Health Expenditure Trends in New Zealand 1997–2007

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Foreword

This report, *Health Expenditure Trends in New Zealand 1997–2007*, is the latest in a regular series prepared by the Ministry of Health (the Ministry). The primary purpose of the series is to provide information on expenditure in the New Zealand health and disability sector. This document focuses on the 2006/07 expenditure. This series continues on from the 2006 publication and relates to all sources of health funding channelled through the public and private sectors.

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

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

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

This report contains updated expenditure estimates for total current health and disability services in New Zealand at the aggregate level, on a per capita basis, by source of funds, and in nominal and real terms since 1996/97. The estimates include both public and private health expenditure. The public source of funding is predominately administered by the Ministry, primarily consisting of funding for services provided by the District Health Boards (DHBs). Other sources of public funding include social security, Accident Compensation Corporation (ACC), other central government agencies, (for example, Ministry of Justice) and local and regional councils. Private sector sources of health funding include private insurance, household out-of-pocket expenditure and non-governmental funding of not-for-profit organisations such as The Royal New Zealand Plunket Society and the National Heart Foundation of New Zealand.

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

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

This report follows the 1996–2006 report.

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

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

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

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

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Executive Summary

This report, *Health Expenditure Trends in New Zealand 1997–2007*, is the latest in a regular series prepared by the Ministry of Health (the Ministry). The primary purpose of the Health Expenditure Trends in New Zealand (HET) series is to provide information on the estimate of current expenditure in the health and disability sector with a focus on the 2006/07 estimates. This HET report provides updated estimates for total current health and disability services expenditure in New Zealand, at the aggregate level, on a per capita basis, by source of funds, and in nominal and real terms, since 1996/97.

In 2003/04, New Zealand implemented the System of Health Accounts (SHA) of the Organisation for Economic Co-operation and Development (OECD) in defining and aggregating total current health expenditure and 'health-related' expenditure for reporting to the OECD and HET. The New Zealand estimates now enable better comparisons to be made between countries; however, for years prior to 2003/04, some consistency at a detailed level is lost. Therefore, this report provides consistent information only at a summary level, with SHA details only for the four-year period 2003/04 to 2006/07.

This HET report follows the HET 1996–2006 report.

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

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

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

The main focus of this report is on the SHA-based total current health expenditure figures for 2006/07. Trend information is also provided. Historical and current expenditure comparisons use the most appropriate points in time given changes in methodologies and assumptions. The health and disability expenditure presented in this report includes goods and services tax (GST) at its prevailing rate. The GST rate is 12.5%. Unless stated otherwise, all expenditure is expressed in nominal dollar values.

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

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

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

The implementation of SHA introduces the concept and estimates of 'health-related' functions that are distinguished from 'core health' care functions. Health-related functions can be closely linked to health care in terms of operations, institutions and personnel but are, as far as possible, excluded when measuring activities and expenditure belonging to core health care functions. They are mainly services that have a direct and beneficial impact on collective health and, if reported in historical HET reports, were included as public health services. For 2006/07, the estimate of health-related functions totals nearly $2,568 million.

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

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

Chapter 4 discusses trends in nominal (actual dollars spent) and real (Consumers Price Index (CPI) adjusted dollars spent) total current expenditure and nominal and real total per capita current expenditure on health between 1997 and 2007. Summary information on the source and final use of funds is also provided. All indicators report significant increased funding of health services; in total, constant dollar terms (real dollars), on a per capita basis, as a percent of gross domestic product (GDP) and as a percent of government funding. As explained in Chapter 4, total current nominal health and disability expenditure rose 5.4% during 2006/07 to $16,220.0 million, compared with $15,390.5 million in 2005/06. Of this total, public funding increased to $12,839.7 million in 2006/07. Real per capita aggregate expenditure increased by 1.16% (an average of 4.0% per year) over these two years to $3,836 per person per year. Total current health expenditure as a percentage of gross domestic product (GDP) was 9.1% in 2006/07 compared with 9.3% in 2005/06.

[1] See Appendix 6.3 Current Expenditure on Health and Health-related by Function of Care and Funder (SHA Standard Table 5), 2006/07.

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

Chapter 5 provides detailed information on the Ministry's funding of health services. Separate profiles have been detailed for non-devolved services funded by the Ministry and devolved services funded through District Health Boards (DHBs). The Government's health funding through the Ministry's Vote Health, was the largest contributor to total health and disability funding, at $10,958.7 million in 2006/07, or 67.6% of total funding. The 2006/07 nominal dollar expenditure represented an increase of $656.4 million compared with 2005/06 expenditure. In 2006/07, Ministry-funded DHB devolved services represented $8,972.1 million, of which personal health was the largest component at $8,738.8 million.

Chapter 6 discusses other sources of public funding. The Accident Compensation Corporation (ACC) was the second largest public funder of health services at $1,464.9 million in 2006/07 accounting for 9.0% of total current health expenditure. Other central government agencies contributing to direct health and indirect health-related expenditure that are included in this report are the Ministries or Departments of:

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

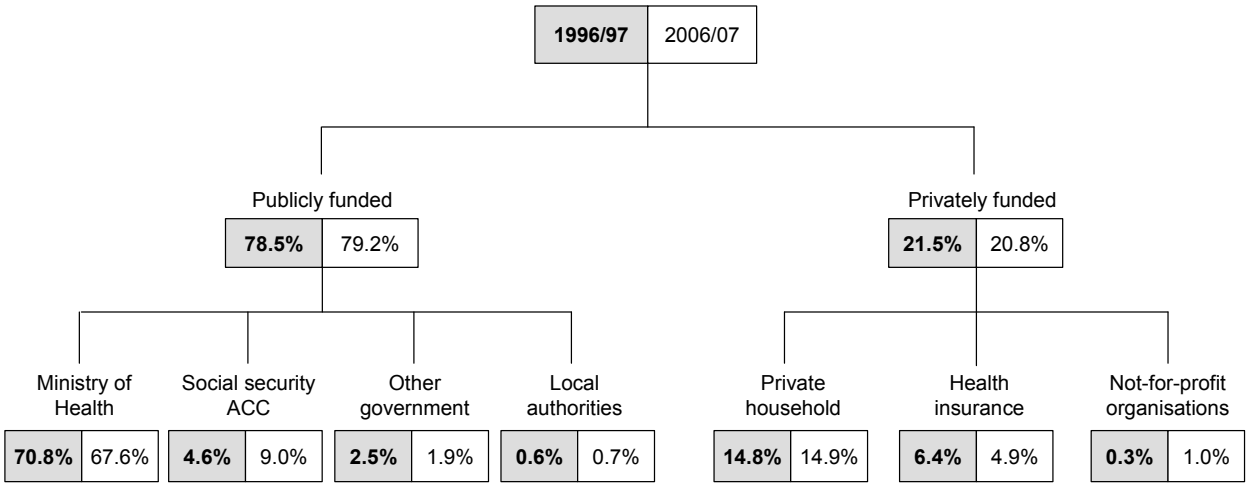
These other central government agency contributions to total current health expenditure totalled $310.0 million in 2006/07. Regional and local councils funded $106.1 million in current health expenditure in 2006/07 and a more significant $1,500.0 million for health-related function.[2]

In Chapter 7, private sources of funding comprise household out-of-pocket expenditure, health insurance and non-governmental funding of not-for-profit organisations. In total, this expenditure accounted for approximately $3,380.3 million or 20.8% of total current health expenditure in 2006/07. Within the private funding increase, private health insurance expenditure increased by an average annual growth rate of 4.3% since 2003/04, to $793.9 million in 2006/07. During the same period, private household spending grew 3.0% to $2,423.9 million. Expenditure by the not-for-profit sector was estimated at $162.5million for 2006/07.

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

The following figure presents the major funder groups and their contribution to total current health expenditure in 1997 and 2007.

Figure 1: Percentage shares of New Zealand's total health funding, 1997 and 2007



Source: Ministry of Health

Chapter 8 discusses New Zealand's current expenditure on health and disability services in the context of current health expenditure by other member countries of the OECD. The chapter provides comparisons of the level of current health expenditure, the proportion of current health expenditure to gross domestic product (GDP) and the percentage of publicly funded current health expenditure in OECD countries. One key finding from this analysis was that New Zealand's proportion of current health expenditure to GDP increased from 7.7% in 1997 to 9.1% in 2007. In comparison, the OECD weighted average increased from 7.8% in 1997 to 9.1% in 2007.

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

Please note that some of the data in this report has been collected by means of sample surveys and has consequently been estimated conservatively. Care should be taken when interpreting changes in individual categories of expenditure from year to year. In addition, future refinements in the accuracy of the estimates are to be expected. For comparative purposes and trend analysis, the four-year period 2003/04 to 2006/07 data provides consistent information using the SHA definitions and categories. Strict comparability for earlier years at the detailed level is no longer possible because of changes in scope and category definitions.

1 Introduction

1.1 Purpose

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

1.2 Background

The Ministry's role in the funding of health services has remained relatively stable over the past 27 years. The health reforms of the 1980s and 1990s were not of the same magnitude as the changes that occurred during the middle of the 20th century. Prior to World War II, private funding of health care dominated in New Zealand, accounting for around 57% of total funding in 1925. By 1945, however, the public share had grown to 74% of total expenditure and steadily increased to peak at 88% by the early 1980s.

Over the past 27 years, the percentage of total current funding from public sources gradually reduced from a high of 88% to within the range of 77% to 79% which has persisted since 1992. Of this public funding source, the Government's direct health funding through the Ministry is the largest contributor to the total health and disability funding, at approximately 67.6% in 2006/07 compared with 66.8% in 1996/97.

