

NON-INPATIENT AND COMMUNITY HEALTH SERVICES

- 1 This working paper describes the expenses assessment for Non-inpatient and Community Health Services and the results. 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 Non-inpatient and Community Health Services category comprises expenses on: the administration, inspection, support and operation of community health services, community mental health services, outpatient services and emergency departments. More specifically, the category included expenses on:
 - non-admitted patient services in acute care institutions – for example accident, emergency and outreach services, outpatient, baby and dental clinics;
 - domiciliary nursing services, and home nursing services not delivered as part of a welfare oriented program;
 - health services provided to a particular community group, such as Indigenous people, and alcohol and drug rehabilitation programs not involving admission; and
 - other health services provided in a community setting.
- 3 The category also includes expenses on pharmaceuticals provided outside of hospitals, aids and appliances used for health purposes and supplied in an ambulatory setting, glasses, hearing aids and wheelchairs.
- 4 Table 1 shows the gross average expenses for the last six financial years. In 2005-06, the per capita average expense for this category was \$455.97. This represented 7.55 per cent of total State average expenses. In 2005-06 user charges accounted for 3.51 per cent of average expenses associated with this category.

Table 1 Non-inpatient and Community Health Services, average expenses and user charges, 2000-2001 to 2005-06

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Average expenses (\$pc)	309.76	334.91	366.38	388.66	420.70	455.97
% of total State average expenses	6.34	6.50	6.86	7.14	7.39	7.55
Average user charges (\$pc)	14.01	15.78	18.69	19.03	16.65	16.00
% of average category expenses	4.52	4.71	5.10	4.90	3.96	3.51

ASSESSMENT METHOD

Description of the assessment

- 5 The Non-inpatient and Community Health Services assessment for the 2007 Update included five components: fixed costs, emergency department services, outpatient services, community health services and isolation.
- 6 The expenses assessment method for the 2007 Update was 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 for emergency department services were assessed by applying relevant Australian average use and cost weights by age, gender, Indigeneity, income and English fluency to State populations, and taking into account the impact of private service provision (the economic environment) in each State, the geographic distribution of State populations and relative State wage levels;
 - the expenses for outpatient services were assessed by applying relevant Australian use and cost weights by age, gender, Indigeneity, income and English fluency to State populations, and taking into account the impact of private service provision (the economic environment) in each State, the geographic distribution of State populations and relative State wage levels; and
 - the expenses for community health services were assessed by applying relevant Australian average use and cost weights by age, gender, Indigeneity, income and English fluency to State populations, and taking into account the impact of private service provision (the economic environment) in each State, the use of ACT services by New South Wales residents, the geographic distribution of State populations and relative State wage levels.

Assessment structure

- 7 Table 2 summarises the assessment structure for the 2007 Update.

Table 2 Non-inpatient and Community Health Services, assessment structure for the 2007 Update, 2005-06

Expense component	Component weight	Factors	Basis of calculation
		%	
Fixed costs	0.23	Input costs	General method with weights of 80 per cent for wages, 2 per cent for accommodation and 0.5 per cent for electricity.
		Administrative scale	General method.
Emergency department services	23.92	Dispersion	General method, non-inpatient weights.
		Economic environment	Based on assessed number of FTE general practitioners required, given State population profiles.
		Input costs	General method with weights of 60 per cent for wages, 2 per cent for accommodation and 0.5 per cent for electricity.
		Socio-demographic composition	Based on use and cost weights for age-sex, Indigeneity, income, and English fluency.
Outpatient services	36.88	Dispersion	General method, non-inpatient weights.
		Economic environment	Based on assessed number of FTE general practitioners required, given State population profiles.
		Input costs	General method with weights of 60 per cent for wages, 2 per cent for accommodation and 0.5 per cent for electricity.
		Socio-demographic composition	Based on use and cost weights for age-sex, Indigeneity, income and English fluency.
Community health services	38.87		General method, non-inpatient weights.
		Economic environment	Based on assessed number of FTE general practitioners required, given State population profiles.
		Input costs	General method with weights of 60 per cent for wages, 2 per cent for accommodation and 0.5 per cent for electricity.
		Socio-demographic composition	Based on use and cost weights for age-sex, Indigeneity, income, English fluency and remoteness.
		Cross-border	General method.
Isolation	0.10	Isolation	General method.

