

NON-INPATIENT AND COMMUNITY HEALTH SERVICES — ASSESSMENT RESULTS

- 1 This working paper describes the expenses assessment for Non-inpatient and Community Health Services and provides information 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 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 Specific Purpose Payments included in the assessment are OATSIH grants - payments to States only and Youth health services.
- 5 Table 1 shows the gross average expenses for the last six financial years. In 2006-07, the per capita average expense for this category was \$462.29. This represented 7.19 per cent of total State average expenses. In 2006-07 user charges accounted for 4.51 per cent of average expenses associated with this category.

Table 1 Non-inpatient and Community Health Services, average expenses and user charges, 2001-2002 to 2006-07

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average expenses (\$pc)	337.58	359.45	380.98	403.31	434.17	462.29
% of total State average expenses	6.54	6.73	7.00	7.09	7.24	7.19
Average user charges (\$pc)	15.27	18.02	19.06	16.64	19.68	20.86
% of average category expenses	4.52	5.01	5.00	4.13	4.53	4.51

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4115 Non-inpatient and Community Health Services/Tables and Chart/4115 E Average Expenses.

ASSESSMENT METHOD

Description of the assessment

- 6 The Non-inpatient and Community Health Services assessment for the 2008 Update included five components: fixed costs, emergency department services, outpatient services, community health services and isolation.
- 7 The expenses assessment method for the 2008 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, remoteness 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

- 8 Table 2 summarises the assessment structure for the 2008 Update.

Table 2 Non-inpatient and Community Health Services, assessment structure for the 2008 Update, 2006-07

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.

- 9 The proportions of expenses affected by fixed costs and isolation were estimated using the general methods.
- 10 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

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

12 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:

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

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

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

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

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

13 In each case, the contribution to the category factor was calculated as the expense component weight (the percentages above) multiplied by the component 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 Non-inpatient and Community Health Services, derivation of category factor, 2008 Update, 2006-07

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed costs (component weight = 0.23 %)								
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	0.00091	0.00117	0.00145	0.00290	0.00376	0.01183	0.01841	0.03129
Emergency departments (component weight = 23.92 %)								
Socio-demographic composition	1.00719	0.99147	0.99850	0.98564	1.00178	1.03017	0.89778	1.22387
Economic environment	0.98547	1.00231	0.98912	1.04818	0.98095	1.01218	1.05513	1.17797
Dispersion	0.99927	0.98832	1.01486	1.00436	0.99374	0.98917	0.98034	1.07834
Input costs	1.01919	0.99309	0.98935	0.99482	0.98016	0.96490	1.01447	1.01260
Component factor	1.01098	0.97530	0.99178	1.03298	0.95709	0.99448	0.94795	1.52933
B Wgtd comp factor	0.24174	0.23321	0.23715	0.24700	0.22885	0.23780	0.22667	0.36569
Outpatient (component weight = 36.88 %)								
Socio-demographic composition	1.01104	0.99616	0.99109	0.97413	1.02394	1.05717	0.85544	1.08300
Economic environment	0.98547	1.00231	0.98912	1.04818	0.98095	1.01218	1.05513	1.17797
Dispersion	0.99927	0.98832	1.01486	1.00436	0.99374	0.98917	0.98034	1.07834
Input costs	1.01919	0.99309	0.98935	0.99482	0.98016	0.96490	1.01447	1.01260
Component factor	1.01490	0.97991	0.98433	1.02148	0.97867	1.02025	0.90584	1.37565
C Wgtd comp factor	0.37420	0.36130	0.36293	0.37663	0.36085	0.37618	0.33399	0.50722
Community health (component weight = 38.87 %)								
Socio-demographic composition	0.98791	0.92943	1.02753	1.04427	0.96208	0.98307	0.83761	2.71177
Economic environment	0.97093	1.00461	0.97825	1.09636	0.96190	1.02437	1.11026	1.35594
Cross border	0.99121	1.00000	1.00000	1.00000	1.00000	1.00000	1.17809	1.00000
Dispersion	0.99927	0.98832	1.01486	1.00436	0.99374	0.98917	0.98034	1.07834
Input costs	1.01919	0.99309	0.98935	0.99482	0.98016	0.96490	1.01447	1.01260
Component factor	0.96796	0.91668	1.01000	1.13970	0.89987	0.96117	1.11087	3.34670
D Wgtd comp factor	0.37549	0.35560	0.39180	0.44211	0.34908	0.37286	0.43092	1.29824
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
E Wgtd comp factor	0.00004	0.00007	0.00011	0.00182	0.00110	0.00276	0.00123	0.05904
Category factor	0.99238	0.95135	0.99344	1.07045	0.94364	1.00143	1.01124	2.26148

