous public health services
- HC.7 Health administration and health insurance
  - HC.7.1 General government administration of health
    - HC.7.1.1 General government administration of health (except social security)
    - HC.7.1.2 Administration, operation and support activities of social security funds
  - HC.7.2 Health administration and health insurance: private
    - HC.7.2.1 Health administration and health insurance: social insurance
    - HC.7.2.2 Health administration and health insurance: other private

1.2: Health-related functions

The OECD health-related functions are distinguished from the core health care functions. They are closely linked to health care in terms of operations, institutions and personnel but are, as far as possible, excluded when measuring activities and expenditure belonging to core health care functions. For the most part, these are services that have a direct and beneficial impact on public health.

Capital formation

This health-related function encompasses gross capital formation of domestic health care provider institutions (not all facilities), such as hospitals and nursing homes. New Zealand has not conducted an estimate of capital costs.

Education and training

This health-related function covers the education and training of health professionals. The expenditure should include administration, inspection and support services but should distinguish between training and health service provision.

Research and development

This health-related function covers many programmes directed towards the protection and improvement of human health, including good hygiene, biochemical engineering, medical information, rationalisation of treatment and pharmacology as well as research relating to epidemiology, prevention of industrial diseases and drug addiction (OECD 2000, p.125). Government involvement in health research and development is often classified as a health function and is split between health administration and research and development.

Food, hygiene and drinking water

This health-related function comprises a variety of activities of public health concern. The boundaries as applied in New Zealand between health-related expenditure and non health-related expenditure draw the distinction between supply and safety. For example, provision of the water supply is not included, but water testing and treatment to ensure safety for human consumption are included in this health-related function. The same boundary applies to other testing and treatment services.

Environmental health

This health-related function includes a number of activities, including monitoring the environment and environmental control, when the specific focus of the service is a public health concern. Examples of these types of services are waste management, waste water and pollution abatement.

Administration and provision of social services in kind to assist living with disease and impairment

This health-related function consists of non-medical social services in kind provided to people with health problems, functional impairments or limitations, where the primary goal is the social or vocational rehabilitation or integration of the individual. At the current time, New Zealand has not conducted an estimate for this function.

Administration and provision of health-related cash-benefits

This health-related function consists of non-medical cash benefits provided to individual persons and households with health problems, functional impairments or limitations. At the current time, New Zealand has not calculated an estimate for this function.

Health-related functions

HC.R.1	Capital formation of health care provider institutions
HC.R.2	Education and training of health personnel
HC.R.3	Research and development in health
HC.R.4	Food, hygiene and drinking water control
HC.R.5	Environmental health
HC.R.6	Administration and provision of social services in kind to assist living with disease and impairment
HC.R.7	Administration and provision of health-related cash-benefits

1.3: Provider industry

The SHA includes a dimension for the provider sector 'Where does the money go?' or 'Who provides the services?' The classifications used are based on the North American Industrial Classification System, a draft common industrial classification of NAFTA countries (NAICS 1998).

OECD SHA provider industry

HP.1 Hospitals

- HP.1.1 General hospitals
- HP.1.2 Mental health and substance abuse hospitals
- HP.1.3 Speciality (other than mental health and substance abuse) hospitals

HP.2 Nursing and residential care facilities

- HP.2.1 Nursing care facilities
- HP.2.2 Residential mental retardation, mental health and substance abuse facilities
- HP.2.3 Community care facilities for the elderly
- HP.2.9 All other residential care facilities

HP.3 Providers of ambulatory health care

- HP.3.1 Offices of physicians
- HP.3.2 Offices of dentists
- HP.3.3 Offices of other health practitioners
- HP.3.4 Outpatient care centres
- HP.3.5 Medical and diagnostic laboratories
- HP.3.6 Providers of home health care services
- HP.3.9 Other providers of ambulatory health care

HP.4 Retail sales and other providers of medical goods

- HP.4.1 Dispensing chemists
- HP.4.2 Retail sales and other suppliers of optical glasses and other vision products
- HP.4.3 Retail sales and other suppliers of hearing aids
- HP.4.4 Retail sales and other suppliers of medical appliances (not glasses and hearing aids)
- HP.4.9 All other miscellaneous sales and other suppliers of pharmaceuticals and medical goods

HP.5 Provision and administration of public health programmes

HP.6 Health administration and insurance

- HP.6.1 Government administration of health
- HP.6.2 Social security funds
- HP.6.3 Other social insurance
- HP.6.4 Other (private) insurance
- HP.6.9 All other providers of health administration

HP.7 Other industries (rest of the economy)

- HP.7.1 Establishments as providers of occupational health care services
- HP.7.2 Private households as providers of home care
- HP.7.9 All other industries as secondary producers of health care

HP.9 Rest of the world

1.4: Sources of funding

This system provides a breakdown of expenditure on health into a range of third-party-payment arrangements plus direct payments by households or other direct funders, for example, government-provided health care.

OECD SHA sources of funding[20]

- HF.1 General government
  - HF.1.1 General government excluding social security funds
    - HF.1.1.1 Central government
    - HF.1.1.2 State/provincial government
    - HF.1.1.3 Local/municipal government
  - HF.1.2 Social security funds
- HF.2 Private sector
  - HF.2.1 Private social insurance
  - HF.2.2 Private insurance (other than social insurance)
  - HF.2.3 Private households
  - HF.2.4 Non-profit institutions serving households (other than social insurance)
  - HF.2.5 Corporations (other than health insurance)
- HF.3 Rest of the world

[20] Directly comparable with New Zealand historical funder groups.

