

POPULATION AND PREVENTIVE HEALTH SERVICES — ASSESSMENT RESULTS

- 1 This working paper describes the expenses assessment for Population and Preventative Health Services and provides information on its impact on the Goods and Services Tax (GST) revenue distribution for the 2008 Update. The development of the assessment method in the 2004 Review is discussed in Volume 4 of the 2004 Review Working Papers.

DESCRIPTION OF THE CATEGORY

- 2 The Population and Preventive Health category comprises expenses on public health services, consisting of population health programs and preventive health programs. Population health service programs are those that aim to protect, promote and/or restore the collective health of whole or specific populations. Preventive health programs are those aimed at preventing disease. More specifically, the category includes expenses on:
 - health promotion campaigns;
 - occupational health and safety programs;
 - food standards regulation;
 - environmental health, nutrition services and epidemiology;
 - communicable disease surveillance;
 - immunisation programs, breast cancer screening and screening for childhood diseases;
 - research into medical and health sciences undertaken inside and outside acute care institutions; and
 - medical instrumentation undertaken inside and outside acute care institutions.
- 3 The category also includes outlays on the administration, support and operation of health affairs and services that could not be assigned to other health categories.
- 4 Specific Purpose Payments included in the assessment are Essential vaccines, National illicit drugs strategy, National public health (except for the payments for the Victorian cytology service) and Organ and tissue donation.

- 5 Table 1 shows the average category expenses for the last six financial years. In 2006-07, the per capita average expenses for this category were \$84.14. This represented 1.31 per cent of total State average expenses. In 2006-07, user charges accounted for 15.34 per cent of the average expenses associated with this category.

Table 1 Population and Preventive Health Services, average category expenses and user charges, 2001-02 to 2006-07

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average expenses (\$pc)	56.74	60.92	63.98	65.43	77.06	84.14
% of total State average expenses	1.10	1.14	1.18	1.15	1.29	1.31
Average user charges (\$pc)	12.32	15.49	15.81	8.35	12.05	12.91
% of average category expenses	21.71	25.43	24.71	12.76	15.64	15.34

Source: CGC Assessment System U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4120 Population and Preventive Health/Tables and Chart/4120 E Average Expenses

ASSESSMENT METHOD

Description of the assessment

- 6 The Population and Preventive Health assessment was undertaken using six components: fixed costs, breast cancer screening, organised immunisation, communicable disease control, other public health and isolation.
- 7 The expenses assessment method for the 2008 Update is the same as for the 2004 Review:
- fixed costs and isolation were assessed using the general methods (for more information please refer to the Working Papers on Input costs, Administrative scale and Isolation);
 - the expenses related to breast cancer screening were assessed by applying national average use weights to the target populations (women aged 40 and over) and cost weights for low English fluency and Indigeneity, taking into account the use of ACT services by New South Wales residents, the geographic distribution of State populations and relative State wage levels;
 - the expenses related to organised immunisation were assessed by applying national average use weights to the target populations (the 0-4 age group; Indigenous population aged 50 and over and non-Indigenous population aged 65 and over) and cost weights for low English fluency and Indigeneity, taking into account the impact of private service provision (the economic environment), the use of ACT services by New South Wales residents, the geographic distribution of State populations and relative State wage levels;
 - the expenses related to communicable disease control were assessed by applying national average use weights to the State populations and cost weights for low English fluency and Indigeneity, taking into account the use of ACT services by New South Wales residents, the geographic distribution of State populations and relative State wage levels. Use weights

were based on a combination of the impact of the rates of communicable diseases, drug use and needle exchange.

- the expenses related to other public health were assessed by applying national average use weights to State populations and cost weights for low English fluency, taking into account the geographic distribution of State populations and relative State wage levels. Use weights were derived from population with self-assessed health status as poor or fair, disaggregated by income status and Indigenous status.

Assessment Structure

- 8 Table 2 summarises the assessment structure for the 2008 Update.
- 9 The proportions of expenses affected by fixed costs and isolation were estimated using the general methods.
- 10 Other component weights were based on data from the Australian Institute of Health and Welfare's (AIHW) reports, *National Public Health Expenditure Report, 2001-02 to 2003-04*, and *2004-05*. As *National Public Health Expenditure Report 2005-06* was not available during the 2008 Update, data from *National Public Health Expenditure Report 2004-05* have been applied to three assessment years from 2004-05 to 2006-07.

