Health in Australia: a quick guide

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Australia’s health outcomes are among the best in the world. At the same time, as *Australia’s Health 2012* notes, health system arrangements, which are mixture of public and private funding involving blurred lines of jurisdictional responsibility, multiple providers and a variety of regulatory regimes, are ‘nothing short of complex’. This guide provides an overview of Australia’s complex health system: what governments do, the role of private health insurance, how much we spend on health care, how Australian health outcomes compare internationally, the health care workforce and links to further information and resources.

The Australian health system

The Australian health system involves multiple layers of responsibility and funding provided by governments, individuals, health providers and private health insurers.

**Primary care** (the first level of contact with the health system) is mostly provided in the community by general practitioners (GPs), who are generally self-employed. GPs also operate as ‘gatekeepers’, referring patients to specialist medical services where needed. The national public health insurance scheme Medicare provides either free or subsidised benefits for most medical, diagnostic and allied health services.

**Acute care** is provided in either private or public hospitals. Public hospital treatment is free for public patients, but public hospital care can be subject to long waiting times. Private hospitals cater to patients who want choice of doctor and private ward accommodation and include a growing number of ‘day-only’ specialist facilities. For private hospital care Medicare pays 75% of the Medicare schedule fee, with the balance met by private health insurance (if purchased and if gap arrangements apply).

A range of free or low-cost public health services, including immunisation and mental health services, are provided by community health facilities. Subsidised aged care services, such as residential aged care, are provided by a mix of not-for-profit, private and government organisations. Medicines are dispensed by private community pharmacists who are paid by government (under a Pharmacy Agreement) to dispense medicines subsidised under the Pharmaceutical Benefits Scheme (PBS). Veterans’ health services are funded separately through the Department of Veterans’ Affairs.

**Which level of government does what?**

Responsibility for funding and regulating the health system is largely shared between the Commonwealth and the state and territory governments, but their respective roles are not always clear.

Broadly, the Commonwealth Government has responsibility for:

- Medicare, the national scheme which provides free or subsidised access to clinically relevant medical, diagnostic and allied health services as specified in the Medical Benefits Schedule (MBS). Medicare is funded through a 1.5% Medicare levy and general taxation revenue. High out-of-pocket costs are partially offset by the Medicare Safety Net and Extended Medicare Safety Net.
• Pharmaceutical Benefits Scheme (PBS) which subsidises universal access to thousands of prescription medicines. Patients pay a small co-payment. The PBS Safety Net helps offset high out-of-pocket costs
• purchase of vaccines for the national immunisation program
• subsidies for aged care services, such as residential care and regulation of the aged care sector
• medical research grants, largely through the National Health and Medical Research Council
• rebates for private health insurance premiums and regulation of private health insurers
• capped dental benefits for basic dental services for children and teens (commencing January 2014)
• veterans’ health care through the Department of Veterans’ Affairs
• funding for community-controlled Aboriginal and Torres Strait Islander primary healthcare organisations
• education of health professionals (through Commonwealth-funded university places)
• regulation of therapeutic goods and medical devices through the Therapeutic Goods Administration
• expanded after-hours GP and primary care services through Medicare Locals
• subsidised hearing services and
• national coordination and leadership, for example, responding to pandemics and other health emergencies.

States and territories are mainly responsible for:
• management and administration of public hospitals
• delivery of preventive services such as breast cancer screening and immunisation programs
• funding and management of community and mental health services
• public dental clinics (additional Commonwealth funding is being provided under a new agreement)
• ambulance and emergency services
• patient transport and subsidy schemes
• food safety and handling regulation and
• regulation, inspection, licensing and monitoring of health premises.

The Commonwealth and the states and territories share responsibilities across a number of areas. These shared arrangements are usually detailed in national agreements, such as those agreed under the Council of Australian Governments (COAG), and include:
• funding of public hospital services based on an agreed national activity-based funding (ABF) formula as outlined in the National Health Reform Agreement
• preventive services, such as free cancer screening programs including those under the National Bowel Cancer Screening Program
• registration and accreditation of health professionals through the Australian Health Practitioner Regulation Agency
• shared funding with the states for palliative care
• national mental health reform and
• responding to national health emergencies.

In addition, local governments play an important role in the health system, providing services including environmental health services (such as sanitation) and a range of community-based health and home-care services.

These arrangements create scope for duplication and waste to occur. Disputes over funding levels and cost-shifting between different levels of government also feature regularly.
What about private health insurance?

Australia’s health system is sometimes described as a ‘mixed system’, because private funding and services operate alongside the public system. According to the Private Health Insurance Administration Council (PHIAC) around 47% of the population has private hospital cover, and nearly 55% have cover for ancillary services, such as dentistry and optometry. Private health insurance provides cover for private hospital services and many out-of-hospital services not covered by Medicare (such as dentistry). Consumers with private cover can avoid potentially long waiting lists in the public system and choose their own doctor. The Commonwealth Government provides a means-tested rebate for the cost of private health insurance premiums and penalises higher income earners with an additional Medicare levy surcharge if they fail to purchase private hospital cover.

How much does Australia spend on health?