8 The proportions of expenses affected by fixed costs and isolation were estimated using the general methods.

- 9 Component weights for the emergency department services, outpatient services and community health services components reflected the contribution of the relevant expenses to the category. These weights were derived from State annual reports and budget documents.

CALCULATING THE CATEGORY FACTOR

- 10 Table 3 summarises the components, component weights and factors assessed for this category for the 2007 Update. It shows the calculation of the category factor for 2005-06.

- 11 The category factor was calculated as follows:

$$\text{category factor} = \text{fixed costs} + \text{emergency department services} + \text{outpatient services} + \text{community health services} + \text{isolation}$$

where:

$$\text{fixed costs} = 0.0023 * [\text{administrative scale} * \text{input costs}]$$

$$\text{Emergency department services} = 0.2392 * [(\text{socio-demographic composition} + \text{economic environment} - 1) * (\text{dispersion} + \text{input costs} - 1)]$$

$$\text{Outpatient services} = 0.3688 * [(\text{socio-demographic composition} + \text{economic environment} - 1) * (\text{dispersion} + \text{input costs} - 1)]$$

$$\text{Community health services} = 0.3887 * [(\text{socio-demographic composition} + \text{economic environment} - 1) * \text{cross-border} * (\text{dispersion} + \text{input costs} - 1)]$$

$$\text{Isolation} = 0.0010 * [\text{isolation factor}]$$

- 12 In each case, the contributions to the category factor were calculated as the expense component weight multiplied by the factors (the bracketed terms in the formulas). Each contribution to the category factor was then re-scaled to ensure that, for each of them, the sum of assessed expenses equalled the sum of actual expenses.

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Table 3 Non-inpatient and Community Health Services, derivation of category factor, 2007 Update, 2005-06

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed costs (component weight = 0.23 %)								
Administrative scale	0.37280	0.50120	0.63138	1.24808	1.63739	5.19987	7.74472	13.29541
Input costs	1.02885	0.99514	0.97511	0.98495	0.97832	0.96027	1.02142	1.02379
Component factor	0.38355	0.49876	0.61567	1.22930	1.60189	4.99329	7.91063	13.61167
A Wgtd comp factor	0.00090	0.00117	0.00144	0.00287	0.00374	0.01166	0.01848	0.03180
Emergency departments (component weight = 23.92 %)								
Socio-demographic composition								
	0.97993	0.96214	1.04949	1.02139	1.00402	1.09202	0.86920	1.37807
Economic environment	0.98566	0.99970	0.98755	1.03947	1.00071	1.04844	1.02697	1.17229
Dispersion	0.99931	0.98836	1.01490	1.00441	0.99378	0.98922	0.98038	1.07839
Input costs	1.02254	0.99590	0.98112	0.98853	0.98249	0.96833	1.01629	1.01849
Component factor	0.98669	0.94670	1.03291	1.05337	0.98089	1.09205	0.89318	1.70056
B Wgtd comp factor	0.23596	0.22639	0.24701	0.25190	0.23457	0.26115	0.21360	0.40667
Outpatient (component weight = 36.88 %)								
Socio-demographic composition								
	0.98632	0.97822	1.03109	0.99181	1.05464	1.11083	0.78088	1.13699
Economic environment	0.98566	0.99970	0.98755	1.03947	1.00071	1.04844	1.02697	1.17229
Dispersion	0.99931	0.98836	1.01490	1.00441	0.99378	0.98922	0.98038	1.07839
Input costs	1.02254	0.99590	0.98112	0.98853	0.98249	0.96833	1.01629	1.01849
Component factor	0.99322	0.96253	1.01458	1.02400	1.03031	1.11006	0.80515	1.43612
C Wgtd comp factor	0.36629	0.35497	0.37417	0.37764	0.37997	0.40938	0.29693	0.52963
Community health (component weight = 38.87 %)								
Socio-demographic composition								
	0.97291	0.91602	1.04827	1.06467	0.98292	1.02061	0.80177	2.77996
Economic environment	0.97132	0.99939	0.97510	1.07894	1.00142	1.09688	1.05394	1.34457
Cross border	0.99141	1.00000	1.00000	1.00000	1.00000	1.00000	1.17837	1.00000
Dispersion	0.99931	0.98836	1.01490	1.00441	0.99378	0.98922	0.98038	1.07839
Input costs	1.02254	0.99590	0.98112	0.98853	0.98249	0.96833	1.01629	1.01849
Component factor	0.95657	0.90100	1.01930	1.13554	0.96098	1.07005	1.00499	3.42725
D Wgtd comp factor	0.37126	0.34969	0.39561	0.44072	0.37297	0.41531	0.39005	1.33017
Isolation (component weight = 0.1 %)								
Isolation	0.04030	0.07374	0.11575	1.86107	1.08664	2.90754	1.21355	58.91048
Component factor	0.04030	0.07374	0.11575	1.86107	1.08664	2.90754	1.21355	58.91048
E Wgtd comp factor	0.00004	0.00008	0.00012	0.00194	0.00113	0.00304	0.00127	0.06151
Category factor	0.97444	0.93230	1.01834	1.07508	0.99239	1.10054	0.92033	2.35979