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4115 Non-inpatient and Community Health Services/Assessed Expenses/QA 4115 E Non-Inpatient and Community Health Services Assessed Expenditure

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

RESULTS FOR 2006-07

- 14 Table 4 shows actual, average and assessed grossed expenses per capita and the 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 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 2008 Update.

Table 4 Non-inpatient and Community Health Services, assessment results, 2006-07

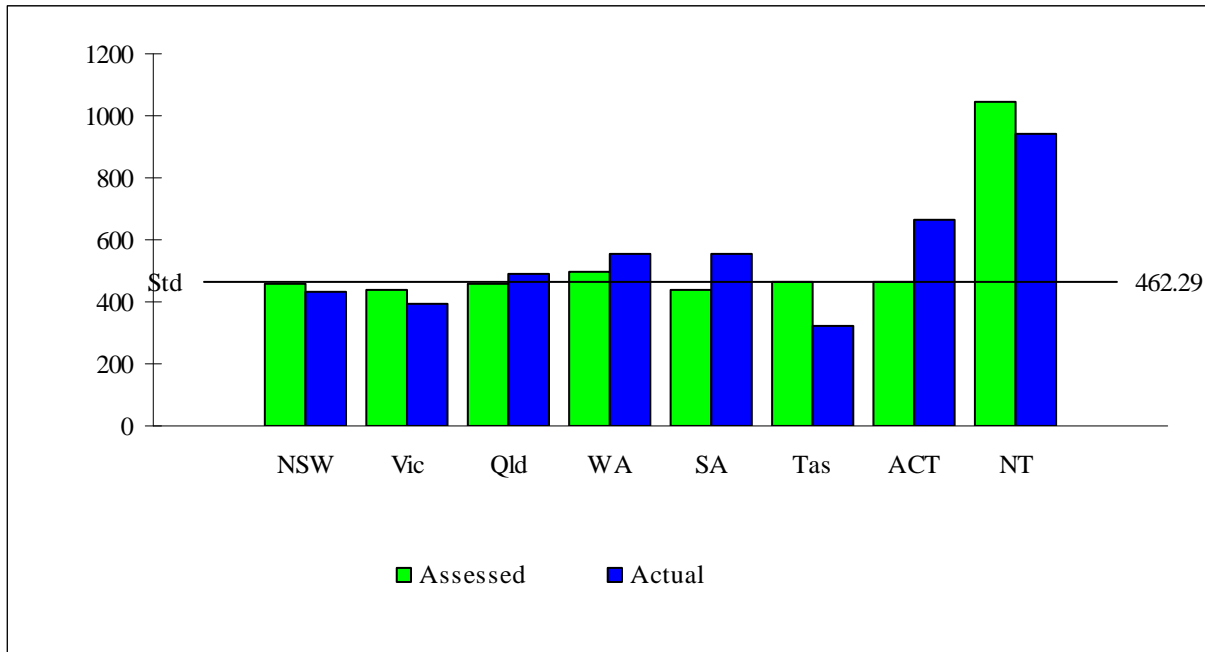
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	434.10	391.00	492.29	553.45	555.45	322.43	663.96	940.10	462.29
Assessed expenses	458.76	439.79	459.25	494.86	436.23	462.95	467.48	1045.45	462.29
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	99.24	95.13	99.34	107.05	94.36	100.14	101.12	226.15	100.00

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

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4115 Non-inpatient and Community Health Services/Tables and Chart/4115 E Assessment Results.