Table 2 Population and Preventive Health Services, assessment structure for the 2008 Update, 2006-07

Component	Component weight	Factors	Basis of calculation
	%		
Fixed costs	2.38	Input costs	General method with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
Breast cancer screening	11.71	Administrative scale	General method.
		Socio-demographic composition	Based on the target population and weights for low English fluency and Indigeneity.
		Dispersion	General method.
		Input costs	General method with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
Organised immunisation	20.36	Cross-border	General method.
		Socio-demographic composition	Based on the target population and weights for low English fluency and Indigeneity.
		Economic environment	Based on assessed number of general practitioners required, given State population profiles.
		Dispersion	General method.
Communicable disease control	19.48	Input costs	General method with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
		Cross-border	General method.
		Socio-demographic composition	Based on target populations, disease rates and weights for low English fluency and Indigeneity.
		Input costs	General method.
Other public health	45.96	Cross-border	General method.
		Dispersion	General method.
		Socio-demographic composition	Weights for socio-economic status and Indigeneity (derived from self-assessed health status), and weights for low English fluency.
		Dispersion	General method.
Isolation	0.10	Input costs	General method with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.
		Isolation	General method.

Calculating the category factor

11 Table 3 summarises the components, component weights and factors assessed for this category for the last year of the 2008 Update. It shows the calculation of the category factor for 2006-07.

12 The category factor was calculated as follows:

category factor	=	fixed costs + breast cancer screening + organised immunisation + communicable disease control + other public health + isolation
where:		
Fixed costs	=	0.0238 * [administrative scale * fixed costs input costs]
Breast cancer screening	=	0.1171 * [socio-demographic composition * cross-border * (dispersion + input costs – 1)]
Organised immunisation	=	0.2036 * [socio-demographic composition * economic environment * cross-border * (dispersion + input costs – 1)]
Communicable disease control	=	0.1948 * [socio-demographic composition * cross-border * (dispersion + input costs – 1)]
Other public health	=	0.4596 * [socio-demographic composition * (dispersion + input costs – 1)]
Isolation	=	0.0010 * [isolation]

13 In each case, the contribution to the category factor was calculated as the expense component weight (the percentage above) multiplied by the factors (the bracketed terms in the formulas). Each component’s contribution to the category factor was then scaled to ensure the sum of assessed expenses equalled the sum of actual expenses.

Table 3 Population and Preventive Health Services, derivation of category factor, 2006-07

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed costs (component weight = 2.38 %)								
Administrative scale	0.37674	0.49983	0.62455	1.24055	1.63822	5.25353	7.67138	13.05708
Input costs	1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769
Component factor	0.38627	0.49589	0.61447	1.23061	1.59855	5.02575	7.82014	13.28802
A Wgtd comp factor	0.00925	0.01187	0.01471	0.02946	0.03826	0.12030	0.18719	0.31807
Breast cancer screening (component weight = 11.71 %)								
Socio-demographic composition	1.01484	1.00338	0.96632	0.96355	1.07609	1.08453	0.90318	0.84521
Cross border	0.99086	1.00000	1.00000	1.00000	1.00000	1.00000	1.20246	1.00000
Dispersion	0.99956	0.98297	1.02285	1.00497	0.99010	0.98429	0.97177	1.08952
Input costs	1.01919	0.99309	0.98935	0.99482	0.98016	0.96490	1.01447	1.01260
Component factor	1.02442	0.97935	0.97811	0.96334	1.04409	1.02943	1.07108	0.93152
B Wgtd comp factor	0.12006	0.11477	0.11463	0.11290	0.12236	0.12064	0.12553	0.10917
Organised immunisation (component weight = 20.36 %)								
Socio-demographic composition	1.02909	0.98362	0.97004	0.95416	1.05022	1.05977	0.78243	1.32523
Economic environment	0.97093	1.00461	0.97825	1.09636	0.96190	1.02437	1.11026	1.35594
Cross border	0.99885	1.00000	1.00000	1.00000	1.00000	1.00000	1.02950	1.00000
Dispersion	0.99956	0.98297	1.02285	1.00497	0.99010	0.98429	0.97177	1.08952
Input costs	1.01919	0.99309	0.98935	0.99482	0.98016	0.96490	1.01447	1.01260
Component factor	1.01673	0.96450	0.96052	1.04588	0.98017	1.03043	0.88201	1.98043
C Wgtd comp factor	0.20682	0.19619	0.19538	0.21274	0.19938	0.20960	0.17941	0.40284
Communicable disease control (component weight = 19.48 %)								
Socio-demographic composition	0.77995	0.79043	1.30302	1.09030	1.10050	0.83899	0.92713	6.14877
Cross border	0.99561	1.00000	1.00000	1.00000	1.00000	1.00000	1.08905	1.00000
Dispersion	0.99956	0.98297	1.02285	1.00497	0.99010	0.98429	0.97177	1.08952
Input costs	1.01919	0.99309	0.98935	0.99482	0.98016	0.96490	1.01447	1.01260
Component factor	0.79108	0.77150	1.31892	1.09007	1.06778	0.79636	0.99579	6.77669
D Wgtd comp factor	0.15317	0.14938	0.25537	0.21106	0.20674	0.15419	0.19281	1.31210
Other public health (component weight = 45.96 %)								
Socio-demographic composition	1.00428	0.98719	0.99906	0.99116	1.01066	1.03715	0.90680	1.26055
Dispersion	0.99956	0.98297	1.02285	1.00497	0.99010	0.98429	0.97177	1.08952
Input costs	1.01919	0.99309	0.98935	0.99482	0.98016	0.96490	1.01447	1.01260
Component factor	1.02311	0.96355	1.01125	0.99095	0.98061	0.98445	0.89431	1.38928
E Wgtd comp factor	0.47010	0.44273	0.46465	0.45532	0.45057	0.45233	0.41092	0.63834