Note: Component factor was rebased so that the average is 1.00000.
 Category factor = (A + B + C + D + E).

RESULTS FOR 2005-06

- 14 Table 4 shows actual, average and assessed grossed expenses per capita and the cost of service provision for the assessment in 2005-06. The cost of service provision ratio is equivalent to the category factor shown in Table 3.
- 15 Table 11 at the end of the Non-inpatient and Community Health Services section summarises the results of the assessment. It shows the average, actual and assessed expenses for each State for all years of the 2007 Update.

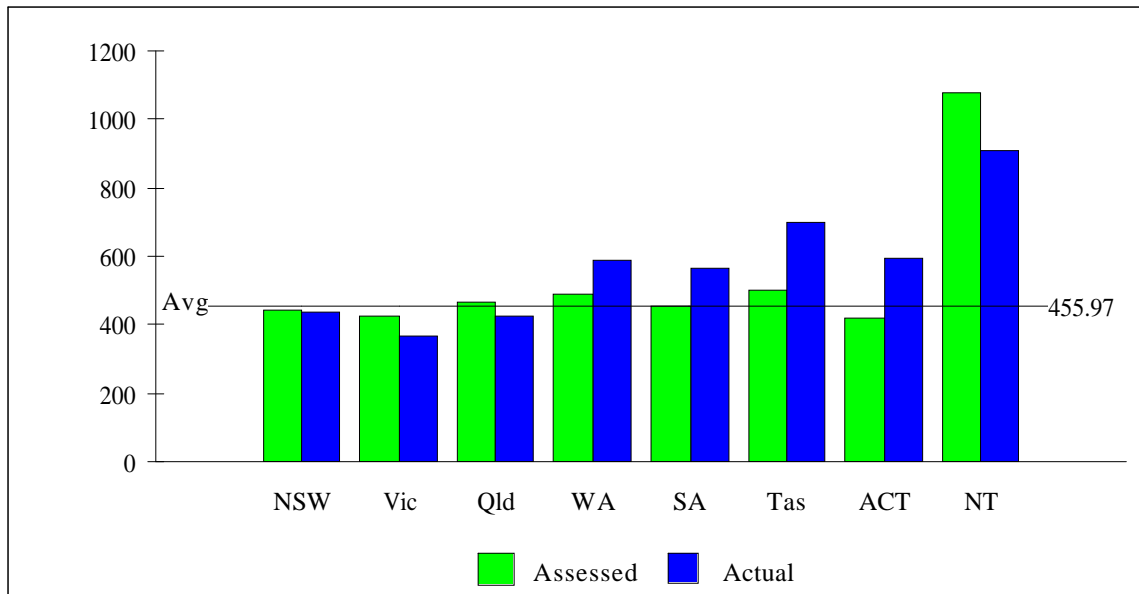
Table 4 Non-inpatient and Community Health Services, assessment results, 2005-06

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	437.50	367.58	424.72	589.07	566.44	701.15	591.85	908.47	455.97
Assessed expenses	444.32	425.10	464.34	490.21	452.50	501.82	419.65	1076.00	455.97
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	97.44	93.23	101.83	107.51	99.24	110.05	92.03	235.98	100.00

(a) The cost of service provision ratio is the ratio of assessed expenses to average category expenses per capita.
 Note: ACT actual expenses may include municipal expenses.