- 16 Figure 1 illustrates the assessed, actual and average expenses for Non-inpatient and Community Health Services for 2006-07. It shows that the Northern Territory has the highest assessed cost of providing non-inpatient and community health services, whilst the South Australia 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, 2006-07



Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4115 Non-inpatient and Community Health Services/Assessed Expenses/QA 4115 E Non-Inpatient and Community Health Services Assessed Expenditure

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 Western Australia, the Australian Capital Territory and Tasmania, 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 Western Australia, Tasmania and the Northern Territory, the cost of service provision ratios reflected the above average proportions of their populations who were high users of non-inpatient and community health services 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 and Western Australia had dispersed populations and above average proportions of Indigenous people in their population.
- 19 Western Australia, the ACT and the Northern Territory 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. For the ACT, higher costs arising from greater need for public services was offset to some extent by below average proportions of populations who used non-inpatient and community health services intensively (such as the aged, those with low incomes and the Indigenous).

- 20 South Australia had a larger proportion of elderly people and low income people who were more frequent users of Non-inpatient and community health services. However along with New South Wales, Victoria and Queensland, overall their cost of service provision was lower than the Australian average reflecting the overall below average proportions of their populations who used non-inpatient and community health services more intensively and who cost more to treat (such as Indigenous people). Additionally there were higher than average supply of private service provider in New South Wales, Queensland and South Australia acting to reduce the need for public 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 New South Wales and Victoria's low cost of service provision were partially offset by each having an above Australian average proportion of people with low English proficiency.

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	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

- 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 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

- 24 Compared to an equal per capita (EPC) assessment, Table 6 shows that the 2008 Update redistributed \$209.7 million of the pool of GST and HCG revenue (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.

Table 6 Non-inpatient and Community 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	-5.1	-3.1	-1.8	0.6	1.2	2.4	2.7	3.1	10.0
Input costs	0.3	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.3
Component factor	-5.0	-3.1	-1.9	0.6	1.1	2.3	2.7	3.2	9.9
Community health services									
Socio-demographic composition	-23.1	-72.5	27.1	20.0	-8.7	-0.2	-10.9	68.2	115.3
Economic environment	-35.2	-0.8	-7.3	30.1	-8.4	4.2	4.9	12.7	51.8
Cross-border	-10.8	0.0	0.0	0.0	0.0	0.0	10.8	0.0	10.8
Dispersion	-0.9	-11.1	11.3	1.7	-1.8	-1.0	-1.2	3.1	16.0
Input costs	29.6	-3.1	-15.1	-4.5	-5.7	-2.9	1.0	0.7	31.3
Component factor	-43.6	-87.8	14.5	46.2	-24.7	-0.3	3.5	92.1	156.3
Outpatient services									
Socio-demographic composition	1.7	-9.4	4.7	-7.0	9.8	6.6	-10.1	3.6	26.4
Economic environment	-16.7	-0.4	-3.5	14.3	-4.0	2.0	2.3	6.0	24.6
Dispersion	-0.9	-10.5	10.7	1.6	-1.7	-0.9	-1.1	2.9	15.2
Input costs	28.1	-3.0	-14.3	-4.2	-5.4	-2.8	1.0	0.7	29.7
Component factor	11.8	-23.1	-2.5	4.6	-1.5	4.5	-8.0	14.1	35.0
Emergency department services									
Socio-demographic composition	-2.7	-11.4	8.4	-0.2	0.5	3.0	-4.3	6.6	18.5
Economic environment	-10.8	-0.3	-2.2	9.3	-2.6	1.3	1.5	3.9	15.9
Dispersion	-0.6	-6.8	6.9	1.0	-1.1	-0.6	-0.7	1.9	9.8
Input costs	18.2	-1.9	-9.3	-2.7	-3.5	-1.8	0.6	0.4	19.3
Component factor	3.6	-20.3	3.7	7.2	-6.7	1.7	-2.9	13.8	30.0
Isolation									
Isolation	-3.4	-2.5	-1.9	0.9	0.1	0.4	0.0	6.4	7.9
Component factor	-3.4	-2.5	-1.9	0.9	0.1	0.4	0.0	6.4	7.9
Redistribution from EPC resulting from the 2008 Update assessment									
	-36.5	-136.8	11.9	59.5	-31.7	8.7	-4.6	129.6	209.7

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4115 Non-inpatient and Community Health Services/Tables and Chart/4115 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.

- 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 cost: 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. New South Wales, Victoria and Queensland had lower than average needs in administrative cost and Tasmania, the ACT and the Northern Territory had higher than average needs.
- 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.

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 shows that the assessment now redistributes much less than in the 2007 Update, redistributing only \$210 million instead \$278 million. State costs of providing Non-inpatient and community health services are converging.
- 30 The table also shows that the 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.