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Isolation (component weight = 0.1 %)								
Isolation	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083
Component factor	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083
F Wgtd comp factor	0.00004	0.00007	0.00012	0.00189	0.00114	0.00287	0.00128	0.06135
Category factor	0.95942	0.91501	1.04485	1.02336	1.01846	1.05994	1.09713	2.84188

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4120 Population and Preventive Health/Assessed Expenses/QA 4120 E Population and Preventive Health Standardised Expenditure

(a) Component factor was rebased so that the average is 1.00000.

(b) Category factor = (A + B + C + D + E + F).

RESULTS FOR 2006-07

- 14 Table 4 shows actual, average category and assessed gross expenses per capita and cost of service provision for the assessment in 2006-07. The cost of service provision ratio is equivalent to the category factor shown in Table 3.
- 15 Table 13 at the end of the Population and Preventive Health Services working paper summarises the results of the assessment. It shows the average, actual and assessed expenses for each State for all years of the 2008 Update.

Table 4 Population and Preventive Health Services, assessment results, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	81.10	60.03	88.28	131.99	72.67	59.99	198.67	178.50	84.14
Assessed expenses	80.72	76.99	87.91	86.10	85.69	89.18	92.31	239.11	84.14
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	95.94	91.50	104.48	102.34	101.85	105.99	109.71	284.19	100.00

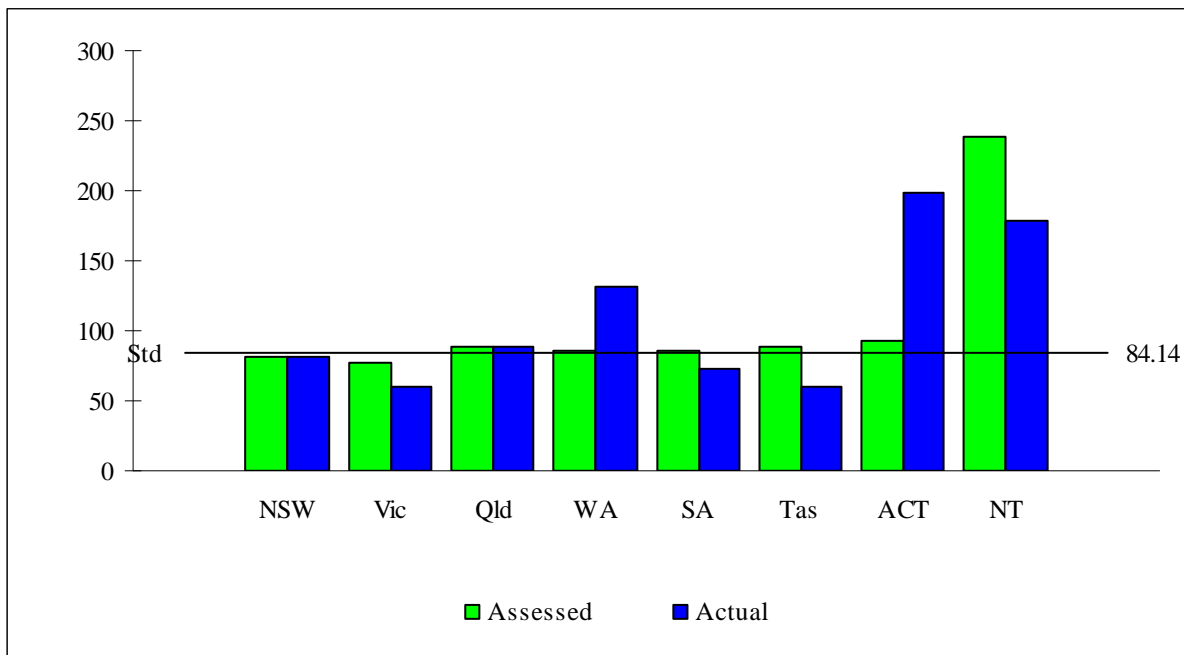
Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4120 Population and Preventive Health/Tables and Chart/4120 E Assessment Results

(a) The cost of service provision ratio is the ratio of assessed to average category expense per capita.