The organisation of publicly funded health and disability support services in New Zealand has undergone a number of changes in the last decade. These have ranged from a 'purchaser/provider' market-oriented model introduced in 1993 to the more community-oriented model that is currently in place. The current system was implemented through the New Zealand Public Health and Disability Act 2000 (NZPHD Act). This allowed for the creation of District Health Boards (DHBs), a key step in moving to a population-based health system. Figure 1.1, on page 3, shows the current structure of the New Zealand health and disability support sector.

1.3 Ministry responsibilities and funding levels

DHBs are responsible for providing, or funding the provision of, health and disability services in their geographic district. There are 21 DHBs in New Zealand that have existed since 1 January 2001. The activities of the DHBs are guided by two overarching strategies for the health and disability sector: the New Zealand Health Strategy and the New Zealand Disability Strategy. DHBs are supported by the Ministry, which provides national policy advice, regulation, funding and monitors the performance of each DHB.[3]

The majority of the Ministry's health services funding is devolved to DHBs; making up 81.9% of Ministry expenditure in 2006/07. This equates to 69.9% of public expenditure and 55.3% of total current health expenditure in 2006/07.

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

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

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

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

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

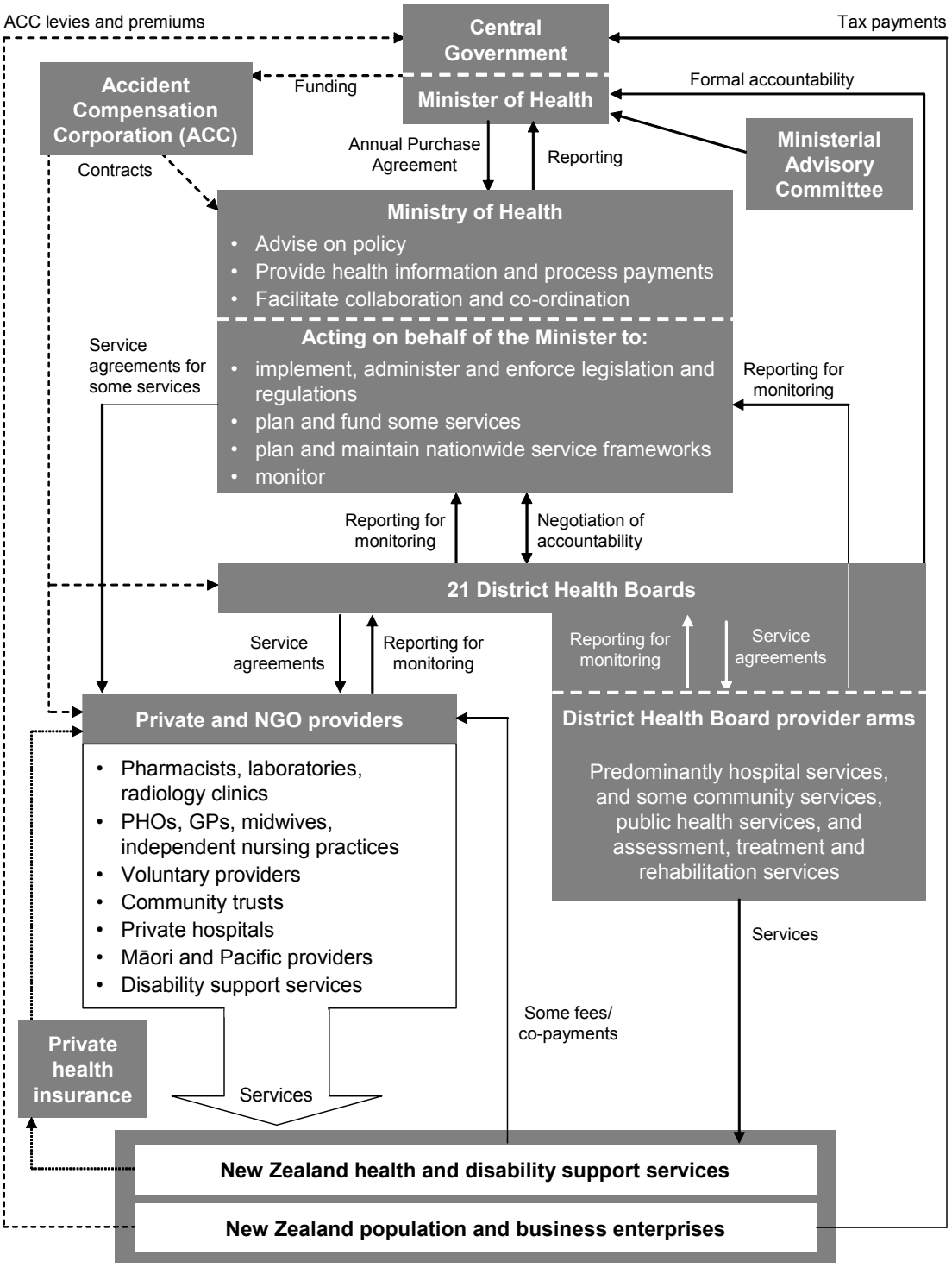
1.4 Structure of the New Zealand public health and disability sector

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

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

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

Figure 1.1: Structure of the New Zealand health and disability sector, 2007



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

In addition to the Ministry, a significant amount of public funding on health services comes from the Accident Compensation Corporation (ACC). ACC is a statutory insurance organisation owned by the state that provides compulsory, comprehensive, no-fault insurance cover for accident-related injuries to all New Zealanders. OECD

defines ACC as ‘social security’. In 2006/07, funding from ACC accounted for approximately 9.0% ($1,464.9 million) of total current health expenditure.

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

The private funding of the health sector includes private insurance, household out-of-pocket spending and non-government funding of not-for-profit organisations. The expenditure estimates for private funding are largely based on surveys and sampling techniques. Consequently, this information is less consistent and reliable. Given this qualification, however, indications are that the private funding of health services has remained relatively stable over the past decade at approximately 21.0% of the total funding.

2 OECD System of Health Accounts Definitions and Classifications

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

2.1 Health services

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

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

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

Brief descriptions of the main service categories are given below.

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

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

2.2 Functions of health care

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

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

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

(OECD 2000, p 42)

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

2.3 Health-related functions

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

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

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

The expenditure estimates are conservative because they do not fully include the administration and provision of social services and the provision of health-related cash benefits to private households. Furthermore, no provision has been made at this time for capital formation of health provider institutions (HC.R.1), administration and provision of social services in kind to assist living with disease and impairment (HC.R.6), and administration and provision of health-related cash-benefits (HC.R.7).[4] These are refinements that may be included in subsequent years and could be material.

[4] Codes come from the SHA functions (see Appendix 1.2: OECD System of Health Accounts: Health-related functions).

2.4 Providers of health-care services and goods

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

2.5 Sources of funding

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

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

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

3 Methods and Conventions

3.1 Report coverage

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

Appendices 5 and 6 cover two key OECD SHA tables: expenditure by function of care and provider industry and total current expenditure on health, including health-related functions by funder category. There are three tables under each of these appendices, one for each year 2004/05 to 2006/07.

3.2 Categories of health expenditure

Trend information covering the full 10-year period is aggregated by public and private funding of health, including values preceding SHA implementation in 2003/04. Information for the four-year period from 2003/04 to 2006/07 is based on summary SHA information for the categories following.

3.2.1 Personal health

- Inpatient care – curative and rehabilitative, and long-term nursing care
- Services of day care – curative, rehabilitative and long-term nursing care
- Outpatient care – curative, rehabilitative, basic medical and diagnostic services, dental care, all other specialised care and all other outpatient care
- Home care – curative, rehabilitative and long-term nursing care
- Ancillary services to health care
- Medical goods dispensed to outpatients – pharmaceuticals and other medical non-durables, and therapeutic appliances and other medical durables.

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

3.2.2 Collective health

- Prevention and public health services
- Health administration and health insurance.

3.2.3 Health-related

- Education and training of health personnel
- Research and development in health
- Food, hygiene and drinking-water control
- Environmental health.

New Zealand does not report on two health-related functions: capital formation of health care provider institutions and the administration and provision of health-related cash benefits. Caution should be exercised when interpreting the disaggregated information, because New Zealand has only recently implemented the SHA reporting, and refinements are expected.

3.3 Funding sources

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

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

3.4 Sources and assumptions for Ministry-funded services

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

3.5 Ministry-funded services, excluding DHBs

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

3.6 DHB-funded services

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

3.7 Crown Health Enterprise/District Health Board deficit financing

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

The inclusion of this deficit funding is necessary to provide an accurate picture of the expenditure on current health and health-related expenditure in New Zealand in a given year. This is because these are publicly owned entities and the government is ultimately responsible for their financing. Publicly funded health expenditure, including DHB deficit financing, amounted to 79.2% of total expenditure in 2006/07. In GDP terms, deficit financing in 2006/07 was equivalent to 0.2% of GDP.

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

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

3.9 Sources and assumptions related to services funded by local government

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

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

Private sources of funding consist of out-of-pocket expenses, health insurance and not-for-profit organisations. The estimate for 2006/07 out-of-pocket expenditure is based on the Household Economic Survey (HES) for 2006/07.[5] This survey has consistently been the source of data for the estimate of out-of-pocket expenditure. Estimates of health insurers' total current expenditure on health care is based on data provided by the Health Funds Association of New Zealand Inc (HFANZ). This source also remains unchanged; however, from 2004/05, the estimates have been based on aggregate information,[6] whereas previous years' estimates were based on a direct survey. Estimates for the not-for-profit sector are based on an expanding sample of organisations' annual reports. Additional information pertaining to private sector expenditure is provided in Chapter 7: Private Sector Funding.