Appendix 2: Nominal and Real Health expenditure (with ‘non-health’ items included for prior years) 1995/96–2005/06

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Nominal expenditure ($ million)											
Public	5,555	6,181	6,614	7,037	7,442	8,086	8,834	9,302	9,794	10,825	12,014
Private	1,625	1,689	1,843	1,873	1,968	2,300	2,361	2,418	2,887	3,162	3,419
Total	7,180	7,871	8,458	8,910	9,410	10,386	11,194	11,719	12,681	13,987	15,433
Percentage change		9.62%	7.46%	5.35%	5.60%	10.37%	7.79%	4.69%	8.20%	10.30%	10.34%
Real expenditure (2006 $ million)											
Public	6,840	7,526	7,921	8,458	8,765	9,230	9,815	10,188	10,475	11,252	12,014
Private	2,000	2,057	2,208	2,251	2,318	2,626	2,623	2,648	3,088	3,287	3,419
Total	8,840	9,583	10,129	10,710	11,083	11,856	12,438	12,836	13,562	14,539	15,433
Percentage change		8.41%	5.70%	5.73%	3.49%	6.97%	4.91%	3.20%	5.66%	7.20%	6.15%
Real per capita expenditure (2006 $ million) – resident population											
Public	1,846	2,001	2,084	2,210	2,277	2,384	2,510	2,562	2,578	2,745	2,902
Percentage change		8.41%	4.12%	6.05%	3.05%	4.69%	5.28%	2.10%	0.62%	6.47%	5.72%
Private	540	547	581	588	602	678	671	666	760	802	826
Percentage change		1.33%	6.17%	1.28%	2.38%	12.60%	-1.10%	-0.68%	14.11%	5.52%	2.99%
Total	2,386	2,548	2,664	2,798	2,879	3,062	3,180	3,228	3,338	3,547	3,728
Percentage change		6.81%	4.56%	5.01%	2.91%	6.34%	3.87%	1.51%	3.41%	6.25%	5.11%

Source: Ministry of Health

Notes:

1 Totals may be affected by rounding.

2 GST inclusive.

3 CPI for June 2006.

4 Nominal dollars are actual dollars spent. Real dollars have been adjusted to 2006 dollar value by CPI.

Appendix 3: Health Expenditure Trends in New Zealand (with 'non-health' items included for prior years)

3.1: Nominal dollars, 1995/96–2005/06

Sources of funds	1995/96		1996/97		1997/98		1998/99		1999/00		2000/01		2001/02		2002/03		2003/04		2004/05		2005/06	
	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total
Ministry of Health	4,936,038	68.7	5,337,616	67.8	5,707,629	67.5	6,205,456	69.6	6,543,778	69.5	6,952,914	66.9	7,418,078	66.3	7,773,876	66.3	8,530,885	67.3	9,362,855	66.9	10,301,917	66.8
Deficit financing	0	0.0	235,600	3.0	198,032	2.3	39,600	0.4	6,413	0.1	76,837	0.7	244,125	2.2	216,337	1.8	0	0.0	0	0.0	0	0.0
Other government agencies	573,485	8.0	561,918	7.1	661,791	7.8	732,992	8.2	831,308	8.8	991,787	9.5	1,103,341	9.9	1,237,639	10.6	1,199,766	9.5	1,399,783	10.0	1,629,682	10.6
Local authorities	45,956	0.6	46,186	0.6	46,900	0.6	59,292	0.7	60,374	0.6	64,243	0.6	68,381	0.6	73,792	0.6	63,242	0.5	61,882	0.4	82,371	0.5
Public total	**5,555,479**	**77.4**	**6,181,320**	**78.5**	**6,614,352**	**78.2**	**7,037,340**	**79.0**	**7,441,873**	**79.1**	**8,085,781**	**77.9**	**8,833,925**	**78.9**	**9,301,644**	**79.4**	**9,793,893**	**77.2**	**10,824,520**	**77.4**	**12,013,970**	**77.9**
Out-of-pocket	1,135,099	15.8	1,162,807	14.8	1,305,404	15.4	1,316,021	14.8	1,375,165	14.6	1,656,853	16.0	1,714,843	15.3	1,740,565	14.9	2,155,449	17.0	2,354,313	16.8	2,551,865	16.5
Health insurance	467,700	6.5	503,496	6.4	510,871	6.0	527,114	5.9	560,857	6.0	610,198	5.9	612,315	5.5	640,632	5.5	638,592	5.0	660,930	4.7	724,000	4.7
Not-for-profit organisations	21,721	0.3	23,120	0.3	27,055	0.3	29,954	0.3	31,952	0.3	32,943	0.3	33,355	0.3	36,591	0.3	92,911	0.7	147,111	1.1	143,169	0.9
Private total	**1,624,520**	**22.6**	**1,689,423**	**21.5**	**1,843,330**	**21.8**	**1,873,089**	**21.0**	**1,967,974**	**20.9**	**2,299,994**	**22.1**	**2,360,513**	**21.1**	**2,417,788**	**20.6**	**2,886,952**	**22.8**	**3,162,354**	**22.6**	**3,419,034**	**22.1**
Total from all sources	**7,179,999**	**100.0**	**7,870,743**	**100.0**	**8,457,682**	**100.0**	**8,910,429**	**100.0**	**9,409,847**	**100.0**	**10,385,775**	**100.0**	**11,194,438**	**100.0**	**11,719,432**	**100.0**	**12,680,845**	**100.0**	**13,986,874**	**100.0**	**15,433,004**	**100.0**
% of GDP	**7.3%**		**7.7%**		**8.2%**		**8.1%**		**8.1%**		**8.3%**		**8.6%**		**8.4%**		**8.5%**		**9.0%**		**9.4%**	