Note: ACT actual expenses may include municipal expenses.

- 16 Figure 1 illustrates the per capita assessed, actual and average category expenses for Population and Preventive Health Services for 2006-07. It shows that the Northern Territory has the highest assessed cost of providing population and preventive health services, whilst Victoria has the lowest assessed cost of providing population and preventive health services.

Figure 1 Population and Preventive Health Services, expenses per capita – assessed, actual and average, 2006-07



Source: CGC Assessment System, CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4120 Population and Preventive Health/Assessed Expenses/QA 4120 E Population and Preventive Health Standardised Expenditure

Cost of service provision

- 17 A State’s cost of service provision ratio is the ratio of assessed expenses per capita to average expenses per capita. Queensland, Western Australia, South Australia, Tasmania, the ACT, and the Northern Territory had above average cost of service provision ratios. Table 5 shows a number of indicators relevant to the use and cost of population and preventive health services.
- 18 Queensland, Western Australia, Tasmania and the Northern Territory had large proportions of their populations which are Indigenous who were high users of population and preventive health services (with the exception of breast screening) and who also cost more to treat. Indigenous people experience more communicable diseases and use more of other public health services.
- 19 Western Australia, the ACT and the Northern Territory had below average numbers of private health providers (reflected in their relative number of FTE general practitioner numbers).
- 20 Western Australia and the Northern Territory’s dispersed and isolated population also contributed to the expenses of the States.
- 21 South Australia and Tasmania had higher proportions of their population who were high use of population and preventive health services (particularly the elderly and those with low incomes), as well as above average per capita fixed costs.

- 22 The ACT had above average per capita costs of operating the minimum administrative structures required to provide population and preventive health services (fixed costs). It also had greater demand on health services due to people from New South Wales using its services.
- 23 New South Wales and Victoria were assessed as needing to spend less than the average to provide the average level of services. This reflected their below average proportions of people with communicable diseases and a need for other public health services (such as Indigenous people). New South Wales and Victoria's low cost of service provision were partially offset by having above Australian average low English proficiency people. New South Wales' above average supply of private health services also meant that its higher costs associated with providing organised immunisation were partially offset.

Table 5 Indicators relevant to the use and cost of population and preventive health services^(a)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
Share of Australian Popn (%)	32.9	24.8	19.8	9.9	7.6	2.4	1.6	1.0	100.0
Share of Popn aged 65+ (%)	33.6	24.9	19.2	9.4	8.4	2.7	1.3	0.6	100.0
Share of Indigenous Popn (%)	28.7	6.0	28.3	15.1	5.0	3.3	0.8	12.9	100.0
Share of Low Income Popn (%)	33.7	24.7	19.3	9.1	8.4	2.8	1.0	1.0	100.0
Share of Low English Proficiency Popn (%)	43.5	33.2	8.5	6.1	5.5	0.4	1.0	1.8	100.0
Number of FTE general practitioners per 100 000 ^(b)	74.24	71.70	72.76	63.82	77.28	73.09	58.39	44.56	71.93

Source: (a) 2006 Census of Population and Housing adjusted by CGC.

(b) Based on 2005-06 number of full time equivalent general practitioners published by the Department of Health & Ageing, February 2007.

CONTRIBUTION TO GST REVENUE DISTRIBUTION

- 24 Table 6 shows the category's contribution to the distribution of GST revenue and health care grants (hereafter described as GST revenue) implied by the 2008 Update. It also shows the contributions of each factor and component to the total GST revenue distribution.

Differences from an equal per capita assessment

- 25 Compared to an equal per capita (EPC) assessment, Table 6 shows that the 2008 Update redistributed \$51.4 million of the GST revenue.
- 26 The redistribution was away from New South Wales, and Victoria to Queensland, Western Australia, South Australia, Tasmania, the ACT and the Northern Territory.
- 27 The main drivers of this assessment, as shown in Table 6, were:

- Socio-demographic composition factors which recognised the difference between State population characteristics, such as age, sex, English fluency and disease rates that drove the use or cost of services — the Northern Territory in particular had high needs in this area;
- administrative scale, which recognised the unavoidable costs each State incurred to provide the policy and administrative infrastructure necessary to provide the service, regardless of the size of the task — Tasmania, the ACT and the Northern Territory had high per capita needs; and
- input costs, which recognised the differences between States in the prices of labour, accommodation, and electricity used in providing services, that arose for reasons beyond the control of individual States — New South Wales was assessed to have higher than average needs.

28 The category factors and cost of service provision ratios accorded with the expectation that those States that had large proportions of intensive users of population and preventive health services and who also cost more to treat (for example Indigenous people) and those had low level of private provision needed a larger share of GST revenue.