- 16 Figure 1 illustrates the assessed, actual and average expenses for Non-inpatient and Community Health Services for 2005-06. It shows that the Northern Territory has the highest assessed cost of providing non-inpatient and community health services, whilst the ACT has the lowest assessed cost of providing non-inpatient and community health services.

Figure 1 Non-inpatient and Community Health Services, expenses per capita — assessed, actual and average, 2005-06



Cost of service provision

- 17 A State’s cost of service provision is the ratio of assessed expenses per capita to average expenses per capita. The Northern Territory and to a lesser extent Tasmania, Western Australia and Queensland respectively were assessed as having above average costs in providing the average level of services. Table 5 shows a number of indicators relevant to the use and cost of non-inpatient and community health services.
- 18 For the Northern Territory and Tasmania the cost of service provision ratios reflected the above average proportions of their populations who used non-inpatient and community health services more intensively and who cost more to treat. This was in line with the fact that Tasmania had above average proportions of its population who were elderly or who had a low income and the Northern Territory had above average proportion of its population who were Indigenous people.
- 19 The Northern Territory and Western Australia had a below average private supply of non-inpatient and community health services (reflected in their lower relative number of full time equivalent general practitioners). This meant that there was a greater need to use public services, in particular community health services and emergency departments. Their dispersed populations and above average proportion of Indigenous people also meant that their populations were high users of community health services and were more expensive to treat.
- 20 New South Wales, Victoria, South Australia, and the ACT had below average proportions of populations who used non-inpatient and community health services intensively (such as Indigenous people). For the ACT, this was offset to some extent by a below average supply of private health services.

- 21 New South Wales and Victoria's per capita costs for providing head office services were below average. This was largely due to the States' economies of scale.
- 22 South Australia's below average wage levels and its higher than average supply of private health services led to it being assessed as needing to spend less than the average to provide the average level of services especially for community health services. South Australia did however have a larger proportion of elderly people who were more expensive users of outpatient services.

Table 5 Indicators relevant to the use and cost of non-inpatient and community health services^(a)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
State share of Australian population — 2001 Census (%)	33.84	24.74	18.79	9.80	7.76	2.42	1.64	1.01	100.00
Relative proportion of population aged 65 years or over ^(b)	1.04	1.04	0.93	0.88	1.17	1.10	0.67	0.30	1.00
Relative proportion of population who are Indigenous ^(b)	0.87	0.25	1.47	1.47	0.72	1.56	0.52	12.18	1.00
Relative proportion of population resident in centres of 50 000 or more ^(b)	0.98	1.05	0.96	1.03	1.03	0.73	1.42	0.62	1.00
Relative proportion of population resident in remote areas ^(b)	0.55	0.05	1.56	2.70	1.08	0.23	0.00	15.56	1.00
Relative proportion of population with low income ^(b)	0.97	0.95	1.07	1.00	1.11	1.25	0.64	0.96	1.00
Relative average weekly earnings ^(c)	1.06	1.00	0.93	0.95	0.92	0.91	0.86	0.94	1.00
Relative number of full time equivalent general practitioners ^(d)	1.01	1.00	1.04	0.91	1.06	1.01	0.80	0.63	1.00

(a) Each indicator is derived by comparing the proportion of each State's population in the relevant group with the proportion of the Australian population in that group.

(b) Based on data from the 2001 Census of Population and Housing.

(c) Based on private sector average weekly earnings for 2000. This is, however, not a good indicator of relative costs to the States because it is affected by interstate differences in workforce characteristics.

(d) Based on 2004-05 number of full time equivalent general practitioners published by the Department of Health & Ageing, February 2006.

Contribution to GST revenue distribution

- 23 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 2007 Update. It also shows the contributions of each factor and component to the total GST revenue distribution.