3.11 Real dollar health expenditure

New Zealand has no index specific to health expenditure that can be used to remove the effect of price inflation from nominal expenditure on health and disability support services. As with previous reports in this series, the Consumer Price Index (CPI) has been used to inflate nominal dollars to 2007 real dollar value.

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

3.12 Goods and services tax and overhead charges

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

3.13 Populations

The population data in this report is based on the definition of population commonly used by Statistics New Zealand. The estimated resident population is based on the census usual resident population count, with adjustments for residents missed or counted more than once by the census (net census undercount), and for residents temporarily overseas on census night.[7]

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

[6] Health insurance statistics, July 2007 (HFANZ 2007).

[7] See http://www.stats.govt.nz

4 Trends in Total Current Health Expenditure by Funding Source

This chapter examines trends in New Zealand current health expenditure aggregated by public and private sources. This funding split has been consistent over the 10-year period and was not affected by the introduction of SHA definitions. The components of both public and private expenditure for 2004/05 to 2006/07 are examined in detail in the next three chapters and address trends for the four-year period since the change to SHA reporting in 2003/04.

4.1 Aggregate health expenditure

Long-term trends (1925–2007) in health expenditure in New Zealand are shown below in relation to funding source (Figure 4.1) and public and private shares (Figure 4.2). The estimates for the years from 1996/97 to 2006/07 include previously excluded non-health items, primarily disability support services.

Total current health care expenditure in New Zealand has risen from around $7 million in 1925 to around $16.2 billion[8] in 2007 in nominal terms.[9] In real terms, total current health expenditure rose during this period at an annual average rate of 5.1% (see Figure 4.1). Publicly funded expenditure grew at an annual average rate of 5.9%, and privately funded expenditure, starting from a higher base, grew at the slower rate of 3.9% per year during this period.

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

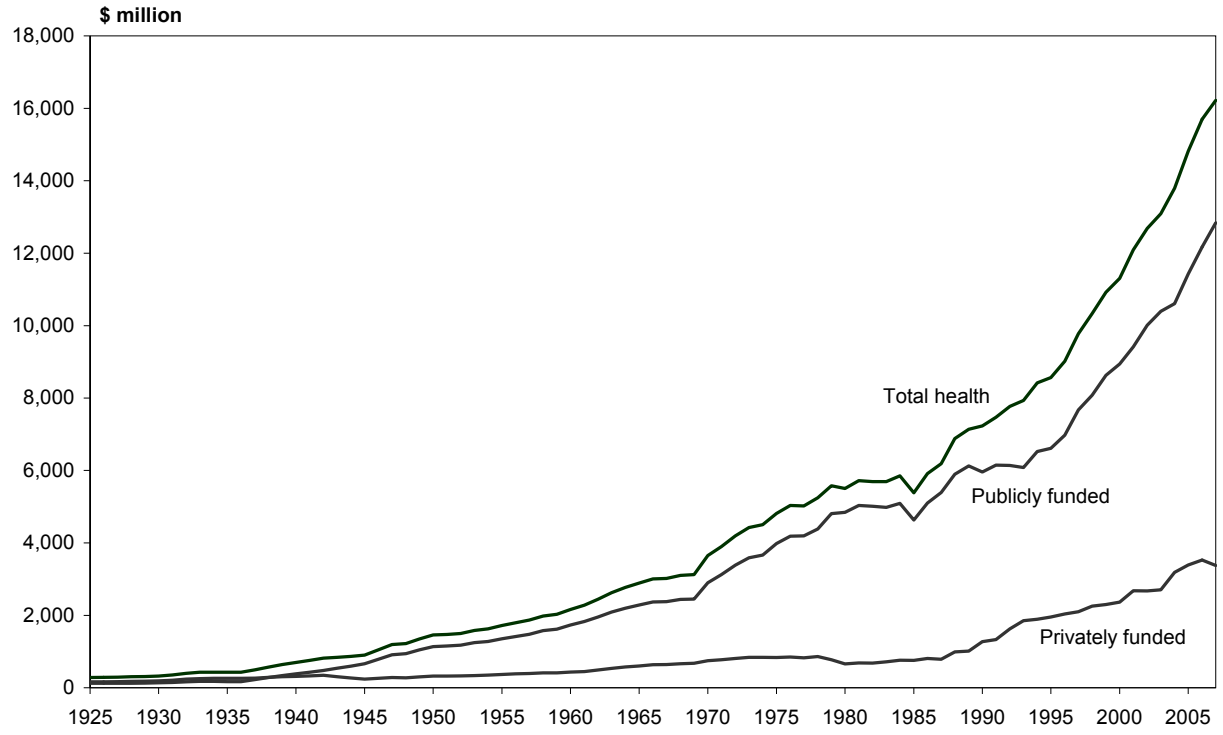
Public funding has remained stable within this narrow range since 1992 (see Figures 4.1A and 4.2A). The actual average growth rate of 5.1% (see above) exceeded the population growth rate. The impact on a per capita basis reflects the same expenditure pattern as for the entire population, but at a slightly lower rate of growth. Figure 4.1B presents the same information as Figure 4.1A but on a per capita basis. Since 1996/97, total real expenditure on health care has grown at an average annual compound rate of 5.2% per year. Public and private funding of health has grown by 5.3% and 4.9% respectively.

Between 1996/97 and 2006/07, publicly funded real expenditure on health care increased by $5,163 million (80% of the total increase). Over the same period, privately funded real expenditure rose by $1,282 million (20% of the total increase).

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

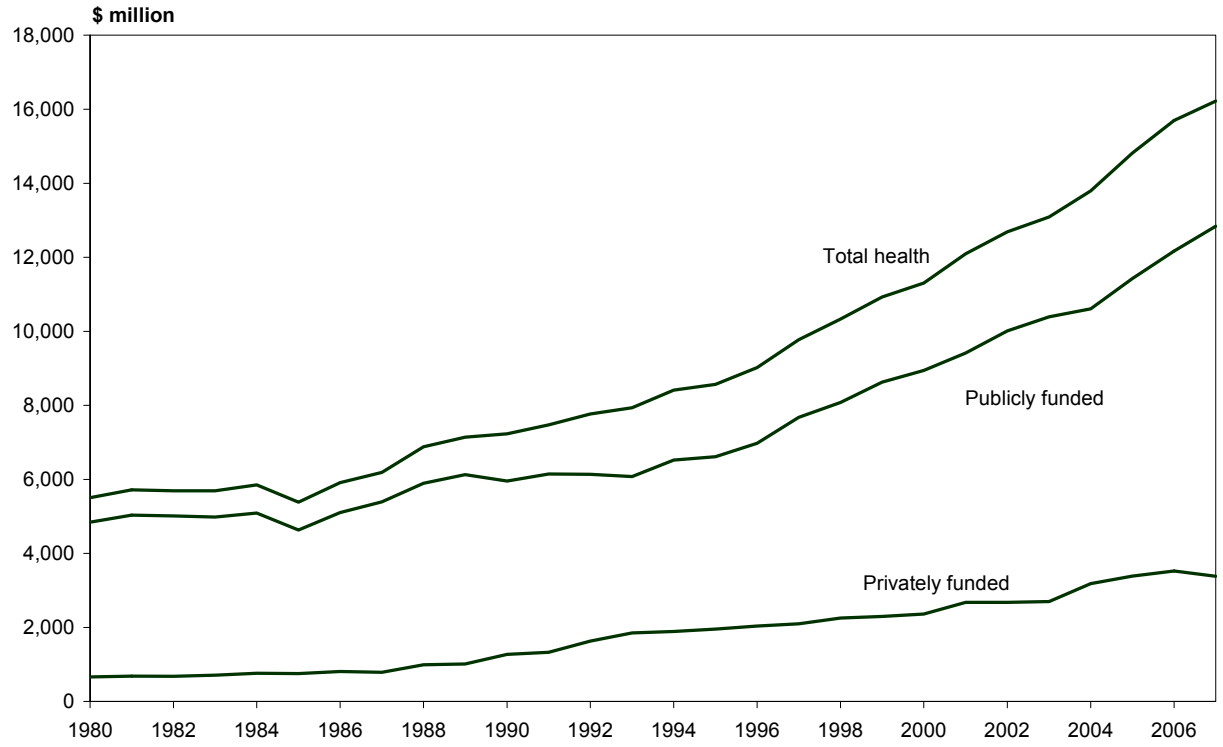
[9] See Appendix 6.3 Current Expenditure on Health and Health-related by Function of Care and Funder (SHA Standard Table 5): 2006/07.