Table 6 Population and Preventive Health Services, contribution of assessment to GST revenue distribution, 2008 Update

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed costs									
Administrative scale	-9.4	-5.7	-3.3	1.2	2.2	4.5	4.9	5.7	18.5
Input costs	0.5	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.5
Component factor	-9.2	-5.7	-3.5	1.1	2.0	4.3	5.1	5.9	18.4
Other public health									
Socio-demographic composition									
	-0.3	-3.4	1.3	-0.2	0.9	0.9	-1.3	2.1	5.2
Dispersion	-0.1	-3.2	3.5	0.4	-0.6	-0.3	-0.3	0.7	4.6
Input costs	5.9	-0.6	-3.0	-0.9	-1.1	-0.6	0.2	0.1	6.3
Component factor	5.4	-7.3	1.8	-0.7	-0.8	0.0	-1.4	3.1	10.3
Communicable disease control									
Socio-demographic composition									
	-18.4	-14.1	14.1	4.6	-1.7	-1.1	-0.4	17.0	35.7
Cross-border	-0.5	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.5
Dispersion	-0.1	-1.4	1.5	0.2	-0.2	-0.1	-0.1	0.3	1.9
Input costs	2.5	-0.3	-1.3	-0.4	-0.5	-0.2	0.1	0.1	2.6
Component factor	-17.3	-15.8	13.9	4.1	-2.5	-1.5	0.0	19.1	37.1
Organised immunisation									
Socio-demographic composition									
	3.4	-1.3	-2.1	-1.8	1.4	0.5	-1.3	1.2	6.5
Economic environment	-3.3	-0.1	-0.7	2.8	-0.8	0.4	0.4	1.2	4.8
Cross-border	-0.1	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
Dispersion	-0.1	-1.5	1.6	0.2	-0.3	-0.1	-0.2	0.3	2.1
Input costs	2.8	-0.3	-1.4	-0.4	-0.5	-0.3	0.1	0.1	2.9
Component factor	2.5	-3.3	-2.6	0.6	-0.3	0.5	-0.9	3.4	7.0
Breast cancer screening									
Socio-demographic composition									
	1.0	0.4	-1.3	-0.8	1.1	0.3	-0.3	-0.3	2.8
Cross-border	-0.6	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.6
Dispersion	0.0	-0.8	0.9	0.1	-0.1	-0.1	-0.1	0.2	1.2
Input costs	0.5	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.5
Component factor	1.9	-0.6	-1.2	-0.9	0.6	0.1	0.2	-0.1	2.8
Isolation									
Isolation	-0.7	-0.5	-0.4	0.2	0.0	0.1	0.0	1.2	1.5
Component factor	-0.7	-0.5	-0.4	0.2	0.0	0.1	0.0	1.2	1.5
Redistribution from EPC resulting from the 2008 Update assessment									
	-17.3	-33.2	8.1	4.3	-0.9	3.5	2.9	32.6	51.4

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4120 Population and Preventive Health/Tables and Chart/4120 E Contribution of Assessment to GST Revenue

Note: The redistribution due to the component factors includes the effect of interactions between factors. Therefore, the component factor figure may not equal the sum of its factors' redistribution.

CHANGES SINCE THE 2007 UPDATE

Effect of assessment on the distribution of GST revenue

- 29 Table 7 shows the distribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. It also shows the sources of the changes. It shows that the assessment now redistributes slightly less than in the 2007 Update, redistributing \$51.4 million instead \$56.3 million. State costs of providing Population and preventive health services are converging.
- 30 The table also shows that changes were brought about because the Commission:
- used revised financial data in the average expenses and other revised data in factor calculations for the year 2001-02 to 2005-06; and
 - replaced 2001-02 average expenses and factors with those of 2006-07 to move forward the five-year period on which GST revenue distribution was based. Moving the five-year period forward in this way ensures the assessments reflect recent trends in State priorities on the services provided and recent trends in State demographic, and economic circumstances on the relative costs of non-inpatient and community health services.
- 31 With the availability of 2006 Census data, these have now been included in the socio-demographic composition factor and economic environment factor calculations for the years 2004-05 through 2006-07. Earlier assessment years have continued to use 2001 Census data for these factor calculations.
- 32 Compared with an equal per capita (EPC) assessment, the 2008 Update redistributed \$51.4 million away from New South Wales, Victoria and South Australia to the other States. The total effect of revisions and updating was to reduce the amount redistributed and to redistribute \$5.4 million across States. The change arose largely from the effect of revising and replacing category factors which led to the GST redistribution increases for New South Wales, Victoria, South Australia and the ACT and the reductions for Queensland, Western Australia, Tasmania and the Northern Territory.