Table 7 Non-inpatient and community 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)	-71.0	-177.3	50.9	65.5	-15.7	21.3	-14.1	140.4	278.1
Effect of revising category averages and factors for 2001-02 to 2005-06									
Category average	1.8	3.8	-0.9	-1.5	0.2	-0.5	0.3	-3.1	6.0
Category factors	27.4	24.3	-23.3	-6.7	-12.8	-8.9	5.2	-5.2	56.9
Interactions	-1.1	-1.0	0.9	0.2	0.6	0.4	-0.3	0.2	2.3
Total	28.0	27.1	-23.2	-8.0	-12.0	-9.1	5.2	-8.1	60.4
Effect of replacing 2001-02 category averages and factors with those for 2006-07									
Category average	-0.2	-0.6	0.2	0.2	-0.1	0.1	-0.1	0.5	0.9
Category factors	6.5	13.7	-15.7	1.8	-3.9	-3.6	4.3	-3.1	26.2
Interactions	0.1	0.2	-0.3	0.0	-0.1	-0.1	0.1	-0.1	0.4
Total	6.4	13.3	-15.7	2.0	-4.0	-3.6	4.3	-2.7	26.0
Redistribution from EPC resulting from the 2008 Update assessment (a)	-36.5	-136.8	11.9	59.5	-31.7	8.7	-4.6	129.6	209.7
Total effect of revisions and updating (b)	34.4	40.5	-38.9	-6.0	-16.0	-12.6	9.5	-10.9	84.4

(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.

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4115 Non-inpatient and Community Health Services/Tables and Chart/4115 E Effect of Assessment, Previous Inquiry to Current Inquiry.

- 32 Compared with an equal per capita (EPC) assessment, the 2008 Update redistributed \$209.7 million away from New South Wales, Victoria, South Australia and the ACT to the other States. The total effect of revisions and updating was to reduce the amount redistributed and to redistribute \$84.4 million across States. The change arose largely from the effect of revising and replacing category factors which led to larger GST shares for New South Wales, Victoria and the ACT and the reductions for Queensland, Western Australia, South Australia, Tasmania and the Northern Territory.
- 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 Non-inpatient and community 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	0.3	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	12.2	8.2	-9.7	-4.9	-3.6	-2.0	1.6	-1.7	22.0
Economic environment	-1.2	6.4	-2.1	3.4	-4.9	-3.3	2.7	-1.1	12.6
Cross-border	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.6	0.0	0.6
Dispersion	0.2	0.1	-0.2	0.0	0.1	0.1	-0.1	-0.2	0.5
Input costs	-3.3	-1.1	3.0	0.9	0.6	0.2	0.0	-0.4	4.8
Outpatient services									
Socio-demographic composition	18.7	10.2	-17.9	-4.0	-5.2	-2.9	2.7	-1.7	31.7
Economic environment	-0.5	3.1	-1.0	1.7	-2.3	-1.6	1.1	-0.5	5.8
Dispersion	0.2	0.1	-0.3	0.0	0.1	0.1	-0.1	-0.2	0.5
Input costs	-3.2	-1.2	2.9	0.8	0.6	0.2	0.0	-0.2	4.5
Emergency department services									
Socio-demographic composition	13.6	10.9	-14.8	-5.2	-0.2	-2.1	0.7	-2.8	25.1
Economic environment	-0.3	2.0	-0.6	1.1	-1.5	-1.0	0.7	-0.3	3.8
Dispersion	0.2	0.1	-0.2	0.0	0.1	0.1	0.0	-0.2	0.4
Input costs	-2.0	-0.8	2.0	0.6	0.3	0.1	0.0	-0.1	3.0
Isolation									
Isolation	0.2	0.1	0.1	-0.1	0.0	-0.1	0.0	-0.3	0.4

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4115 Non-inpatient and Community Health Services/Tables and Chart/4115 E Effect of Assessment by Factor, Previous Inquiry to Current Inquiry.

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

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

Revising average expenses

36 For this category, overall downward revisions were made to average expenses for 2001-02 to 2005-06 principally because part of Tasmania's non-inpatient and community health services expense has been reclassified to the inpatient category. This decreased the amount of GST revenue redistributed for that period (\$6.0 million), increasing the GST revenue shares of the States assessed to have below average cost of providing services ratios, namely New South Wales, Victoria, South Australia and the Australian Capital Territory.