Source: Ministry of Health

Notes:

1. Totals may be affected by rounding.
2. GST inclusive.
3. Nominal dollars are actual dollars spent.

Appendix 3: Health Expenditure Trends in New Zealand (with ‘non-health’ items included for prior years)

3.2: Real dollars, 1995/96–2005/06

Sources of funds	1995/96		1996/97		1997/98		1998/99		1999/00		2000/01		2001/02		2002/03		2003/04		2004/05		2005/06	
	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total
Ministry of Health	6,077,143	68.7	6,498,747	67.8	6,835,484	67.5	7,458,481	69.6	7,707,630	69.5	7,937,116	66.9	8,242,309	66.3	8,514,651	66.3	9,123,941	67.3%	9,732,698	66.9	10,301,917	66.8
Deficit financing	0	0.0	286,852	3.0	237,164	2.3	47,596	0.4	7,554	0.1	87,713	0.7	271,250	2.2	236,952	1.8	0	0.0	0	0.0	0	0.0
Other government agencies	706,062	8.0	684,156	7.1	792,564	7.8	881,000	8.2	979,161	8.8	1,132,177	9.5	1,225,934	9.9	1,355,574	10.6	1,283,172	9.5	1,455,076	10.0	1,629,682	10.6
Local authorities	56,580	0.6	56,233	0.6	56,168	0.6	71,264	0.7	71,112	0.6	73,337	0.6	75,979	0.6	80,824	0.6	67,639	0.5	64,326	0.4	82,371	0.5
Public total	**6,839,786**	**77.4**	**7,525,988**	**78.5**	**7,921,380**	**78.2**	**8,458,341**	**79.0**	**8,765,457**	**79.1**	**9,230,344**	**77.9**	**9,815,472**	**78.9**	**10,188,000**	**79.4**	**10,474,752**	**77.2**	**11,252,100**	**77.4**	**12,013,970**	**77.9**
Out-of-pocket	1,397,509	15.8	1,415,761	14.8	1,563,358	15.4	1,581,756	14.8	1,619,747	14.6	1,891,385	16.0	1,905,381	15.3	1,906,424	14.9	2,305,293	17.0	2,447,311	16.8	2,551,865	16.5
Health insurance	575,822	6.5	613,025	6.4	611,822	6.0	633,550	5.9	660,609	6.0	696,573	5.9	680,350	5.5	701,678	5.5	682,986	5.0	687,037	4.7	724,000	4.7
Not-for-profit organisations	26,742	0.3	28,149	0.3	32,401	0.3	36,002	0.3	37,635	0.3	37,606	0.3	37,061	0.3	40,078	0.3	99,370	0.7	152,922	1.1	143,169	0.9
Private total	**2,000,074**	**22.6**	**2,056,936**	**21.5**	**2,207,581**	**21.8**	**2,251,309**	**21.0**	**2,317,991**	**20.9**	**2,625,564**	**22.1**	**2,622,792**	**21.1**	**2,648,180**	**20.6**	**3,087,649**	**22.8**	**3,287,270**	**22.6**	**3,419,034**	**22.1**
Total from all sources	**8,839,859**	**100.0**	**9,582,924**	**100.0**	**10,128,960**	**100.0**	**10,709,650**	**100.0**	**11,083,448**	**100.0**	**11,855,908**	**100.0**	**12,438,264**	**100.0**	**12,836,180**	**100.0**	**13,562,401**	**100.0**	**14,539,370**	**100.0**	**15,433,004**	**100.0**

Source: Ministry of Health

Notes:

1 Totals may be affected by rounding.

2 GST inclusive.

3 CPI for June 2006.

4 Real dollars have been adjusted to 2006 dollar value by CPI.

Appendix 4: Private Health Insurance Trends, 1995/96–2005/06 ($000)

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Institutional care											
Public	2,974	3,202	389	624	643	227	415	714	640	591	570
Private	234,776	252,745	300,091	307,093	339,616	371,350	385,552	418,270	431,890	461,496	521,418
Subtotal – institutional care	**237,750**	**255,947**	**300,480**	**307,717**	**340,259**	**371,577**	**385,967**	**418,984**	**432,530**	**462,087**	**521,988**
Community care											
General practitioners and maternity	72,247	77,776	73,732	67,767	69,025	70,880	66,074	63,349	52,039	42,640	34,420
Specialist services and referral services	84,467	90,932	88,233	87,099	88,971	108,322	106,651	109,367	110,645	116,678	130,182
Dental services	28,201	30,359	3,809	22,311	21,164	18,277	16,541	16,389	13,760	11,646	9,915
Medicaments	45,035	48,482	44,617	42,211	41,424	41,142	37,082	32,543	29,618	27,877	27,495
Subtotal – community care	**229,950**	**247,549**	**210,391**	**219,388**	**220,584**	**238,621**	**226,348**	**221,648**	**206,062**	**198,841**	**202,012**
Public health											
Teaching and research											
Total	**467,700**	**503,496**	**510,871**	**527,105**	**560,843**	**610,198**	**612,315**	**640,632**	**638,592**	**660,928**	**724,000**

Source: Ministry of Health and HFANZ

Note: Totals may be affected by rounding.