Table 7 Population and preventive health services, effect of assessment on GST revenue distribution, 2007 Update to 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Redistribution from EPC resulting from the 2007 Update assessment (a)	-18.3	-35.4	8.5	5.8	-2.7	4.1	2.5	35.4	56.3
Effect of revising category averages and factors for 2001-02 to 2005-06									
Category average	0.1	0.2	0.0	0.0	0.0	0.0	0.0	-0.2	0.4
Category factors	3.4	2.3	-3.0	-0.5	-0.2	-0.4	0.4	-1.9	6.0
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	3.5	2.5	-3.1	-0.6	-0.2	-0.4	0.4	-2.1	6.3
Effect of replacing 2001-02 category averages and factors with those for 2006-07									
Category average	-0.2	-0.8	0.1	0.2	-0.1	0.1	0.0	0.8	1.1
Category factors	-2.1	0.4	2.3	-1.0	1.9	-0.3	0.0	-1.3	4.7
Interactions	-0.2	0.0	0.2	-0.1	0.2	0.0	0.0	-0.1	0.5
Total	-2.5	-0.3	2.6	-0.9	1.9	-0.3	0.1	-0.6	4.7
Redistribution from EPC resulting from the 2008 Update assessment (a)	-17.3	-33.2	8.1	4.3	-0.9	3.5	2.9	32.6	51.4
Total effect of revisions and updating (b)	0.9	2.2	-0.5	-1.5	1.8	-0.7	0.4	-2.7	5.4

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4120 Population and Preventive Health/Tables and Chart/4120 E Effect of Assessment, Previous Inquiry to Current Inquiry

(a) Using the same pool and populations that were used to calculate the 2007 Update redistribution.

(b) This figure shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

33 Table 8 shows the changes in GST revenue attributable to changes in each factor arising from both revisions over the period 2001-02 to 2005-06 and replacing 2001-02 data with 2006-07 data.

34 The main reasons for the changes in GST revenue distribution between the two updates are explained in more detail in the following sections.

Table 8 Population and preventive health services, effect of assessment on GST revenue distribution by factor, 2007 Update to 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed costs									
Administrative scale	0.6	0.2	0.0	-0.1	-0.1	-0.2	-0.2	-0.2	0.8
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other public health									
Socio-demographic composition	2.5	2.1	-2.6	-0.9	-0.4	-0.4	0.2	-0.4	4.7
Dispersion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Input costs	-0.6	-0.2	0.6	0.2	0.1	0.0	0.0	0.0	0.9
Communicable disease control									
Socio-demographic composition	-1.0	-0.2	1.3	-1.6	2.4	0.1	0.2	-1.3	4.0
Cross-border	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dispersion	0.0	0.0	0.1	0.0	0.0	0.0	0.0	-0.1	0.1
Input costs	-0.2	-0.1	0.3	0.1	0.0	0.0	0.0	-0.1	0.4
Organised immunisation									
Socio-demographic composition	0.4	0.2	-0.3	0.0	0.1	0.0	-0.1	-0.3	0.7
Economic environment	-0.3	0.6	-0.2	0.5	-0.5	-0.3	0.2	-0.1	1.3
Cross-border	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dispersion	0.0	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Input costs	-0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.2
Breast cancer screening									
Socio-demographic composition	-0.1	-0.3	0.0	0.2	0.0	0.1	0.0	0.0	0.4
Cross-border	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dispersion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Input costs	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.2
Isolation									
Isolation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4120 Population and Preventive Health/Tables and Chart/4120 E Effect of Assessment by Factor, Previous Inquiry to Current Inquiry

Changes due to revising average expenses and factors for years 2001-02 to 2005-06

Revising average expenses

- 35 For this category, minor overall downward revisions were made to average expenses for 2001-02 to 2005-06. This decreased the amount of GST revenue redistributed for that period by \$0.4 million and marginally increased the GST revenue shares of the States assessed to have below average costs of providing services ratios, namely New South Wales and Victoria.

36 Table 9 shows the average expenses for the six financial years of this update and those of the previous update.

Table 9 Population and preventive health services, Average expenses used in the 2007 and 2008 Updates

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2008 Update		56.74	60.92	63.98	65.43	77.06	84.14
2007 Update	51.99	57.55	61.98	64.73	66.05	76.28	
Difference	-	-0.8	-1.1	-0.7	-0.6	0.8	-

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4120 Population and Preventive Health/Tables and Chart/4120 E Average Expenses Used in the 2006-07 Updates

Revising category factors

37 Data on the use of other public health services were revised for 2004-05 and 2005-06 because the 2004 National Health Survey (NHS) and the 2004 National Aboriginal and Torres Strait Islander Health Survey (NATSIH) became available. The new administrative data indicated that use rates for the aged population have slightly increased while those for Indigenous people have declined. The proportion of people with low English proficiency also declined in the Northern Territory from the 2001 Census to the 2006 Census. These changes caused a decline in the GST share for the Northern Territory.