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

Table 9 Non-inpatient and community 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		337.58	359.45	380.98	403.31	434.17	462.29
2007 Update	309.76	334.91	366.38	388.66	420.70	455.97	
Difference	-	2.7	-6.9	-7.7	-17.4	-21.8	-

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4115 Non-inpatient and Community Health Services/Tables and Chart/4115 E Average Expenses Used in the 2006-07 Updates.

Revising category factors

- 38 Emergency department, outpatient and community health services use data 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 in 2006. The latest GP consultation statistics published by Medicare Australia were used to accord with the 2006 Census. The new administrative data indicated that use rates for aged population have slightly increased, while those for Indigenous people have dropped. 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 GST share for the Northern Territory.
- 39 Although people on low income still use more health services than those people on higher incomes, the gap between the proportions of people on low income, compared with those on higher incomes, who used non-inpatient and community health services 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.
- 40 As shown in Table 11, Queensland, Western Australia and Tasmania experienced the largest reduction 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 became higher than 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.

41 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 Comparison of income (b) use rate between 2001 NHS and 2004 NHS (a)

	2004 NHS		2001 NHS	
	Higher Income	Low Income	Higher Income	Low Income
Outpatient use rate	0.72	1.72	0.43	2.24
Emergency department use rate	0.78	1.56	0.60	1.88
Community health services use rate	0.84	1.41	0.58	1.91

(a) 2006 Census has been applied to 2004 NHS data to calculate use rate and 2001 Census has been applied to 2001 NHS data.

(b) 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: (1) ABS National health survey 2001 and 2004 adjusted by CGC.

(2) 2006 Census and 2001 Census adjusted by CGC.

Table 11 Comparison of low income^(a) population 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.

42 Revisions were also made to the Indigenous cost weight because Indigenous health expenditure ratios were updated². As a result, the Indigenous cost weight became higher for community health services but lower for the emergency services and outpatient services compared to the 2007 Update. Amending Indigenous cost weights had a minor impact, reducing the GST share of the Northern Territory.

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

43 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

44 Since 2001-02, State spending on this function has increased by 46.0 per cent, slightly exceeding the pace of the growth in the GST pool (43.9 per cent). So, replacing the 2001-02 average expenses with 2006-07 average expenses has led to a small increase in the size of the category's GST redistribution (\$0.8 million). It has increased the GST shares of the States

² Australia expenditures on health services for Aboriginal and Torres Strait Islander peoples 2001-2002.

assessed to have above average cost of providing services ratios (Queensland, Western Australia, Tasmania and the Northern Territory). It has decreased the GST shares of the other States.

Table 12 Non-inpatient and community health services, actual expenses and assessed cost of providing services, 2001-02 and 2006-07

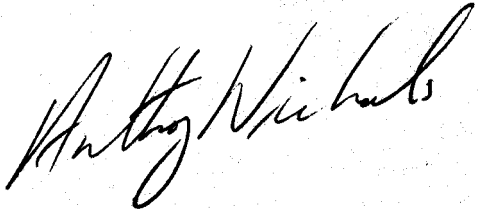
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	331.44	325.64	322.52	372.49	375.75	188.34	367.71	789.10	337.58
2006-07	434.10	391.00	492.29	553.45	555.45	322.43	663.96	940.10	462.29
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07	30.97	20.07	52.64	48.58	47.82	71.20	80.57	19.14	36.94
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	331.93	312.10	348.82	358.62	327.45	364.07	296.82	815.53	337.58
2006-07	458.76	439.79	459.25	494.86	436.23	462.95	467.48	1045.45	462.29
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	98.33	92.45	103.33	106.23	97.00	107.85	87.93	241.58	100.00
2006-07	99.24	95.13	99.34	107.05	94.36	100.14	101.12	226.15	100.00

Source: CGC Assessment System, U2008 GST/Expenses/c. Health and Community Services (4110 - 4180)/4115 Non-inpatient and Community Health Services/Tables and Chart/4115 E Assessment Data, Year 0 and Year 5.