Appendix 5: Current Expenditure on Health by Function of Care and Provider Industry (SHA Standard Table 2)

5.1: 2003/04

		Hospitals	Nursing and residential care facilities	Providers of ambulatory health care	Offices of physicians	Offices of dentists	Offices of other health practitioners	Outpatient care centres	Medical and diagnostic laboratories	Providers of home health care services	All other providers of ambulatory health care	Retail sale and other providers of medical goods	Dispensing chemists	All other sales of medical goods	Provision and administration of public health programmes	General health administration and insurance	Government administration of health	All other health administration	All other industries	Rest of the world
Health care by function	**Function and industry codes**	**HP 1**	**HP 2**	**HP 3**	**HP 3.1**	**HP 3.2**	**HP 3.3**	**HP 3.4**	**HP 3.5**	**HP 3.6**	**HP 3.9**	**HP 4**	**HP 4.1**	**HP 4.2-4.9**	**HP 5**	**HP 6**	**HP 6.1**	**HP 6.9**	**HP 7**	**HP 9**
Inpatient care																				
Curative and rehabilitative care	HC.1.1; 2.1	2,875,443	85,733	166,825	166,833	0	0	-8	0	0	0	0	0	0	0	0	0	0	0	0
Long-term nursing care	HC.3.1	36,101	842,191	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Services of day care																				
Curative and rehabilitative care	HC.1.2; 2.2	163,379	76,415	74,659	41,708	0	0	32,951	0	0	0	0	0	0	0	0	0	0	0	0
Long-term nursing care	HC.3.2	14,104	70,179	14,111	0	0	0	14,111	0	0	0	0	0	0	0	0	0	0	0	0
Outpatient care																				
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**836,267**	**79,475**	**1,920,563**	**514,244**	**162,011**	**716,628**	**439,920**	**74,419**	**0**	**13,342**	**4,536**	**0**	**4,536**	**0**	**0**	**0**	**0**	**27,178**	**0**
Basic medical and diagnostic services	HC.1.3.1	596,019	0	774,528	315,008	0	21,310	365,465	68,466	0	4,279	0	0	0	0	0	0	0	0	0
Outpatient dental care	HC.1.3.2	10,738	0	217,373	0	152,948	64,425	0	0	0	0	0	0	0	0	0	0	0	0	0
All other specialised health care	HC.1.3.3	36,572	6,785	156,133	142,523	3,393	3,412	3,412	0	0	3,393	0	0	0	0	0	0	0	0	0
All other outpatient care	HC.1.3.9	59,348	11,341	644,619	22,681	5,670	599,383	11,214	0	0	5,670	0	0	0	0	0	0	0	27,178	0
Home care																				
Curative and rehabilitative care	HC.1.4; 2.4	208,309	-21,205	373,305	24,684	0	1,416	139,403	0	207,802	0	0	0	0	0	0	0	0	27,231	0
Long-term nursing care	HC.3.3	30,415	126,077	929,319	0	0	0	19,919	0	868,159	41,240	0	0	0	0	0	0	0	21,793	0
Ancillary services to health care	HC.4	21,150	0	806,669	0	0	50,153	-23	696,019	945	59,575	0	0	0	0	0	0	0	8,685	0
Medical goods dispensed to outpatients	**HC.5**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,613,875**	**1,516,224**	**97,651**	**0**	**0**	**0**	**0**	**0**	**0**
Pharmaceuticals and other medical non-durables	HC.5.1	0	0	0	0	0	0	0	0	0	0	1,527,019	1,516,224	10,795	0	0	0	0	0	0
Therapeutic appliances and other medical durables	HC.5.2	0	0	0	0	0	0	0	0	0	0	86,856	0	86,856	0	0	0	0	0	0
Total expenditure on personal health care		**4,185,168**	**1,258,865**	**4,285,451**	**747,469**	**162,011**	**768,196**	**646,273**	**770,438**	**1,076,906**	**114,157**	**1,618,411**	**1,516,224**	**102,187**	**0**	**0**	**0**	**0**	**84,887**	**0**
Prevention and public health services	HC.6	4,082	0	216,660	54,075	177	35,302	125,808	0	0	1,298	0	0	0	389,801	3,714	3,714	0	110,536	0
Health administration and health insurance	HC.7	0	0	19,993	0	0	0	19,993	0	0	0	0	0	0	0	500,344	479,964	20,380	754	2,178
Total current expenditure on health care		**4,189,250**	**1,258,865**	**4,522,104**	**801,544**	**162,188**	**803,499**	**792,074**	**770,438**	**1,076,906**	**115,455**	**1,618,411**	**1,516,224**	**102,187**	**389,801**	**504,058**	**483,678**	**20,380**	**196,177**	**2,178**

Appendix 5: Current Expenditure on Health by Function of Care and Provider Industry (SHA Standard Table 2)