Figure 4.1: Aggregate real ($ million 2006/07) health expenditure, 1925–2007



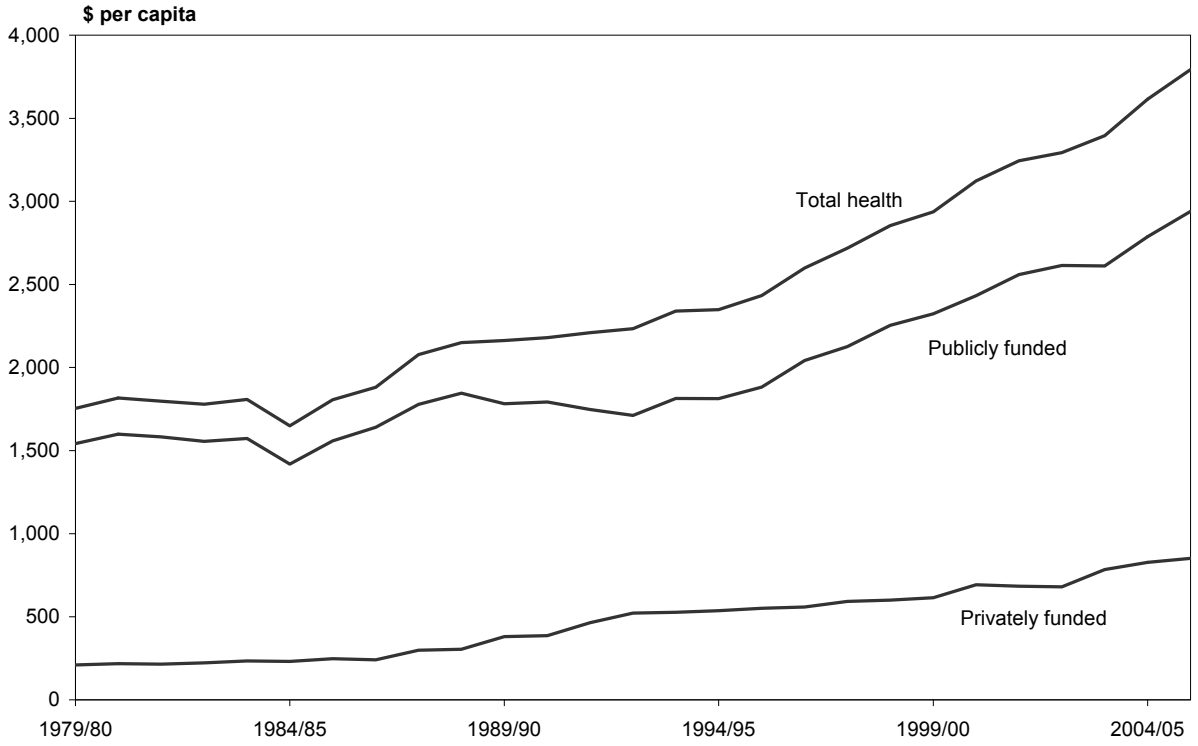
Source: Ministry of Health

Figure 4.1A: Aggregate real ($ million 2006/07) health expenditure, 1980–2007



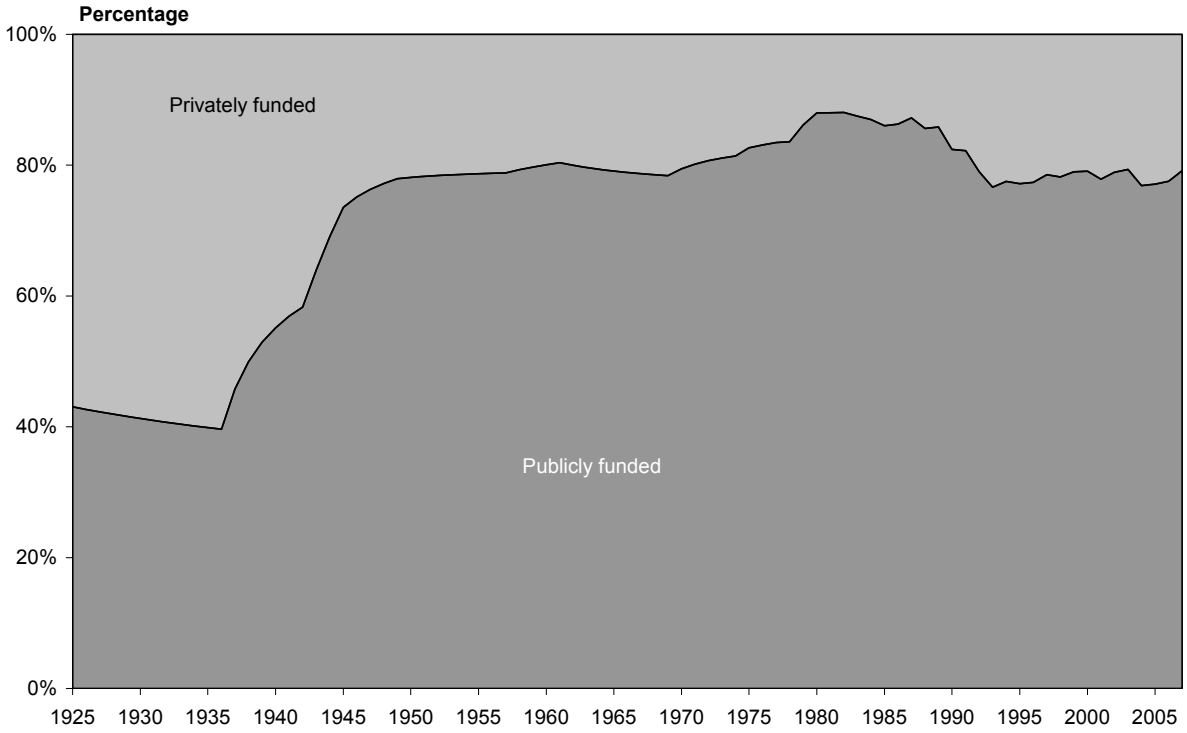
Source: Ministry of Health

Figure 4.1B: Aggregate real (per capita 2006/07) health expenditure, 1980–2007



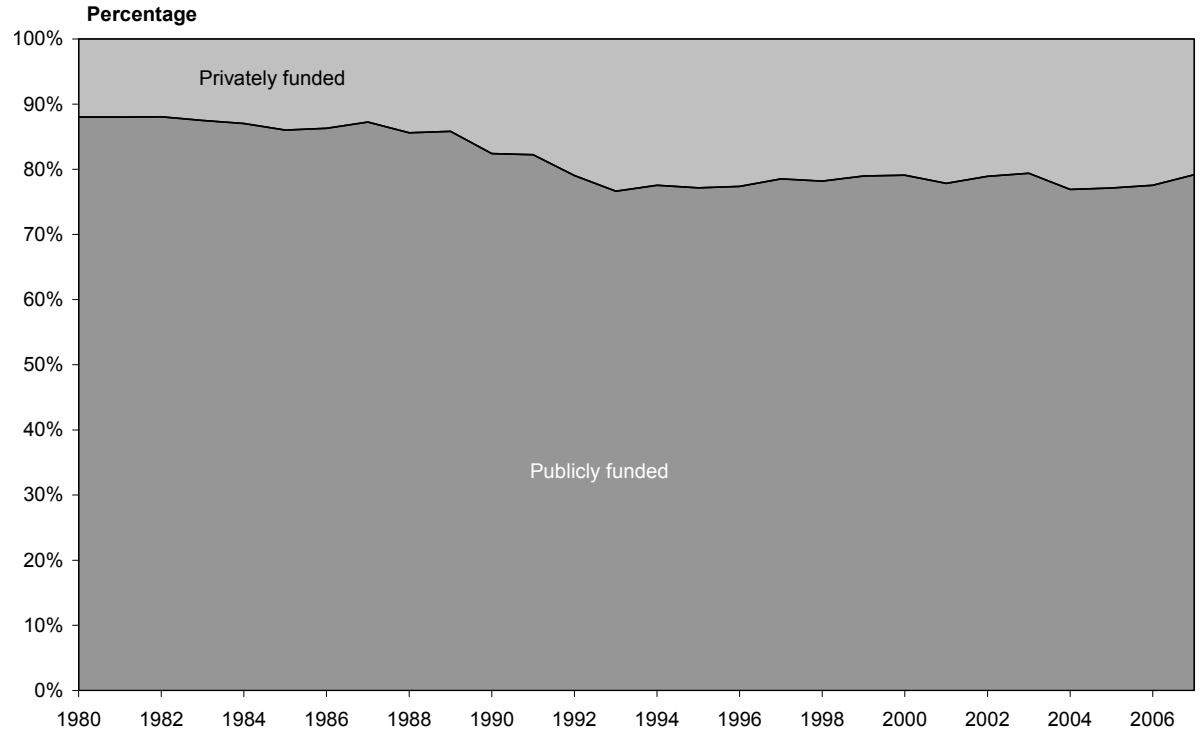
Source: Ministry of Health

Figure 4.2: Publicly and privately funded expenditure shares, 1925–2007



Source: Ministry of Health

Figure 4.2A: Publicly and privately funded expenditure shares, 1980–2007



Source: Ministry of Health

4.2 Trends in real per capita current expenditure on health

Table 4.1 and Figures 4.3 and 4.4 show the trends in real public and private current expenditure on health from 1996/97 to 2006/07. Table 4.1 also shows the gross domestic product (GDP) and the growth in GDP over this same period. As can be seen, the expenditure per capita is growing considerably faster than the growth in GDP.