Differences from an equal per capita assessment

- 24 Compared to an equal per capita (EPC) assessment, Table 6 shows that the 2007 Update redistributed \$258.0 million in GST revenue.
- 25 The redistribution was away from New South Wales, Victoria, South Australian and the ACT to Queensland, Western Australia, Tasmania and the Northern Territory.
- 26 Table 6 indicates that the disabilities which had the biggest impact on the assessment were:
- socio-demographic composition, which recognised the difference in State population characteristics, such as age, sex, English fluency, Indigeneity and socio-economic status. These groups use the services differentially and/or have different costs per service. Population characteristics were the main drivers of the high needs for Queensland, Western Australia, Tasmania and the Northern Territory;
 - 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 had higher than average needs in input costs; and
 - economic environment, which recognised the differences between States in their levels of private service provision (given their population profile) and their need to provide more public services. Western Australia, Tasmania, ACT and the Northern Territory had higher than average needs due to their economic environments.
- 27 To a lesser extent:
- dispersion, which recognised the differences in per capita costs of service provision associated with the spread of population;
 - isolation, which recognised the additional costs incurred by the States, attributable to the distances of the States from other State capitals and source of supply; and
 - administrative scale, which recognised the unavoidable costs each State incurred to have the policy and administrative infrastructure necessary to provide the service, regardless of the size of the task.
- 28 The category factors reflected these disabilities. For example, the Northern Territory and Queensland, which had above average proportions of their populations which used non-inpatient and community health services intensively and which also cost more to treat (for example a high proportion of Indigenous people), were assessed to require a higher proportion of GST revenue.

Table 6 Non-inpatient and Community Health Services, contribution of assessment to GST revenue distribution, 2007 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	-5.0	-3.0	-1.7	0.6	1.1	2.4	2.6	3.0	9.7
Input costs	0.3	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.3
Component factor	-4.9	-3.0	-1.8	0.6	1.1	2.3	2.6	3.1	9.7
Community health services									
Socio-demographic composition	-32.9	-75.5	34.4	23.3	-4.7	1.8	-11.5	65.0	124.5
Economic environment	-31.9	-7.0	-4.9	24.9	-3.3	7.1	2.4	12.7	47.1
Cross-border	-10.2	0.0	0.0	0.0	0.0	0.0	10.2	0.0	10.2
Dispersion	-0.9	-10.5	10.7	1.6	-1.7	-0.9	-1.1	2.9	15.1
Input costs	30.8	-2.1	-16.8	-5.0	-5.9	-2.8	1.0	0.7	32.6
Component factor	-47.9	-95.0	22.1	43.8	-15.7	4.6	-0.7	88.8	159.3
Outpatient services									
Socio-demographic composition	-15.6	-18.5	21.1	-2.8	14.1	9.0	-12.0	4.7	49.0
Economic environment	-15.1	-3.3	-2.3	11.8	-1.6	3.4	1.1	6.0	22.4
Dispersion	-0.8	-9.9	10.1	1.5	-1.6	-0.9	-1.1	2.7	14.3
Input costs	29.3	-2.0	-15.9	-4.8	-5.6	-2.6	1.0	0.7	30.9
Component factor	-2.9	-33.3	12.9	5.7	5.1	8.4	-11.0	15.3	47.3
Emergency department services									
Socio-demographic composition	-14.9	-20.9	21.8	4.7	0.7	4.9	-4.7	8.5	40.5
Economic environment	-9.8	-2.2	-1.5	7.7	-1.0	2.2	0.7	3.9	14.5
Dispersion	-0.5	-6.4	6.6	1.0	-1.0	-0.6	-0.7	1.8	9.3
Input costs	19.0	-1.3	-10.3	-3.1	-3.6	-1.7	0.6	0.4	20.0
Component factor	-7.0	-30.6	16.2	10.1	-5.0	4.4	-4.0	15.8	46.6
Isolation									
Isolation	-3.4	-2.5	-1.9	0.9	0.1	0.5	0.0	6.2	7.8
Component factor	-3.4	-2.5	-1.9	0.9	0.1	0.5	0.0	6.2	7.8
Redistribution from EPC resulting from the 2006 Update assessment									
	-66.2	-164.3	47.5	61.1	-14.5	20.2	-13.0	129.2	258.0

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 2006 UPDATE

Summary of changes

- 29 The main reasons for change were the upward revision of average expenses for the category, largely due to the revisions by Western Australia and Victoria, and the growth of average expenses per capita between 2000-01 and 2005-06 at a faster rate than the GST pool, which was 43.3%. These category effects led to the GST redistribution increasing for those States assessed to have above average per capita costs of providing non-inpatient and community health services, namely Queensland, Western Australia, Tasmania and the Northern Territory, and the GST redistribution decreasing for States assessed to have below average per capita costs, namely New South Wales, Victoria, South Australia and the ACT.
- 30 For Queensland and South Australia, these effects were offset by a decrease in the GST share for Queensland and an increase in the GST share for South Australia, following the effect of replacing 2000-01 full-time equivalent general practitioner (GP) numbers with 2005-06 numbers. The proportion of GP numbers increased for Queensland over this time, leading to a reduction in the need for State funded services, whilst for South Australia the proportion of GP numbers decreased, leading to an increase in the need for State funded services.