5.2: 2004/05

		Hospitals	Nursing and residential care facilities	Providers of ambulatory health care	Offices of physicians	Offices of dentists	Offices of other health practitioners	Outpatient care centres	Medical and diagnostic laboratories	Providers of home health care services	All other providers of ambulatory health care	Retail sale and other providers of medical goods	Dispensing chemists	All other sales of medical goods	Provision and administration of public health programmes	General health administration and insurance	Government administration of health	All other health administration	All other industries	Rest of the world
Health care by function	**Function and industry codes**	**HP 1**	**HP 2**	**HP 3**	**HP 3.1**	**HP 3.2**	**HP 3.3**	**HP 3.4**	**HP 3.5**	**HP 3.6**	**HP 3.9**	**HP 4**	**HP 4.1**	**HP 4.2-4.9**	**HP 5**	**HP 6**	**HP 6.1**	**HP 6.9**	**HP 7**	**HP 9**
Inpatient care																				
Curative and rehabilitative care	HC.1.1; 2.1	2,786,373	131,932	190,161	190,161	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Long-term nursing care	HC.3.1	86,451	845,487	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Services of day-care																				
Curative and rehabilitative care	HC.1.2; 2.2	202,362	42,750	51,935	47,541	0	0	4,394	0	0	0	0	0	0	0	0	0	0	0	0
Long-term nursing care	HC.3.2	32,679	58,114	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outpatient care																				
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**1,099,200**	**72,740**	**2,217,618**	**635,855**	**190,701**	**748,257**	**539,209**	**87,607**	**0**	**15,989**	**5,497**	**0**	**5,497**	**0**	**0**	**0**	**0**	**35,113**	**0**
Basic medical and diagnostic services	HC.1.3.1	781,647	25,609	998,732	408,213	0	11,403	493,495	80,393	0	5,228	0	0	0	0	0	0	0	0	0
Outpatient dental care	HC.1.3.2	12,803	0	250,507	0	179,941	70,566	0	0	0	0	0	0	0	0	0	0	0	0	0
All other specialised health care	HC.1.3.3	41,772	7,780	175,080	159,472	3,890	3,914	3,914	0	0	3,890	0	0	0	0	0	0	0	0	0
All other outpatient care	HC.1.3.9	71,582	13,742	718,647	27,484	6,871	646,216	31,205	0	0	6,871	0	0	0	0	0	0	0	35,113	0
Home care																				
Curative and rehabilitative care	HC.1.4; 2.4	265,508	9,043	434,012	22,573	0	1,291	178,487	0	231,661	0	0	0	0	0	0	0	0	43,225	0
Long-term nursing care	HC.3.3	73,353	145,763	878,241	25,609	0	0	7,276	0	795,717	49,639	0	0	0	0	0	0	0	38,673	0
Ancillary services to health care	HC.4	28,243	0	930,097	0	0	0	0	765,482	95,015	69,600	0	0	0	0	0	0	0	13,571	0
Medical goods dispensed to outpatients	**HC.5**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,855,221**	**1,744,580**	**110,641**	**0**	**0**	**0**	**0**	**0**	**0**
Pharmaceutical and other medical non-durables	HC.5.1	0	0	0	0	0	0	0	0	0	0	1,748,987	1,744,580	4,407	0	0	0	0	0	0
Therapeutic appliances and other medical durables	HC.5.2	0	0	0	0	0	0	0	0	0	0	106,234	0	106,234	0	0	0	0	0	0
Total expenditure on personal health care		**4,574,169**	**1,305,829**	**4,702,064**	**921,739**	**190,701**	**749,548**	**729,366**	**853,089**	**1,122,393**	**135,228**	**1,860,718**	**1,744,580**	**116,138**	**0**	**0**	**0**	**0**	**130,582**	**0**
Prevention and public health services	HC.6	5,737	29	299,281	101,228	0	32,454	165,599	0	0	0	0	0	0	441,430	7,017	7,017	0	121,578	0
Health administration and health insurance	HC.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	538,441	538,441	0	0	0
Total current expenditure on health care		**4,579,906**	**1,305,858**	**5,001,345**	**1,022,967**	**190,701**	**782,002**	**894,965**	**853,089**	**1,122,393**	**135,228**	**1,860,718**	**1,744,580**	**116,138**	**441,430**	**545,458**	**545,458**	**0**	**252,160**	**0**

Appendix 5: Current Expenditure on Health by Function of Care and Provider Industry (SHA Standard Table 2)

5.3: 2005/06

Health care by function	Function and industry codes	Hospitals HP 1	Nursing and residential care facilities HP 2	Providers of ambulatory health care HP 3	Offices of physicians HP 3.1	Offices of dentists HP 3.2	Offices of other health practitioners HP 3.3	Outpatient care centres HP 3.4	Medical and diagnostic laboratories HP 3.5	Providers of home health care services HP 3.6	All other providers of ambulatory health care HP 3.9	Retail sale and other providers of medical goods HP 4	Dispensing chemists HP 4.1	All other sales of medical goods HP 4.2-4.9	Provision and administration of public health programmes HP 5	General health administration and insurance HP 6	Government administration of health HP 6.1	All other health administration HP 6.9	All other industries HP 7	Rest of the world HP 9
Inpatient care																				
Curative and rehabilitative care	HC.1.1; 2.1	3,035,749	135,812	206,116	206,116	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Long-term nursing care	HC.3.1	90,068	994,591	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Services of day care																				
Curative and rehabilitative care	HC.1.2; 2.2	237,295	50,276	56,311	51,529	0	0	4,780	0	0	0	0	0	0	0	0	0	0	0	0
Long-term nursing care	HC.3.2	38,156	70,907	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outpatient care																				
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**1,252,926**	**80,270**	**2,401,495**	**684,062**	**203,072**	**811,792**	**567,794**	**101,348**	**0**	**33,428**	**8,398**	**0**	**8,398**	**0**	**0**	**0**	**0**	**33,133**	**0**
Basic medical and diagnostic services	HC.1.3.1	891,437	27,637	1,080,669	432,573	0	10,842	538,462	92,984	0	5,809	0	0	0	0	0	0	0	0	0
Outpatient dental care	HC.1.3.2	15,875	0	267,062	0	190,574	76,487	0	0	0	0	0	0	0	0	0	0	0	0	0
All other specialised health care	HC.1.3.3	48,434	9,064	192,067	173,877	4,532	4,563	4,563	0	0	4,532	0	0	0	0	0	0	0	0	0
All other outpatient care	HC.1.3.9	82,773	15,932	777,963	32,346	7,966	701,476	13,088	0	0	23,087	0	0	0	0	0	0	0	33,133	0
Home care																				
Curative and rehabilitative care	HC.1.4; 2.4	317,920	5,877	442,320	21,469	0	1,224	159,062	0	260,565	0	0	0	0	0	0	0	0	38,347	0
Long-term nursing care	HC.3.3	77,440	163,759	994,418	27,637	0	0	11,010	0	900,258	55,513	0	0	0	0	0	0	0	40,551	0
Ancillary services to health care	HC.4	28,379	0	994,303	0	0	0	0	823,325	106,880	64,099	0	0	0	0	0	0	0	22,808	0
Medical goods dispensed to outpatients	**HC.5**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,025,115**	**1,908,908**	**116,207**	**0**	**0**	**0**	**0**	**0**	**0**
Pharmaceutical and other medical non-durables	HC.5.1	0	0	0	0	0	0	0	0	0	0	1,912,182	1,908,908	3,274	0	0	0	0	0	0
Therapeutic appliances and other medical durables	HC.5.2	0	0	0	0	0	0	0	0	0	0	112,933	0	112,933	0	0	0	0	0	0
Total expenditure on personal health care		**5,077,933**	**1,501,492**	**5,094,964**	**990,813**	**203,072**	**813,016**	**742,646**	**924,673**	**1,267,703**	**153,040**	**2,033,513**	**1,908,908**	**124,605**	**0**	**0**	**0**	**0**	**134,839**	**0**
Prevention and public health services	HC.6	8,195	3	284,427	88,606	0	33,695	162,126	0	0	0	0	0	0	539,319	6,881	6,881	0	143,937	0
Health administration and health insurance	HC.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	607,505	607,505	0	0	0
Total current expenditure on health care		**5,086,128**	**1,501,495**	**5,379,390**	**1,079,419**	**203,072**	**846,711**	**904,772**	**924,673**	**1,267,703**	**153,040**	**2,033,513**	**1,908,908**	**124,605**	**539,319**	**614,386**	**614,386**	**0**	**278,776**	**0**