Replacing category factors

- 45 The cost of providing services increased in New South Wales, Victoria, Western 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 (\$26.2 million). The shares of the other States were reduced.
- 46 Similar to the effect shown in revising category factors, the combined influence from the new Census and 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.
- 47 Another major cause of the change is replacing 2001-02 FTE GP numbers in each State with 2006-07 figures. This change had the most impact on Queensland, Western Australia, South Australia and the ACT. Queensland had above average growth in private service provision, therefore requiring less State supplied services, whilst there were relatively small increases in private provision in Western Australia and South Australia. GP numbers in the ACT fell between 2001-02 and 2006-07. These effects led to a reduction in the GST shares of Queensland and increases in the shares for South Australia, Western Australia and the ACT.

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 on the left side of the page.

Date: 29/2/08

Table 13 Assessment of expenses, Non-inpatient and community 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		359.45		380.98		403.31		434.17		462.29
New South Wales										
Assessed difference	- 41.156	- 6.19	- 48.505	- 7.25	- 19.778	- 2.94	- 12.815	- 1.89	- 24.141	- 3.52
Expenses - Assessed	2 350.243	353.26	2 501.235	373.73	2 695.588	400.37	2 934.770	432.28	3 145.201	458.76
Actual	2 423.108	364.22	2 626.572	392.46	2 806.536	416.85	2 949.196	434.41	2 976.079	434.10
Victoria										
Assessed difference	- 131.001	- 26.76	- 130.630	- 26.36	- 85.527	- 17.04	- 101.574	- 19.95	- 116.227	- 22.49
Expenses - Assessed	1 628.643	332.69	1 757.553	354.62	1 938.853	386.27	2 108.788	414.22	2 272.640	439.79
Actual	1 619.000	330.72	1 638.000	330.50	1 717.262	342.12	1 859.488	365.25	2 020.525	391.00
Queensland										
Assessed difference	47.648	12.65	37.963	9.83	- 9.374	- 2.37	- 25.171	- 6.22	- 12.540	- 3.03
Expenses - Assessed	1 401.857	372.10	1 509.583	390.81	1 586.284	400.94	1 732.727	427.95	1 899.297	459.25
Actual	1 266.026	336.04	1 397.100	361.69	1 425.838	360.39	1 699.667	419.79	2 035.918	492.29
Western Australia										
Assessed difference	38.067	19.64	43.850	22.28	44.848	22.42	57.098	28.01	67.812	32.57
Expenses - Assessed	734.863	379.09	793.706	403.26	851.464	425.73	942.203	462.18	1 030.310	494.86
Actual	805.732	415.65	865.437	439.71	960.153	480.08	1 093.741	536.51	1 152.314	553.45
South Australia										
Assessed difference	- 12.888	- 8.44	- 9.830	- 6.40	- 37.384	- 24.17	- 37.078	- 23.76	- 41.077	- 26.05
Expenses - Assessed	535.755	351.01	575.466	374.58	586.391	379.14	640.438	410.41	687.782	436.23
Actual	609.915	399.59	691.185	449.91	807.951	522.39	806.793	517.02	875.744	555.45
Tasmania										
Assessed difference	15.386	32.39	18.203	37.87	- 0.142	- 0.29	1.040	2.13	0.325	0.66
Expenses - Assessed	186.141	391.84	201.336	418.85	195.386	403.02	213.119	436.30	227.606	462.95
Actual	93.260	196.32	99.002	205.96	111.307	229.59	130.788	267.75	158.524	322.43
Australian Capital Territory										
Assessed difference	- 12.198	- 37.63	- 11.096	- 34.01	2.397	7.30	2.188	6.59	1.749	5.19
Expenses - Assessed	104.317	321.82	113.184	346.97	134.900	410.61	146.436	440.76	157.396	467.48
Actual	147.000	453.50	152.689	468.07	172.998	526.57	198.933	598.77	223.548	663.96
Northern Territory										
Assessed difference	96.143	482.07	100.045	497.96	104.960	513.83	116.313	557.26	124.099	583.17
Expenses - Assessed	167.832	841.52	176.587	878.95	187.346	917.14	206.933	991.44	222.474	1 045.45
Actual	145.611	730.10	158.665	789.74	174.166	852.62	186.809	895.02	200.055	940.10

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)/4115 Non-inpatient and Community Health Services/Tables and Chart/4115 E Assessment of Expenses.