Table 4.1: Real current expenditure trends, 1996/97–2006/07

Year	Total current health expenditure ($ million June 2007)			Expenditure per capita ($ June 2007) 'Resident' population			Real gross domestic product ($ June 2007)	
	Public	Private	Total*	Public	Private	Total*	Total	Per capita
1996/97	7,677	2,098	9,775	2,041	558	2,599	126,162	33,547
1997/98	8,080	2,252	10,332	2,125	592	2,717	126,346	33,234
1998/99	8,628	2,296	10,924	2,254	600	2,854	134,483	35,132
1999/00	8,941	2,364	11,305	2,323	614	2,937	139,293	36,185
2000/01	9,415	2,678	12,093	2,431	692	3,123	145,402	37,550
2001/02	10,012	2,675	12,687	2,560	684	3,244	148,303	37,920
2002/03	10,392	2,701	13,093	2,614	679	3,293	156,324	39,318
2003/04	10,608	3,185	13,793	2,611	784	3,395	163,565	40,262
2004/05	11,425	3,390	14,815	2,787	827	3,614	166,688	40,667
2005/06	12,172	3,526	15,698	2,940	852	3,792	168,632	40,737
2006/07	12,840	3,380	16,220	3,037	799	3,836	177,613	42,006
RAAGR†	5.28%	4.89%	5.20%	4.05%	3.66%	3.97%	3.48%	2.27%

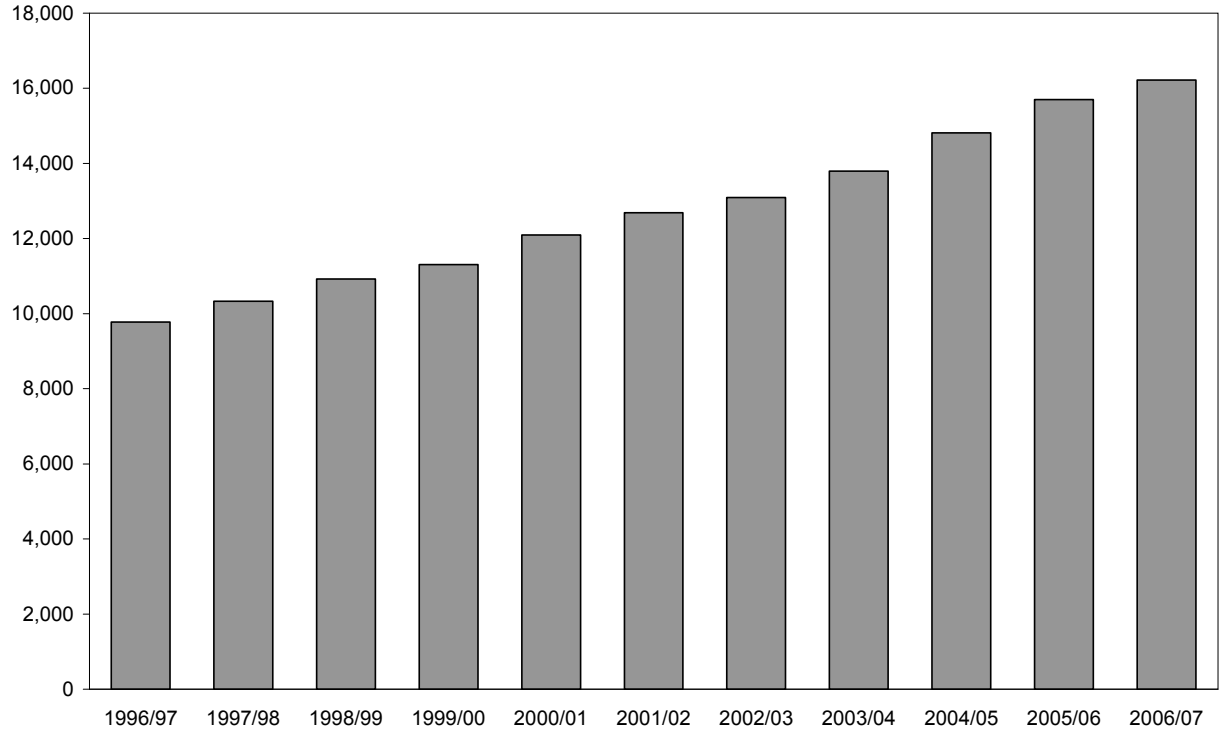
Source: Ministry of Health

* Totals may be affected by rounding.
† Real annual average growth rate (RAAGR) between 1996/97 and 2006/07.

Table 4.1 shows that from 1996/97 to 2006/07, total per capita real expenditure increased at an average annual compound rate of 4.0%, rising at an average annual compound rate of 4.1% per year for public expenditure and at a lower rate of 3.7% per year for private expenditure.

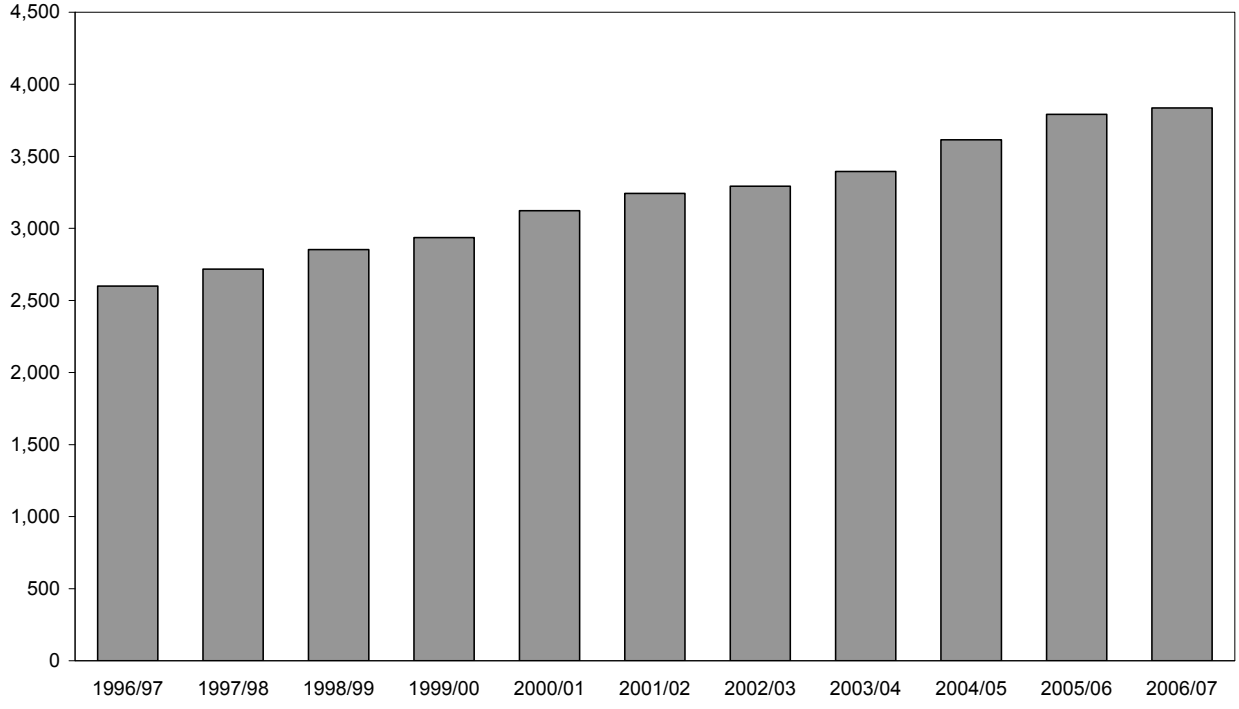
In 2006/07, aggregate current expenditure per capita amounted to $3,836. Of this total, publicly funded current expenditure amounted to $3,037 per capita and privately funded current expenditure amounted to $799 per capita.

Figure 4.3: Trends in real total current expenditure on health, 1996/97–2006/07 ($ million 2006/07)



Source: Ministry of Health

Figure 4.4: Trends in real per capita current expenditure on health, 1996/97–2006/07 ($ million 2006/07)



Source: Ministry of Health

4.3 Pattern of health care funding, by source of funds

Table 4.2 shows the trend by source of funds for the period 1996/97 to 2005/06. Figure 4.5 compares 1996/97 and 2006/07 in terms of their breakdown of funding by source.

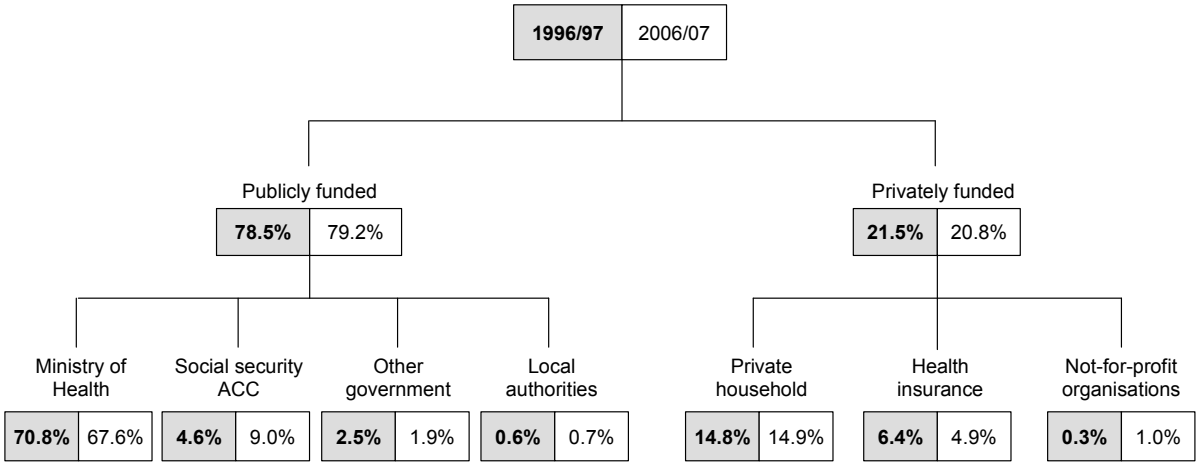
Table 4.2: Health expenditure by source of funds (%), 1996/97–2006/07