Appendix 6: Current Expenditure on Health and Health-related by Function of Care and Funder (SHA Standard Table 5)

6.1: 2003/04

Function	ICHA-HC code	Total public	Ministry of Health	Other central government	Regional and local government	Total private	Private insurance	Private household out-of-pocket payments	Non-profit institutions (other than social insurance)
	Function and funder codes	HF 1	HF 1.1.1	HF 1.1.2	HF 1.1.3	HF 2	HF.2.1 + HF.2.2	HF.2.3	HF.2.4
Services of curative and rehabilitative care	HC.1, HC.2	5,118,193	4,518,698	599,495	0	1,779,921	532,605	1,220,138	27,178
Services of long-term nursing care	HC.3	1,928,811	1,747,103	181,708	0	155,479	26,180	107,506	21,793
Ancillary services to health care	HC.4	504,978	464,337	40,641	0	331,526	43,607	279,234	8,685
Medical goods dispensed to outpatients	**HC.5**	**1,029,101**	**970,349**	**58,752**	**0**	**584,773**	**36,200**	**548,573**	**0**
Pharmaceuticals and other medical non-durables	HC.5.1	977,596	960,543	17,053	0	549,422	29,618	519,804	0
Therapeutic appliances and other medical durables	HC.5.2	51,505	9,806	41,699	0	35,351	6,582	28,769	0
Personal medical services and goods	**HC.1–HC.5**	**8,581,083**	**7,700,487**	**880,596**	**0**	**2,851,699**	**638,592**	**2,155,451**	**57,656**
Prevention and public health services	HC.6	689,539	451,681	174,615	63,242	35,254	0	0	35,254
Health administration and health insurance	HC.7	523,269	378,715	144,555	0	0	0	0	0
Total current expenditure on health		**9,793,891**	**8,530,883**	**1,199,766**	**63,242**	**2,886,953**	**638,592**	**2,155,452**	**92,910**
Gross capital formation	HC.R.1	0	0	0	0	0	0	0	0
Total expenditure on health		**9,793,891**	**8,530,883**	**1,199,766**	**63,242**	**2,886,953**	**638,592**	**2,155,452**	**92,910**
Memorandum items: further health-related functions									
Education and training of health personnel	HC.R.2	276,406	92,116	184,290	0	199,648	0	199,648	0
Research and development in health	HC.R.3	142,085	0	142,085	0	20,266	0	0	20,266
Food, hygiene and drinking-water control	HC.R.4	197,791	0	74,187	123,604	0	0	0	0
Environmental health	HC.R.5	1,136,570	70	20,333	1,116,167	0	0	0	0
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	0	0	0	0	0	0	0	0
Administration and provision of health-related cash-benefits	HC.R.7	0	0	0	0	0	0	0	0
Total health-related expenditure		**1,752,852**	**92,186**	**420,895**	**1,239,771**	**219,914**	**0**	**199,648**	**20,266**
Total health and health-related expenditure		**11,546,743**	**8,623,069**	**1,620,661**	**1,303,013**	**3,106,867**	**638,592**	**2,355,099**	**113,176**

Appendix 6: Current Expenditure on Health and Health-related by Function of Care and Funder (SHA Standard Table 5)