Effect of assessment on the distribution of GST revenue

- 31 Table 7 shows the distribution of GST revenue resulting from the assessments in the 2006 Update and the 2007 Update. It also shows the sources of the changes.
- 32 Changes in the distribution of GST revenue between the 2006 Update and the 2007 Update were brought about because the Commission:
- used revised financial data in the average expenses and other revised data in factor calculations for the years 2000-01 to 2004-05; and
 - replaced 2000-01 average expenses and factors with those of 2005-06 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 those services.

Table 7 Non-inpatient and community health services, effect of assessment on GST revenue distribution, 2006 Update to 2007 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 2006 Update assessment (a)	-53.7	-153.4	49.5	54.3	-21.5	16.2	-12.6	121.2	241.1
Effect of revising category averages and factors for 2000-01 to 2004-05									
Category average	-4.3	-12.5	4.1	4.4	-1.7	1.3	-1.1	9.8	19.6
Category factors	-4.3	0.7	0.2	-0.2	4.3	1.8	-0.6	-1.8	7.0
Interactions	-0.1	-0.1	0.4	-0.2	0.1	0.1	0.0	-0.2	0.6
Total	-8.7	-11.9	4.7	4.0	2.7	3.2	-1.7	7.8	22.4
Effect of replacing 2000-01 category averages and factors with those for 2005-06									
Category average	-1.2	-3.1	1.2	1.1	-0.5	0.3	-0.3	2.4	5.0
Category factors	-2.4	3.7	-7.2	1.6	4.4	0.4	1.5	-2.0	11.6
Interactions	-0.2	0.3	-0.7	0.1	0.4	0.0	0.1	-0.2	1.1
Total	-3.8	1.0	-6.6	2.8	4.3	0.8	1.3	0.2	10.4
Redistribution from EPC resulting from the 2007 Update assessment (a)	-66.2	-164.3	47.5	61.1	-14.5	20.2	-13.0	129.2	258.0
Total effect of revisions and updating (b)	-12.5	-10.9	-2.0	6.8	7.0	4.0	-0.4	8.0	25.8

(a) Assuming same pool and a constant population.

(b) The total redistributed amount shows the change in the amount redistributed among the States between the 2006 Update and the 2007 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 2000-01 to 2004-05 and replacing 2000-01 data with 2005-06 data.

Table 8 Non-inpatient and community health services, effect of assessment on GST revenue distribution by factor, 2006 Update to 2007 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	0.3	0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.4
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Community health services									
Socio-demographic composition	-3.4	-7.0	3.2	2.0	-0.5	0.1	-1.2	6.9	12.2
Economic environment	-3.3	1.8	-7.5	2.8	2.8	2.0	0.9	0.4	10.8
Cross-border	-0.9	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.9
Dispersion	-0.3	-1.0	0.9	0.1	-0.2	-0.1	-0.1	0.8	1.8
Input costs	0.0	-0.5	0.7	-0.3	0.5	-0.3	0.1	-0.2	1.3
Outpatient services									
Socio-demographic composition	-1.5	-1.7	2.1	-0.3	1.2	0.7	-1.1	0.5	4.5
Economic environment	-1.6	0.9	-3.5	1.3	1.4	1.0	0.4	0.2	5.1
Dispersion	-0.1	-0.9	0.9	0.1	-0.2	-0.1	-0.1	0.3	1.4
Input costs	0.0	-0.6	0.5	-0.2	0.6	-0.3	0.0	-0.1	1.2
Emergency department services									
Socio-demographic composition	-1.5	-2.0	2.1	0.4	0.0	0.4	-0.4	0.9	3.8
Economic environment	-1.0	0.6	-2.3	0.9	0.9	0.6	0.2	0.1	3.3
Dispersion	-0.1	-0.6	0.6	0.1	-0.1	-0.1	-0.1	0.2	0.9
Input costs	0.0	-0.4	0.4	-0.2	0.4	-0.2	0.0	-0.1	0.8
Isolation									
Isolation	0.1	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.2