The Australian Institute of Health and Welfare (AIHW) calculates that spending on all health care in Australia in 2011–12 totalled just over $140.0 billion or 9.5% of gross domestic product (GDP). This is around $5,881 in recurrent expenditure per person (not including capital). Most health spending in Australia (almost 70%) is funded by governments, with the largest component ($42.0 billion) for the provision of public hospital services. What we spend on health as a percentage of GDP is substantially lower than health care spending in the United States (at 17% of GDP, the highest of all OECD countries), less than Canada, France and New Zealand, but comparable to the United Kingdom and Spain.

Individuals contributed around $24.8 billion out-of-pocket on purchasing health services, which on a per capita basis is around $1,101. The largest component of this spending was on medications, followed by dental services. Together, private health insurers and compulsory third party motor vehicle insurers funded around $18 billion in health services. Around 8% of health spending ($11.2 billion) was funded through private health insurance.

How does Australia compare internationally?

Compared with other countries, Australia performs strongly across a range of important health indicators. Life expectancy for Australian women is the third highest globally, and for men it is the fourth highest, according to the Australian Institute of Health and Welfare (AIHW). More than half of Australian adults rate their health as excellent or very good; a further 29% rate it as good; while just 15% regard their health as fair or poor (AIHW).

For a range of diseases, outcomes are as good as, if not better than, many other developed countries. Australia’s mortality rate from cancer (103 per 100,000) is below the world average, and lower than many comparable regions, such as North America and Western Europe. Survival period after a cancer diagnosis is the highest in the world, as measured by mortality-to-incidence ratio. Just 15.1% of adults report smoking on a daily basis, among the lowest in the world, according to the Organisation for Economic Co-operation and Development (OECD). Levels of childhood vaccination have remained relatively high (92% for diphtheria, tetanus and pertussis, and 94% for measles, according to the OECD), and infant and maternal mortality rates are below the OECD average.

Despite these positive signs, it is not all good news. Australia’s rates of overweight and obesity—risk factors for a number of chronic diseases—are among the highest in the developed world. In 2007, 21.3% of Australian adults were reported as obese, second only to the United States (26.4% in 2007) according to the OECD. A further 34.6% of Australian adults were overweight. Among OECD countries with public mammography programs, the proportion of Australian women in the target range who were screened for breast cancer in 2009 was 54.9%, below the OECD average of 62.2%. In terms of quality of hospital care, among OECD countries Australia has the second highest rate of post-operative infections after Ireland.

Across a range of health indicators, including life expectancy, incidence of chronic diseases, infant health and smoking rates, the health of Indigenous Australians rates more poorly than for non-Indigenous. Many lower income Australians also experience poorer health compared to those on higher incomes.

Who delivers health care?

Australia’s health workforce comprises a diverse range of health care occupations working across a variety of settings.

Medical practitioners, more commonly known as doctors, complete several years of undergraduate medical study, followed by compulsory 12 month internships in a hospital setting, before they can be registered as medical practitioners. Many then spend several years training in a medical speciality, such as gastroenterology, obstetrics, psychiatry or general practice. In 2011, there were 87,790 registered medical practitioners in Australia. Once registered, medical practitioners work in a variety of clinical and non-clinical settings, from...
private practice in the community, to salaried positions in community health clinics, to visiting medical officers in hospitals, to teaching and research. Overseas trained doctors (or international medical graduates) perform an important role working under supervision in designated areas of workforce shortage, usually in rural and remote Australia.

Nurses and midwives deliver direct patient care to those physically or mentally ill in hospitals, aged care facilities, community health centres and in home environments. In 2011, the nursing workforce was around 326,669. Nurses are either classed as registered or enrolled nurses. Registered nurses usually complete a three year tertiary degree while enrolled nurses complete a vocational education training course.

There are a wide range of non-medical allied health workers including pharmacists, psychologists, physiotherapists, podiatrists, optometrists and Aboriginal health workers. In 2012, there were 126,788 allied health professionals registered in Australia.

Around 18,803 registered dental practitioners practised dentistry in 2011 (81% working in private practice) and around 4,191 dental hygienists, prosthetists, therapists and oral health therapists were employed.

Since 2010, all health professions have operated under the National Registration and Accreditation Scheme, which is administered by the Australian Health Practitioner Regulation Agency.

Need to know more?

Key sources of health data:
- Parliamentary Library’s key internet links
- Australian Institute of Health and Welfare
- Australian Bureau of Statistics’ Australian Health Survey
- National Health Performance Authority
- Organisation for Economic Co-operation and Development

Locating health services:
- National Health Services Directory
- MyHospitals website

Quality medical and health information:
- Healthinsite
- Victorian Government’s Better Health Channel
- MedlinePlus (US)
- Cochrane Library (evidence based assessments)

Performance of the health system:
- Report on Government Services
- Medicare Statistics (bulk billing)
- MyHospitals website

Parliamentary and Library reports
Reports from Parliamentary Committees including the Senate Standing Committee on Community Affairs, and the House of Representatives Standing Committee on Health and Ageing are available through the respective home pages of the Committees’ websites.

Parliamentary Library publications on health are available via this link.