6.2: 2004/05

Function	ICHA-HC code	Total public	Ministry of Health	Other central government	Regional and local government	Total private	Private insurance	Private household out-of-pocket payments	Non-profit institutions (other than social insurance)
	Function and funder codes	**HF 1**	**HF 1.1.1**	**HF 1.1.2**	**HF 1.1.3**	**HF 2**	**HF.2.1 + HF.2.2**	**HF.2.3**	**HF.2.4**
Services of curative and rehabilitative care	HC.1, HC.2	5,646,882	4,945,671	701,211	0	1,940,586	554,733	1,350,740	35,113
Services of long-term nursing care	HC.3	1,978,574	1,763,930	214,644	0	180,186	23,943	113,959	42,284
Ancillary services to health care	HC.4	617,194	565,476	51,718	0	354,717	46,279	294,868	13,570
Medical goods dispensed to outpatients	**HC.5**	**1,224,502**	**1,156,956**	**67,546**	**0**	**630,719**	**35,973**	**594,746**	**0**
Pharmaceuticals and other medical non-durables	HC.5.1	1,157,689	1,139,328	18,361	0	591,297	27,876	563,421	0
Therapeutic appliances and other medical durables	HC.5.2	66,813	17,628	49,185	0	39,422	8,097	31,325	0
Personal medical services and goods	**HC.1–HC.5**	**9,467,152**	**8,432,033**	**1,035,119**	**0**	**3,106,208**	**660,928**	**2,354,313**	**90,967**
Prevention and public health services	HC.6	818,928	561,412	195,634	61,882	56,144	0	0	56,144
Health administration and health insurance	HC.7	538,442	369,410	169,032	0	0	0	0	0
Total current expenditure on health		**10,824,522**	**9,362,855**	**1,399,785**	**61,882**	**3,162,352**	**660,928**	**2,354,313**	**147,111**
Gross capital formation	HC.R.1	0	0	0	0	0	0	0	0
Total expenditure on health		**10,824,522**	**9,362,855**	**1,399,785**	**61,882**	**3,162,354**	**660,928**	**2,354,313**	**147,111**
Memorandum items: further health-related functions									
Education and training of health personnel	HC.R.2	318,710	121,010	197,700	0	214,175	0	214,175	0
Research and development in health	HC.R.3	165,924	0	165,924	0	30,486	0	0	30,486
Food, hygiene and drinking-water control	HC.R.4	228,571	0	83,008	145,563	0	0	0	0
Environmental health	HC.R.5	1,211,152	0	12,841	1,198,311	0	0	0	0
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	0	0	0	0	0	0	0	0
Administration and provision of health-related cash-benefits	HC.R.7	0	0	0	0	0	0	0	0
Total health-related expenditure		**1,924,357**	**121,010**	**459,473**	**1,343,874**	**244,661**	**0**	**214,175**	**30,486**
Total health and health-related expenditure		**12,748,879**	**9,483,865**	**1,859,258**	**1,405,756**	**3,407,013**	**660,928**	**2,568,488**	**177,597**

Appendix 6: Current Expenditure on Health and Health-related by Function of Care and Funder (SHA Standard Table 5)

6.3: 2005/06

Function	ICHA-HC code	Total public	Ministry of Health	Other central government	Regional and local government	Total private	Private insurance	Private household out-of-pocket payments	Non-profit institutions (other than social insurance)
	Function and funder codes	**HF 1**	**HF 1.1.1**	**HF 1.1.2**	**HF 1.1.3**	**HF 2**	**HF.2.1 + HF.2.2**	**HF.2.3**	**HF.2.4**
Services of curative and rehabilitative care	HC.1, HC.2	6,193,501	5,368,004	825,497	0	2,108,741	611,528	1,464,081	33,132
Services of long-term nursing care	HC.3	2,279,911	2,035,049	244,862	0	189,979	22,782	123,522	43,675
Ancillary services to health care	HC.4	664,712	606,194	58,518	0	380,779	51,917	319,610	9,252
Medical goods dispensed to outpatients	**HC.5**	**1,342,693**	**1,266,118**	**76,575**	**0**	**682,422**	**37,771**	**644,651**	**0**
Pharmaceuticals and other medical non-durables	HC.5.1	1,273,989	1,253,024	20,965	0	638,193	27,495	610,698	0
Therapeutic appliances and other medical durables	HC.5.2	68,704	13,094	55,610	0	44,229	10,276	33,953	0
Personal medical services and goods	**HC.1 – HC.5**	**10,480,817**	**9,275,365**	**1,205,452**	**0**	**3,361,921**	**723,998**	**2,551,864**	**86,059**
Prevention and public health services	HC.6	925,650	610,498	232,781	82,371	57,112	0	0	57,112
Health administration and health insurance	HC.7	607,504	416,054	191,450	0	0	0	0	0
Total current expenditure on health		**12,013,971**	**10,301,917**	**1,629,683**	**82,371**	**3,419,033**	**723,998**	**2,551,864**	**143,171**
Gross capital formation	HC.R.1	0	0	0	0	0	0	0	0
Total expenditure on health		**12,013,971**	**10,301,917**	**1,629,683**	**82,371**	**3,419,033**	**723,998**	**2,551,864**	**143,171**
Memorandum items: further health-related functions									
Education and training of health personnel	HC.R.2	343,300	127,137	216,163	0	234,177	0	234,177	0
Research and development in health	HC.R.3	177,941	0	177,941	0	29,825	0	0	29,825
Food, hygiene and drinking-water control	HC.R.4	249,418	0	86,153	163,265	0	0	0	0
Environmental health	HC.R.5	1,277,485	0	0	1,277,485	0	0	0	0
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	0	0	0	0	0	0	0	0
Administration and provision of health-related cash-benefits	HC.R.7	0	0	0	0	0	0	0	0
Total health-related expenditure		**2,048,144**	**127,137**	**480,257**	**1,440,750**	**264,002**	**0**	**234,177**	**29,825**
Total health and health-related expenditure		**14,062,115**	**10,429,054**	**2,109,940**	**1,523,121**	**3,683,035**	**723,998**	**2,786,041**	**172,996**

Appendix 7: Contributors

The following organisations contributed information used in the compilation of *Health Expenditure Trends in New Zealand 1996–2006.*

Annual reports for other central government agencies

Organisation	Supplemental information from survey
Accident Compensation Corporation	Yes
Department of Conservation	N/A
Department of Corrections	Yes
New Zealand Defence Force	Yes
Ministry of Education	No
Ministry of Health	N/A
Department of Labour	N/A
New Zealand Lottery Grants Board	No
Ministry of Agriculture and Forestry	No
Ministry of Research, Science and Technology	No
Te Puni Kōkiri (Māori Development)	No
Ministry of Pacific Island Affairs	No
Ministry of Social Development	No
Auckland University of Technology	No
Massey University	No
University of Otago	No
University of Auckland	No

Health insurance industry

The Health Funds Association of New Zealand Inc (HFANZ) undertook the difficult task of collating data from member organisation health insurers and provided estimates of total expenditure by the health insurance industry. The following health insurers are member organisations of the HFANZ.