34 The main reasons for the changes in GST revenue distribution are as follows.

Changes due to revising average expenses and factors for years 2000-01 to 2004-05

35 *Revising average expenses.* Revising average expenses for the category for 2000-01 to 2004-05 redistributed \$19.6 million. The revision to average expenses was upward overall for this period, largely due to increases for Western Australia and Victoria. This followed a review of their GPC allocations to better align expenditure on inpatients with expenditure on non-inpatients and community health services.

36 As the revision to average expenses was upward, the redistribution increased the GST revenue required by States assessed to have above average per capita costs of providing non-inpatient and community health services, namely Queensland, Western Australia, Tasmania and the Northern Territory, and reduced that for States assessed to have below average per capita costs, namely New South Wales, Victoria, South Australia and the ACT.

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

Table 9 Average expenses used in the 2006 and 2007 Updates

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2007 Update		309.76	334.91	366.38	388.66	420.70	455.97
2006 Update	239.32	281.45	307.37	327.21	351.99	423.19	
Difference	-	28.3	27.5	39.2	36.7	-2.5	-

38 **Revising category factors.** Revising category factors for 2000-01 to 2004-05 redistributed \$7.0 million from New South Wales, Western Australia, ACT and the Northern Territory, to Victoria, Queensland, South Australia and Tasmania.

39 Revisions to wages input cost data was the main reason for a decreased share of the GST pool for New South Wales.

40 More recent data on State full-time equivalent general practitioner (GP) numbers for 2001-02 to 2003-04 replaced the numbers used previously. GP numbers are used to signify the need for State funded services. A higher numbers of GPs means a lower need for State funded services, whilst conversely, a lower number of GPs means a higher need for State funded services. Compared to the earlier data, the proportion of GPs was lower for South Australia. This effect, combined with higher wage costs led to South Australia receiving an increased share of the GST pool.

Changes in State circumstances — replacing 2000-01 with 2005-06 data

41 Table 10 shows the actual expenses and assessed costs of service provision for 2000-01, the year that drops out of the assessment period, and 2005-06, the year that comes in, for the 2007 Update assessment.

Table 10 Non-inpatient and community health, actual expenses and assessed cost of providing services, 2000-01 and 2005-06

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2000-01	304.30	254.19	331.46	345.29	343.11	349.92	331.09	716.74	309.76
2005-06	437.50	367.58	424.72	589.07	566.44	701.15	591.85	908.47	455.97
Change between 2000-01 and 2005-06	%	%	%	%	%	%	%	%	%
	43.77	44.61	28.14	70.60	65.09	100.38	78.76	26.75	47.20
Assessed expenses	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2000-01	303.28	286.34	321.96	330.42	297.46	337.87	269.22	765.40	309.76
2005-06	444.32	425.10	464.34	490.21	452.50	501.82	419.65	1076.00	455.97
Assessed cost of providing services ratio	%	%	%	%	%	%	%	%	%
2000-01	97.91	92.44	103.94	106.67	96.03	109.07	86.91	247.09	100.00
2005-06	97.44	93.23	101.83	107.51	99.24	110.05	92.03	235.98	100.00

Note: ACT actual expenses may include municipal expenses.

- 42 **Replacing average expenses.** Replacing 2000-01 category average expenses with those for 2005-06 redistributed of \$5.0 million.
- 43 The category average expenses increased by 47.2 per cent, more than the increase in the pool of 43.3 per cent. This had the effect of increasing the GST redistribution to those States with a higher than average assessed cost of providing services, namely Queensland, Western Australia, Tasmania and the Northern Territory, whilst decreasing the GST share for those States with a lower than average assessed cost of providing services, namely New South Wales, Victoria, South Australia and the ACT.
- 44 **Replacing category factors.** Replacing 2000-01 category factors with those for 2005-06 had a larger effect on the GST revenue redistributions than for replacing the category average expenses, redistributing \$11.6 million.
- 45 The most recent data on FTE general practitioner (GP) numbers were included in the assessment. Between 2000-01 and 2005-06, the proportions of GPs increased for New South Wales, Queensland and the Northern Territory, decreasing their need for State funded services and leading to their having a reduced GST share. The proportions of GPs decreased for Victoria, Western Australia, South Australia and the ACT, increasing their need for State funded services and leading to their having an increased GST share.