	Ministry of Health	Deficit funding	ACC – social security	Other government agencies	Local authority	Total public funding	Private household	Health insurance	Not-for-profit organisations	Total private funding	Total
1996/97	67.8	3.0	4.6	2.5	0.6	78.5	14.8	6.4	0.3	21.4	100.0
1997/98	67.5	2.3	5.0	2.9	0.6	78.2	15.4	6.0	0.3	21.8	100.0
1998/99	69.6	0.4	5.5	2.8	0.7	79.0	14.8	5.9	0.3	21.0	100.0
1999/00	69.5	0.1	6.2	2.7	0.6	79.1	14.6	6.0	0.3	20.9	100.0
2000/01	66.9	0.7	6.8	2.7	0.6	77.9	16.0	5.9	0.3	22.1	100.0
2001/02	66.3	2.2	7.2	2.7	0.6	78.9	15.3	5.5	0.3	21.1	100.0
2002/03	66.3	1.8	7.9	2.7	0.6	79.4	14.9	5.5	0.3	20.6	100.0
2003/04	67.3	0.0	7.5	1.6	0.5	76.9	17.0	5.3	0.7	23.1	100.0
2004/05	67.0	0.0	8.1	1.6	0.4	77.1	16.9	5.0	1.1	22.9	100.0
2005/06	66.9	0.0	8.4	1.6	0.5	77.5	16.6	5.0	0.9	22.5	100.0
2006/07	67.6	0.0	9.0	1.9	0.7	79.2	14.9	4.9	1.0	20.8	100.0

Source: Ministry of Health
Notes: Totals may be affected by rounding.
Starting in 2003/04, the DHB operating deficits are reflected in the Ministry figures.
Prior to 2003/04 ACC was classified as Other Government Agencies. Data series have been restated back to 1997 to reflect this reclassification.

Private funding as a percentage of total funding has remained between 20% and 22% from 1996/97 to 2006/07. Note, however, that estimates and not survey results were used for out-of-pocket expenditure for the years 1998/99, 1999/00, 2001/02, 2002/03, 2004/05 and 2005/06.[10] Actual survey results used for between year estimates.

Figure 4.5: Percentage shares of New Zealand's total health funding, 1997 and 2007



Source: Ministry of Health

[10] 1998 was the last year of an annual Household Economic Survey (HES), now conducted every three years.

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

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

Table 4.3: Destinations of total health funding (including health-related), 2004/05–2006/07

Health care services and goods by function	ICHA-HC Code	2004/05 (000s)	2005/06 (000s)	Increase 2004/05 to 2005/06 (000s)	2006/07 (000s)	Increase 2005/06 to 2006/07 (000s)	Average annual growth rate
Services of curative and rehabilitative care	HC.1, HC.2	7,830,644	8,572,079	741,435	9,191,269	619,190	8.3%
Services of long-term nursing care	HC.3	1,829,327	2,080,478	251,151	2,227,090	146,612	10.3%
Ancillary services to health care	HC.4	666,913	756,627	89,714	751,523	(5,104)	6.2%
Medical goods dispensed to outpatients	**HC.5**	**1,645,322**	**1,897,698**	**252,376**	**1,858,032**	**(39,666)**	**6.3%**
Pharmaceuticals and other medical non-durables	HC.5.1	1,451,996	1,690,590	238,594	1,573,724	(116,866)	4.1%
Therapeutic appliances and other medical durables	HC.5.2	193,326	207,108	13,782	284,308	77,200	21.3%
Total personal medical services and goods		**11,972,206**	**13,306,882**	**1,334,676**	**14,027,914**	**721,032**	**8.2%**
Prevention and public health services	HC.6	871,029	945,390	74,361	996,900	51,510	7.0%
Health administration and health insurance	HC.7	1,128,753	1,138,224	9,471	1,195,208	56,984	2.9%
Total current expenditure on health		**13,971,988**	**15,390,496**	**1,418,508**	**16,220,022**	**829,526**	**7.7%**
Memorandum items: further health-related functions							
Education and training of health personnel	HC.R.2	534,097	577,111	43,014	625,189	48,078	8.2%
Research and development in health	HC.R.3	190,420	207,766	17,346	234,133	26,367	10.9%
Food, hygiene and drinking water control	HC.R.4	246,273	249,418	3,145	254,526	5,108	1.7%
Environmental health	HC.R.5	1,304,583	1,294,647	(9,936)	1,353,948	59,301	1.9%
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	70,730	70,171	(559)	100,577	30,406	N/A
Total health-related expenditures		**2,346,103**	**2,399,113**	**53,010**	**2,568,373**	**169,260**	**4.6%**
Total health and health-related expenditures		**16,318,091**	**17,789,609**	**1,471,518**	**18,788,395**	**998,786**	**7.3%**

Overall, current health expenditure has increased on average by 7.7% per year for the three-year period 2004/05 to 2006/07. Total personal medical services/goods have increased on average by 8.2% and are the major contributors to total expenditure. Within personal health services, institutional services (curative, rehabilitative and long-term nursing care) have grown at a higher rate than community-based services. The health function with the highest rate of growth is therapeutic appliances and other medical durables at 21.3%, administration and insurance has the lowest increase at 2.9%.

Expenditure on health-related functions is growing at a slower rate of 4.6%. Environmental health has consistently been the largest contributor in dollar values to this category, but shows one of the lowest increases of 1.9%.

5 Public Sector Funding – Ministry of Health

Public sector funding is the major source of health funding in New Zealand. In 2006/07 this amounted to $12,840 million or 79.2% of the total health expenditure. Within this source, the government's direct health funding through the Ministry is the largest contributor at $10,959 million, or 67.6% of the total health expenditure. ACC and other government agencies, including regional and local governments, provide an additional $1,881 million or 11.6% of current health expenditure. Other government agencies also provide a significant amount of funding for health-related services (Appendix 6.3).

Funding of health-related services represents an additional $2,568 million, of which $2,280 million is publicly funded.

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

5.1 Ministry of Health funding

Health expenditure estimates for 2006/07 reflect total current expenditure on health and health-related services, conforming to SHA conventions. The vast majority of the Ministry expenditure relates to bulk funds devolved to DHBs for purchasing at a local level. For historical information covering the period 1996/97 to 2002/03, the total estimates have been recalculated to include the previously excluded non-health items, primarily disability support services. Unlike HET reports prior to 2003/04, annual expenditure is no longer analysed both inclusive and exclusive of these non-health items. The difference between the two categories amounted to $563 million in 2002/03. These disability support services are now considered a core health service.

Expenditure growth by the Ministry has accelerated in recent years. To show the movements in the Ministry's current expenditure, Table 5.1 gives details in aggregate and per capita expenditure (both nominal and real dollars) and as a percentage of both GDP and government expenses for the period 1996/97 to 2006/07. The Ministry's current funding of health services has increased by over 0.9% of GDP and has increased as a proportion of total central government funding by 3.2%.

Table 5.1: Ministry of Health expenditure, 1996/97–2006/07

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Total ($ million nominal)	5,573	5,906	6,245	6,550	7,030	7,662	7,990	8,507	9,362	10,302	10,959
Total real (June 2007)	6,921	7,214	7,656	7,869	8,185	8,684	8,927	9,281	9,926	10,508	10,959
Per capita – resident population basis											
Per capita ($ nominal)	1,482	1,553	1,631	1,702	1,815	1,959	2,010	2,094	2,284	2,489	2,592
Per capita real (June 2007)	1,840	1,898	2,000	2,044	2,114	2,220	2,245	2,285	2,422	2,539	2,592
GDP ($ million nominal)	101,589	103,430	109,696	115,941	124,875	130,856	139,925	149,935	157,210	165,325	177,613

GDP real (June 2007)	126,162	126,346	134,483	139,293	145,402	148,303	156,324	163,565	166,688	168,632	177,613
Per capita real GDP (June 2007)	33,547	33,234	35,132	36,185	37,550	37,920	39,318	40,262	40,667	40,737	42,006
Total as % of GDP	5.49%	5.71%	5.69%	5.65%	5.63%	5.86%	5.71%	5.67%	5.95%	6.23%	6.17%
Total as % of government outlays	15.62%	15.98%	16.15%	16.86%	17.03%	17.94%	17.01%	18.17%	18.00%	18.23%	18.13%

Sources: Ministry of Health, Statistics New Zealand, The Treasury[11]

Notes: Real dollars are expressed in June 2007 currency.
2003/04–2005/06 data restated due to revised DHB SHA classification of data.

Table 5.1 shows that the total Ministry expenditure over the 10 years ended June 2007 grew to $10,959 million. This figure translates to an average annual compound rate of growth of 7.0% for this period.

Table 5.1 illustrates the following trends:

- Nominal Ministry current expenditure grew steadily throughout the review period. Expenditure in 2006/07 was 96.6% higher than in 1996/97.
- Reflecting the trend in total Ministry current expenditure, nominal per capita spending increased throughout the period. Estimated 2006/07 per capita spending was 75.0% higher than in 1996/97 (up on average 5.8% per year).
- Total real current expenditure growth averaged 4.7% per year since 1996/97.
- Real per capita growth averaged 3.5% per year from 1996/97.
- During this 10-year period, the Ministry's current funding as a percentage of GDP was at its lowest at 5.3% in 1996/97. It has steadily increased to 6.2% in 2006/07.
- The Ministry's current funding as a percentage of total government expenditure was 15.0% in 1996/97. It has increased steadily to 18.1% of government current expenses in 2006/07.

5.2 Ministry funding by major expenditure category

The change in Ministry funding from 2003/04 to 2006/07 in accordance with SHA is presented in Table 5.2. Further detail dividing the total funding into subsets of funding by DHBs or other provider groups is given in Table 5.3. Expenditure is detailed for health and health-related functions.