38 Although people on low income still reported having poorer health than those people on higher incomes, the gap between the proportions of people on low income, compared with those on higher incomes, who reported poor or fair health narrowed from 2001-02 to 2004-05, as shown in Table 10¹. This change reduced the GST shares of States with an above average proportion of low income population, for example South Australia and Tasmania, and increased those for the other States.

39 As shown in Table 11, Queensland, Western Australia and Tasmania experienced the largest decrease in low income population from the 2001 Census to the 2006 Census. The proportion of low income population in Tasmania became closer to the Australian average, while the proportion in Queensland and Western Australia became lower than the Australian average. In contrast, New South Wales and Victoria had the smallest reduction in their proportion of low income populations. The proportion of low income population in Victoria became closer to the Australian average, while the proportion in New South Wales changed to be above the Australian average.

1 The ABS improved the data quality between the two health surveys and different equivalised income scales were applied as the 2004-05 NHS survey did not provide the level of employment data contained in the 2001 NHS survey. Income was defined within specific bands.

40 The combined effect of new Census data and new income use rates reduced the GST shares of Queensland, Western Australia, South Australia and Tasmania and increased those of New South Wales, Victoria and the Australian Capital Territory.

Table 10 Distribution of people with poor or fair health status by income(a) between 2001 NHS and 2004 NHS

	2004 NHS		2001 NHS	
	Higher Income	Low Income	Higher Income	Low Income
People who rated their health status as fair or poor (%)	43.4	56.6	25.7	74.3

(a) Income in this table refers to equivalised income. They have been adjusted for different household types and compositions by the application of the New OECD scale.

Source: ABS National health survey 2001 and 2004 adjusted by CGC

Table 11 Comparison of low income population distribution between 2001 Census and 2006 Census

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
2006 Census	28.9	28.2	27.6	25.9	31.2	33.6	16.6	27.4	28.2
2001 Census	30.5	30.1	33.8	31.6	35.1	39.4	20.1	30.6	31.5
Difference	-1.6	-1.9	-6.2	-5.7	-3.9	-5.8	-3.5	-3.2	-3.3

(a) Income in this table refers to gross income.

Source: 2006 Census and 2001 Census adjusted by CGC

41 Revisions were also made to the Indigenous cost weight because Indigenous health expenditure ratios were updated². As a result, the Indigenous cost weights became higher for breast cancer screen services but lower for the other public health services and organised immunisation compared to the 2007 Update. Amending Indigenous cost weight had a minor impact, reducing the GST share of the Northern Territory.

Changes in State circumstances — replacing 2001-02 with 2006-07 data

42 Table 12 shows the actual expenses and implied costs of service provision for 2001-02, the year that drops out of the assessment period, and 2006-07, the year that comes in, for the 2008 Update assessment.

Replacing average expenses

43 Since 2001-02, State spending on this function has increased by 62.2 per cent, exceeding the pace of the growth in the GST pool (43.9 per cent). Replacing the 2001-02 average expenses with 2006-07 average expenses has led to an increase in the size of the category's GST redistribution by \$1.1 million. It has increased the GST shares of States assessed to have above average cost of providing services ratios (Queensland, Western Australia, Tasmania, ACT and the Northern Territory). It has decreased the GST shares of the other States.

² According to the AIHW publication "Australia expenditures on health services for Aboriginal and Torres Strait Islander peoples 2001-2002".

Table 12 Population and preventive health services, actual expenses and assessed cost of providing services, 2001-02 and 2006-07

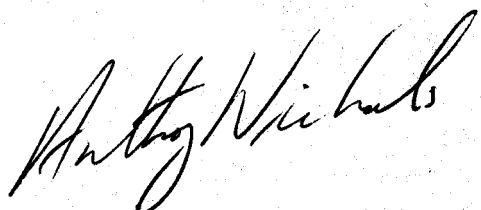
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	44.22	35.88	54.98	135.81	41.01	37.19	208.78	172.21	56.74
2006-07	81.10	60.03	88.28	131.99	72.67	59.99	198.67	178.50	84.14
	%	%	%	%	%	%	%	%	%
Change between 2000-01 and 2006-07	83.40	67.30	60.57	-2.82	77.17	61.31	-4.84	3.65	48.29
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	55.53	51.66	57.35	59.81	53.58	62.49	61.89	181.91	56.74
2006-07	80.72	76.99	87.91	86.10	85.69	89.18	92.31	239.11	84.14
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	97.87	91.05	101.08	105.41	94.44	110.13	109.09	320.61	100.00
2006-07	95.94	91.50	104.48	102.34	101.85	105.99	109.71	284.19	100.00