HFANZ members in 2004/05 and 2005/06	
AA-GIO Insurance Ltd	Manchester Unity Friendly Society
American International Assurance	Police Health Plan Ltd
EBS Health Care	Southern Cross Healthcare
Health Service Welfare Society	Sovereign Assurance Company Ltd
ING Life (NZ) Limited	Tower Limited
IOOF Friendly Society	Union Medical Benefits Society Ltd
IAG New Zealand Limited	

Annual reports for regional and local government authorities

Organisation	Supplemental information from survey
Auckland City Council	Yes – health inspectors, public conveniences, and pool treatment
Auckland Regional Council	No
Water Care Services Limited	No
Christchurch City Council	Yes – street cleaning
Dunedin City Council	Yes – health inspectors, street cleaning, public conveniences, and pool treatment
Environment Bay of Plenty	No
Environment Canterbury	No
Environment Waikato	No
Greater Wellington Regional Council	No
Hamilton City Council	Yes – street cleaning and pool treatment
Hawkes Bay Regional Council	No
Horizons Regional Council	No
Hutt City Council	Yes – street cleaning and public conveniences
Kapiti Coast District Council	No
Manawatu District Council	No
Manukau City Council	Yes – street cleaning, public conveniences, and pool treatment
Napier City Council	Yes – street cleaning and pool treatment
Nelson City Council	Yes – street cleaning
New Plymouth District Council	Yes – street cleaning and pool treatment
Northland Regional Council	No
North Shore City Council	Yes – street cleaning, public conveniences and pool treatment
Otago Regional Council	No
Palmerston North City Council	Yes – street cleaning and pool treatment
Porirua City Council	Yes – street cleaning, public conveniences, and sewage
Rodney District Council	Yes – street cleaning, public conveniences and pool treatment
Rotorua District Council	Yes – street cleaning
Taranaki Regional Council	No
Tasman District Council	Yes – public conveniences
Taupo District Council	Yes – street cleaning
Tauranga City Council	No
Timaru District Council	Yes – street cleaning
Waikato District Council	No
Waimakariri District Council	Yes – street cleaning and public conveniences
Wellington City Council	No
Whangarei District Council	Yes – environmental health and safety, health inspectors

Annual reports for not-for-profit organisations

Key organisations	Annual reports
Alcohol & Drug Services	2005 and 2006 multiple branches
Alzheimers New Zealand	2005 and 2006 multiple branches
Ambulance – Wellington Free	2005 and 2006
Ambulance – St Johns	Not found, used Lions grants
Ambulance and other patient transport	Not found, used Lions grants
Amputee Society	2005 and 2006 multiple branches
Arthritis New Zealand	2005 and 2006 multiple branches
Asthma & Respiratory Foundation of New Zealand	2005 and 2006 multiple branches
Barnardos New Zealand	2006 report
The Brain Injury Association of New Zealand	2005 and 2006 multiple branches
Breast Cancer Network NZ	2006 report
Cancer Society of New Zealand	2005 and 2006 multiple branches
CanTeen	2006 report
Disability Action (formally CCS Crippled Children Society)	2005 and 2006 multiple branches
Cerebral Palsy Society of New Zealand	2005 report
Deaf Association of New Zealand	2005 and 2006 multiple branches
Deaf-blind New Zealand Incorporated	2005 report
Diabetes New Zealand	2005 and 2006 multiple branches
Disabled Persons Association (DPA New Zealand)	2005 and 2006
Downtown Community Ministry	2005 and 2006 report
Epilepsy Association of New Zealand Inc	2006 report
Epilepsy Foundation of New Zealand	2006 report
Family Planning	2006 report
Heart Foundation	2005 report
Hearing Association New Zealand	2005 and 2006 multiple branches
Hospice – Bay of Plenty	2005 report
Hospice – Bay of Island	2005 and 2006 report
Hospice – Friends of Taupo	2005 report
Hospice – North Haven	2005 report
Hospice – New Zealand Inc.	2005 report
Hospice – Taranaki	2005 and 2006 report
Hospice – South Canterbury	2006 report
Hospice – Waipuna	2006 report
IHC (Intellectual Handicapped) NZ Inc	2006 report
Lion Foundation	Grants awarded within each year 2005 and 2006
Medic Alert Foundation New Zealand Inc	2006 report
Multiple Sclerosis Society of New Zealand	2005 and 2006 multiple branches
Muscular Dystrophy Association of New Zealand	2005 and 2006 multiple branches
New Zealand Breastfeeding Authority	2006 report

Key organisations	Annual reports
Parkinsonism Society of New Zealand	2005 and 2006 multiple branches
Patients Aid Community Trust	2004 report
Royal New Zealand Plunket Society	direct response
Presbyterian Support New Zealand	2005 and 2006 multiple branches
Spinal Cord Society New Zealand	2005 and 2006 multiple branches
Stroke Foundation of New Zealand	2005 and 2006 multiple branches

If only the 2006 annual report is cited, prior year figures for 2005 expenditure were used.

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