Table 5.2: Destinations of Ministry funding, 2003/04–2006/07

Health care by function	ICHA-HC code	Total Ministry funding				Total change			Average annual growth rate
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	2003/04 to 2004/05 (000s)	2004/05 to 2005/06 (000s)	2005/06 to 2006/07 (000s)	
Inpatient care									
Curative and rehabilitative care	HC.1.1; 2.1	2,596,313	2,866,107	3,068,165	3,229,520	269,794	202,058	161,355	7.6%

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

Health care by function	ICHA-HC code	Total Ministry funding				Total change			Average annual growth rate
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	2003/04 to 2004/05 (000s)	2004/05 to 2005/06 (000s)	2005/06 to 2006/07 (000s)	
Long-term nursing care	HC.3.1	858,169	895,851	1,019,181	1,050,072	37,682	123,330	30,891	7.1%
Services of day-care									
Curative and rehabilitative care	HC.1.2; 2.2	98,042	98,303	116,621	125,920	261	18,318	9,299	9.0%
Long-term nursing care	HC.3.2	67,886	72,618	89,380	100,314	4,732	16,762	10,934	14.1%
Outpatient care									
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**1,923,125**	**1,890,252**	**2,194,430**	**2,612,773**	**-32,873**	**304,178**	**418,343**	**11.1%**
Basic medical and diagnostic services	HC.1.3.1	1,525,997	1,466,653	1,745,404	2,079,729	-59,344	278,751	334,325	11.4%
Outpatient dental care	HC.1.3.2	114,296	125,118	128,899	136,291	10,822	3,781	7,392	6.1%
All other specialised health care	HC.1.3.3	0	0	0	0	0	0	0	
All other outpatient care	HC.1.3.9	13,084	21,351	17,629	54,852	8,267	-3,722	37,223	85.6%
Home care									
Curative and rehabilitative care	HC.1.4; 2.4	176,707	366,117	329,484	340,587	189,410	-36,633	11,103	33.5%
Long-term nursing care	HC.3.3	815,106	764,434	866,130	956,549	-50,672	101,696	90,419	5.8%
Ancillary services to health care	**HC.4**	**417,870**	**490,663**	**512,402**	**495,081**	**72,793**	**21,739**	**-17,321**	**6.2%**
Medical goods dispensed to outpatients	**HC.5**	**797,323**	**900,216**	**1,099,631**	**1,088,287**	**102,893**	**199,415**	**-11,344**	**11.3%**
Pharmaceutical and other medical non-durables	HC.5.1	747,542	841,653	1,033,192	1,021,987	94,111	191,539	-11,205	11.4%
Therapeutic appliances and other medical durables	HC.5.2	49,781	58,563	66,439	66,300	8,782	7,876	-139	10.3%
Total expenditure on personal health care		**7,750,541**	**8,344,561**	**9,295,424**	**9,999,103**	**594,020**	**950,863**	**703,679**	**8.9%**
Prevention and public health services	HC.6	415,862	550,294	594,471	572,598	134,432	44,177	-21,873	12.2%
Health administration and health insurance	HC.7	341,026	466,820	412,423	387,022	125,794	-54,397	-25,401	6.4%
Total current expenditure on health care		**8,507,429**	**9,361,675**	**10,302,318**	**10,958,723**	**854,246**	**940,643**	**656,405**	**8.8%**
Memorandum items: further health-related functions									
Education and training of health personnel	HC.R.2	115,572	122,223	126,771	139,994	6,651	4,548	13,223	6.6%
Research and development in health	HC.R.3	0	0	0	0	0	0	0	
Food, hygiene and drinking water control	HC.R.4	0	0	0	0	0	0	0	
Environmental health	HC.R.5	70	0	0	0	-70	0	0	
Total health-related expenditure		**115,642**	**122,223**	**126,771**	**139,994**	**6,581**	**4,548**	**13,223**	**6.6%**
Total health and health-related expenditure		**8,623,071**	**9,483,898**	**10,429,089**	**11,098,717**	**860,827**	**945,191**	**669,628**	**8.8%**

Note: 2003/04–2005/06 data restated due to revised DHB SHA classification of data.

5.2.1 Personal health

Funding for health services provided to individuals for the purpose of improving or protecting their health is identified as personal health expenditure. In 2006/07, the Ministry share of personal health expenditure totalled $9,999.1 million or 78.0% of total personal health expenditure. With four years of consistently compiled data using SHA, some trends are starting to emerge. Total current expenditure has increased on average by 8.8% per year and personal health care (the largest component) has grown by 8.9%. Care provided in an institutional setting, both inpatient and day care, is growing at a lower rate than outpatient, home care and community-based services (ancillary services and medical goods dispensed to outpatients).

Out-patient curative and rehabilitative care have seen the largest increase at an average of 11.1%. This is the SHA function that includes the additional funding for primary health initiatives. In dollar terms, this function has increased by approximately $722.5 million in the two-year period from 2004/05, ($304.3 million in 2005/06 and $418.3 million in 2006/07).

5.2.2 Public health

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

Specific objectives of public health service delivery include:

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

Within public health services, functions of prevention and public health have grown considerably, by an average of 12.2% per annum, while administrative and insurance costs have grown at a much lower rate, by an average of 6.4% per annum.

Table 5.3: Destinations of DHB and non-DHB funding, 2003/04–2006/07

Health care by function	ICHA-HC code	Ministry direct funding				DHB devolved funding			
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)
Inpatient care									

Health care by function	ICHA-HC code	Ministry direct funding				DHB devolved funding			
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)
Curative and rehabilitative care	HC.1.1; 2.1	161,334	169,926	196,383	186,471	2,434,979	2,696,181	2,871,782	3,043,049
Long-term nursing care	HC.3.1	231,778	114,401	107,592	109,200	626,391	781,450	911,589	940,872
Services of day-care									
Curative and rehabilitative care	HC.1.2; 2.2	0	0	0	0	98,042	98,303	116,621	125,920
Long-term nursing care	HC.3.2	24,935	28,071	36,566	42,925	42,951	44,547	52,814	57,389
Outpatient care									
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**83,687**	**50,679**	**65,104**	**153,966**	**1,839,438**	**1,839,573**	**2,129,326**	**2,458,807**
Basic medical and diagnostic services	HC.1.3.1	324	363	14,338	60,786	1,525,673	1,466,290	1,731,066	2,018,943
Outpatient dental care	HC.1.3.2	25	678	354	258	114,271	124,440	128,545	136,033
All other specialised health care	HC.1.3.3	0	0	0	0	0	0	0	0
All other outpatient care	HC.1.3.9	11,844	19,986	17,629	54,852	1,240	1,365	0	0
Home care									
Curative and rehabilitative care	HC.1.4; 2.4	14,385	15,831	16,800	16,959	162,322	350,286	312,684	323,628
Long-term nursing care	HC.3.3	557,549	432,286	506,966	548,327	257,557	332,148	359,164	408,222
Ancillary services to health care	HC.4	110,669	164,645	167,891	123,969	307,201	326,018	344,511	371,112
Medical goods dispensed to outpatients	HC.5	13,492	39,174	97,389	78,501	783,831	861,042	1,002,242	1,009,786
Pharmaceutical and other medical non-durables	HC.5.1	12,321	39,174	97,389	78,501	735,221	802,479	935,803	943,486
Therapeutic appliances and other medical durables	HC.5.2	1,171	0	0	0	48,610	58,563	66,439	66,300
Total expenditure on personal health care		1,197,829	1,015,013	1,194,691	1,260,318	6,552,712	7,329,548	8,100,733	8,738,785
Prevention and public health services	HC.6	310,293	412,960	443,438	432,628	105,569	137,334	151,033	139,970
Health administration and health insurance	HC.7	263,748	279,087	338,760	293,646	77,278	187,733	73,663	93,376
Total current expenditure on health care		**1,771,870**	**1,707,060**	**1,976,889**	**1,986,592**	**6,735,559**	**7,654,615**	**8,325,429**	**8,972,131**
Memorandum items: further health-related functions									
Education and training of health personnel	HC.R.2	92,116	116,080	120,227	130,043	23,456	6,143	6,544	9,951
Research and development in health	HC.R.3								
Food, hygiene and drinking water control	HC.R.4								
Environmental health	HC.R.5	70	0	0	0	0	0	0	0
Total health-related expenditure		**92,186**	**116,080**	**120,227**	**130,043**	**23,456**	**6,143**	**6,544**	**9,951**
Total health and health-related expenditure		**1,864,056**	**1,823,140**	**2,097,116**	**2,116,635**	**6,759,015**	**7,660,758**	**8,331,973**	**8,982,082**

Note: 2003/04–2005/06 data restated due to revised DHB SHA classification of data.

5.2.3 DHB and non-DHB expenditure

DHB expenditure as a percentage of Ministry funding increased from 79.2% in 2003/04 to 81.9% in 2006/07. This represents a funding shift and devolution of additional responsibilities to DHBs for the funding of health services. Over this four-year period, DHB expenditure increased by $2,236.6 million, or 33.2%, while non-DHB funding increased by a smaller $214.7 million, or 12.1%. The most significant items of non-DHB funding fall within long-term nursing care provided to individuals in their homes or the community; these consist largely of disability support services and prevention and public health services.