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4120 Population and Preventive Health/Tables and Chart/4120 E Assessment Data, Year 0 and Year 5

Replacing category factors

- 44 The cost of providing services increased in Victoria, Queensland, South Australia and the Australian Capital Territory (Table 12). As a result, replacing the 2001-02 factors with 2006-07 factors increased the GST shares of those States (\$4.7 million). The shares of the other States were reduced.
- 45 The observed changes were largely driven by changes to the number of people with communicable diseases. The change had larger impact on New South Wales, Queensland, Western Australia, South Australia and the Northern Territory. Between 2001-01 and 2006-07 South Australia and Queensland had an above average increase in the number of people infected with communicable disease, increasing the share of the GST pool for those States. The proportions of people with communicable diseases declined for New South Wales, Western Australia and the Northern Territory, reducing the share of the GST pool for those States.

This working paper was prepared by the Expense — Health and Welfare section of the Commonwealth Grants Commission. If you have any questions about its content please contact Anthony Nichols on (02) 6229 8858 or anthony.nichols@cgc.gov.au.

A handwritten signature in black ink that reads "Anthony Nichols". The signature is written in a cursive style and is positioned above a faint, dotted rectangular box.

Date: 29/2/08

Table 13 Assessment of expenses, Population and preventive health services

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
Average Expenses		60.92		63.98		65.43		77.06		84.14
New South Wales										
Assessed difference	- 13.006	- 1.95	- 14.120	- 2.11	- 11.393	- 1.69	- 11.788	- 1.74	- 23.406	- 3.41
Expenses - Assessed	392.283	58.96	414.081	61.87	429.099	63.73	511.395	75.33	553.431	80.72
Actual	288.837	43.41	346.799	51.82	357.330	53.07	461.000	67.90	556.000	81.10
Victoria										
Assessed difference	- 24.842	- 5.07	- 24.256	- 4.89	- 24.731	- 4.93	- 28.968	- 5.69	- 36.951	- 7.15
Expenses - Assessed	273.379	55.84	292.844	59.09	303.669	60.50	363.362	71.37	397.836	76.99
Actual	273.267	55.82	275.679	55.62	268.684	53.53	305.583	60.02	310.186	60.03
Queensland										
Assessed difference	7.267	1.93	5.949	1.54	2.317	0.59	3.149	0.78	15.606	3.77
Expenses - Assessed	236.776	62.85	253.092	65.52	261.168	66.01	315.169	77.84	363.571	87.91
Actual	236.801	62.85	261.804	67.78	258.784	65.41	304.792	75.28	365.090	88.28
Western Australia										
Assessed difference	2.295	1.18	3.040	1.54	5.128	2.56	3.962	1.94	4.093	1.97
Expenses - Assessed	120.386	62.10	128.970	65.53	135.979	67.99	161.064	79.01	179.273	86.10
Actual	222.000	114.52	197.000	100.09	212.839	106.42	240.579	118.01	274.811	131.99
South Australia										
Assessed difference	- 1.347	- 0.88	- 1.116	- 0.73	- 1.558	- 1.01	- 1.655	- 1.06	2.448	1.55
Expenses - Assessed	91.636	60.04	97.178	63.26	99.632	64.42	118.601	76.00	135.105	85.69
Actual	69.217	45.35	61.193	39.83	70.531	45.60	105.549	67.64	114.570	72.67
Tasmania										
Assessed difference	3.269	6.88	3.710	7.72	2.341	4.83	2.935	6.01	2.480	5.04
Expenses - Assessed	32.208	67.80	34.465	71.70	34.060	70.25	40.578	83.07	43.846	89.18
Actual	18.414	38.76	19.569	40.71	22.029	45.44	25.949	53.12	29.493	59.99
Australian Capital Territory										
Assessed difference	1.640	5.06	2.656	8.14	2.707	8.24	2.779	8.36	2.752	8.17
Expenses - Assessed	21.386	65.98	23.527	72.12	24.202	73.67	28.383	85.43	31.080	92.31
Actual	69.000	212.87	89.000	272.83	105.000	319.60	106.000	319.05	66.892	198.67
Northern Territory										
Assessed difference	24.725	123.97	24.138	120.14	25.188	123.31	29.586	141.75	32.979	154.97
Expenses - Assessed	36.874	184.89	36.992	184.12	38.553	188.73	45.671	218.81	50.883	239.11
Actual	27.392	137.34	30.105	149.84	31.164	152.56	34.770	166.59	37.985	178.50

Note: Refer to Attachment A of the 2008 Update, Relative Fiscal Capacity of States for how these figures are compiled.

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4120 Population and Preventive Health/Tables and Chart/4120 E Assessment of Expenses