Non-inpatient and Community Health Services

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 with a large initial 'A' and 'N'.

Date: 23/2/07

Table 11 Assessment of expenses, Non-Inpatient and Community Health Services, 2007 Update

	2001-02		2002-03		2003-04		2004-05		2005-06	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
Average Expenses		334.91		366.38		388.66		420.70		455.97
New South Wales										
Assessed difference	- 37.853	- 5.73	- 43.070	- 6.47	- 51.614	- 7.70	- 69.195	- 10.26	- 79.248	- 11.65
Expenses - Assessed	2 175.291	329.18	2 396.867	359.92	2 553.431	380.96	2 768.447	410.44	3 021.711	444.32
Actual	2 189.440	331.32	2 423.091	363.85	2 626.577	391.87	2 806.537	416.09	2 975.328	437.50
Victoria										
Assessed difference	- 122.962	- 25.45	- 134.076	- 27.45	- 134.207	- 27.17	- 138.562	- 27.74	- 156.155	- 30.87
Expenses - Assessed	1 495.350	309.46	1 655.776	338.94	1 785.260	361.48	1 962.676	392.96	2 150.350	425.10
Actual	1 406.149	291.00	1 619.000	331.41	1 638.000	331.66	1 717.262	343.82	1 859.391	367.58
Queensland										
Assessed difference	41.555	11.33	49.465	13.16	40.135	10.44	27.652	7.03	33.586	8.36
Expenses - Assessed	1 270.350	346.23	1 426.244	379.55	1 534.834	399.09	1 681.718	427.73	1 864.527	464.34
Actual	1 183.364	322.53	1 266.026	336.91	1 397.000	363.25	1 425.838	362.65	1 705.442	424.72
Western Australia										
Assessed difference	40.986	21.42	40.220	20.77	46.907	23.88	60.460	30.31	69.543	34.23
Expenses - Assessed	681.912	356.32	749.708	387.15	810.435	412.53	899.553	451.01	995.783	490.21
Actual	737.000	385.11	848.000	437.91	900.000	458.12	1 019.894	511.35	1 196.606	589.07
South Australia										
Assessed difference	- 17.621	- 11.63	- 16.045	- 10.54	- 13.015	- 8.51	- 5.828	- 3.79	- 5.374	- 3.47
Expenses - Assessed	489.851	323.28	541.789	355.84	581.552	380.15	640.941	416.91	700.641	452.50
Actual	569.828	376.06	609.914	400.59	691.185	451.81	807.966	525.55	877.051	566.44
Tasmania										
Assessed difference	11.894	25.19	14.996	31.59	17.871	37.22	20.396	42.13	22.351	45.84
Expenses - Assessed	170.030	360.10	188.931	397.97	204.494	425.87	224.053	462.83	244.669	501.82
Actual	176.000	372.74	180.000	379.16	202.865	422.48	379.194	783.31	341.856	701.15
Australian Capital Territory										
Assessed difference	- 11.804	- 36.84	- 10.909	- 33.82	- 9.431	- 29.15	- 10.780	- 33.20	- 11.892	- 36.33
Expenses - Assessed	95.493	298.06	107.271	332.56	116.310	359.51	125.840	387.50	137.374	419.65
Actual	122.000	380.80	147.000	455.73	152.689	471.95	172.998	532.72	193.747	591.85
Northern Territory										
Assessed difference	95.805	483.52	99.419	501.47	103.354	519.58	115.857	574.98	127.190	620.03
Expenses - Assessed	162.163	818.43	172.056	867.86	180.665	908.23	200.627	995.68	220.726	1 076.00
Actual	156.659	790.65	145.611	734.47	158.665	797.64	174.166	864.36	186.359	908.47

Note: ACT expenses may include municipal expenses. Refer to Attachment A of the 2007 Update, *Relative Fiscal Capacity of States* for how these figures are compiled.