5.2.4 Ministry of Health – head office

Table 5.4 provides a breakdown of funding by output class for the Ministry of Health in 2004/05, 2005/06 and 2006/07. It reflects the Ministry's 'head office' costs incurred in the administration of but not provision of health services. It shows that information services are the largest output class, accounting for $71.7 million in 2006/07, or 34.8%. Information services include the cost of administering the HealthPAC system, a claims payment facility. Public health is the next largest output class, with funding at 23.4%. The Ministry also directly funds a small amount for biosecurity services at the departmental level.

Table 5.4: Ministry of Health expenditure, by output class, 2004/05, 2005/06 and 2006/07

Output class	2004/05		2005/06		2006/07	
	$ million	% of total	$ million	% of total	$ million	% of total
Health and disability policy advice	12.4	7.19%	13.2	6.95%	14.2	6.88%
Performance management	16.9	9.80%	18.8	9.92%	18.3	8.90%
Ministerial support services	2.7	1.57%	3.2	1.66%	3.4	1.64%
Māori health	4.2	2.44%	3.9	2.08%	4.4	2.13%
Public health	40.2	23.32%	47.8	25.24%	48.2	23.38%
Disability issues	8.8	5.10%	10.7	5.64%	11.4	5.52%
Health sector development	1.0	0.58%	0.0	0.00%	0.0	0.00%
Mental health	7.4	4.29%	7.3	3.86%	8.9	4.31%
Clinical services	16.8	9.74%	14.4	7.60%	15.1	7.32%
Screening programmes	10.2	5.92%	10.2	5.40%	10.6	5.13%
Information services	51.8	30.05%	60.0	31.65%	71.7	34.79%
Total	**172.4**	**100.00%**	**189.5**	**100.00%**	**206.0**	**100.00%**
Biosecurity – policy advice	1.5	19.23%	1.9	19.32%	1.8	100.00%
Biosecurity – specific pest and disease response	6.3	80.77%	8.0	80.68%	0.0	0.00%
Total	**7.8**	**100.00%**	**9.9**	**100.00%**	**1.8**	**100.00%**

Source: Ministry of Health

Note: Totals may be affected by rounding.

6 Other Public Sector Funding

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

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

In 2006/07, funding from ACC, at $1,464.9 million, accounted for 9.0% of total current health expenditure. Other central government agencies provided an additional $310.0 million, or 1.9%. Regional and local authorities contributed an additional $106.1 million. Total other public funding for health services in 2006/07 (excluding the Ministry), amounted to $1,880.9 million. Other central government agencies (excluding the Ministry and ACC) also contributed $555.5 million to SHA health-related services.

Regional and local authorities contributed $106.1 million, or 0.7% of total current health expenditure, plus $1,499.9 million to health-related expenditure.

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

Total current health expenditure from other central government agencies increased from $208.1 million in 2003/04 to $310.0 million in 2006/07, an increase of $101.9 million. Previous editions of HET combined ACC – social security with other central governments. ACC – social security is now reported separately with the prior years restated in this edition for comparison purposes. The Department of Corrections funds personal health in relation to prisoners, the New Zealand Defence Force provides funding for active duty military, plus Work and Income funds personal health for war pensioners.

Estimates of current health and health-related expenditure by other central government agencies for the period 2003/04 to 2006/07 are shown in Table 6.2. Table 6.3 provides information on local government funding and Table 6.4 presents information from all public funds except for the Ministry.

6.1 Accident Compensation Corporation

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

OECD SHA defines ACC as 'social security', being a social insurance scheme covering the community as a whole or large section of the community and that are imposed and controlled by government units. Table 6.1 presents ACC's total current health expenditure from 2003/2004 to 2006/07.

Table 6.1: ACC current health expenditure ($ million), 2003/04–2006/07

Health care by function	ICHA-HC code	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Change 2005/06 to 2006/07 (000s)	Average annual growth rate
Inpatient care									
Curative and rehabilitative care	HC.1.1; 2.1	79,796	89,663	100,891	113,041	9,867	11,228	12,150	12.3%
Long-term nursing care	HC.3.1	104	112	0	0	8	(112)	-	N/A
Services of day-care									
Curative and rehabilitative care	HC.1.2; 2.2	131,028	144,562	134,757	136,538	13,534	(9,805)	1,781	1.6%
Long-term nursing care	HC.3.2	0	0	0	0	-	-	-	N/A
Outpatient care									
Outpatient curative and rehabilitative care	HC.1.3; 2.3	294,630	351,511	430,968	496,175	56,881	79,457	65,206	19.0%
Basic medical and diagnostic services	HC.1.3.1	263,764	311,938	370,286	422,564	48,174	58,348	52,278	17.0%
Outpatient dental care	HC.1.3.2	13,534	18,534	27,312	30,795	5,000	8,778	3,483	32.4%
All other specialised health care	HC.1.3.3	17,332	21,039	33,369	42,815	3,707	12,330	9,446	36.1%
All other outpatient care	HC.1.3.9	0	0	0	0	-	-	-	N/A
Home care									
Curative and rehabilitative care	HC.1.4; 2.4	104,019	135,900	135,452	160,872	31,881	(448)	25,420	16.4%
Long-term nursing care	HC.3.3	0	0	0	0	-	-	-	N/A
Ancillary services to health care	**HC.4**	**77,670**	**94,742**	**160,024**	**175,115**	**17,072**	**65,282**	**15,091**	**33.4%**
Medical goods dispensed to outpatients	**HC.5**	**76,047**	**105,563**	**105,440**	**122,435**	**29,516**	**(123)**	**16,995**	**18.3%**
Pharmaceutical and other medical non-durables	HC.5.1	16,777	17,708	17,341	27,462	931	(367)	10,121	20.6%
Therapeutic appliances and other medical durables	HC.5.2	59,270	87,855	88,099	94,973	28,585	244	6,874	18.8%
Total expenditure on personal health care		**763,294**	**922,053**	**1,067,532**	**1,204,175**	**158,759**	**145,479**	**136,643**	**16.5%**
Prevention and public health services	HC.6	44,250	44,795	44,500	45,008	545	(295)	508	0.6%
Health administration and health insurance	HC.7	138,065	162,743	185,000	215,741	24,678	22,257	30,741	16.1%
Total current expenditure on health care		**945,609**	**1,129,591**	**1,297,032**	**1,464,924**	**183,982**	**167,441**	**167,892**	**15.7%**

Health care by function	ICHA-HC code	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Change 2005/06 to 2006/07 (000s)	Average annual growth rate
Memorandum items: further health- related functions									
Education and training of health personnel	HC.R.2	0	0	0	0	-	-	-	N/A
Research and development in health	HC.R.3	0	0	0	0	-	-	-	N/A
Food, hygiene and drinking water control	HC.R.4	0	0	0	0	-	-	-	N/A
Environmental health	HC.R.5	0	0	0	0	-	-	-	N/A
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	46,074	66,937	70,171	84,856	20,863	3,234	14,685	23.7%
Total health-related expenditure		**46,074**	**66,937**	**70,171**	**84,856**	**20,863**	**3,234**	**14,685**	**23.7%**
Total health and health-related expenditure		**991,683**	**1,196,528**	**1,367,203**	**1,549,780**	**204,845**	**170,675**	**182,577**	**16.1%**

Source: ACC surveys and annual reports

* Values include a factor for GST at 12.5%.

Note: These figures include an estimate for accident prevention and administration and exclude public health acute services now included in the DHB funder arm expenditure.

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

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

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

ACC health expenditure information used in the HET reports is obtained by direct response from ACC. In addition, starting in 2003/04, the estimate for ACC current expenditure was increased to include components for accident prevention and ACC administration. These functions are estimated at $45.0 million and $215.7 million respectively for 2006/07.

In a broader context, one could include all ACC expenditure in health or health-related categories; however, this approach has not been taken for estimates based on SHA definitions at this time. Various WHO and OECD documents address how countries could classify various income-related benefits (sickness, accident, age-related, other social benefits). These services are likewise not included in these estimates as of 2006/07.

6.2 Other government agencies

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

6.2.1 Biosecurity

Vote Biosecurity brings together the biosecurity activities of the ministries or departments of (MAF), Health, Fisheries and Conservation. Expenditure by the Ministry of Health is discussed in Chapter 5: Public Sector Funding – Ministry of Health. Total Current Health expenditure incurred by Fisheries and Conservation appears to relate more directly to biodiversity than to public health, and totalled approximately $10.0 million in 2006/07. This expenditure has been excluded from this HET report. Starting in 2003/04, current expenditure by MAF is sourced from their annual reports.

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

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

Current health expenditure incurred by MAF for biosecurity in 2006/07 totalled $197.5 million, compared with $186.3 million in 2005/06, and covers the cost of the following services and activities:

- **Border inspection and quarantine services** control quarantine risks at the border and undertake post-entry quarantine in line with the provisions of the Biosecurity Act 1993. Health activities include border clearance procedures for aircraft and vessels (including for passengers), investigating suspected illegal imports and the identifying intercepted organisms. In 2006/07, MAF expenditure in this area came to $62.1 million.

- **Pest and disease surveillance services** maintain the health of domestic animal and plant populations, report internationally on the health status of domestic animals and plants and detect unwanted organisms. Pest and disease emergency response services maintain a capability (personnel and diagnostic capacity) to respond to the introduction of unwanted organisms that are harmful to animals and plants. In 2006/07, MAF's combined expenditure on these services was $102.5 million.
- **Control of tuberculosis vectors** covers the government contribution to implementing the bovine tuberculosis national pest management strategy. The objective of the strategy is to reduce the number of bovine tuberculosis-infected cattle and deer herds. This objective is jointly funded by government and industry. MAF expenditure in 2006/07 totalled $32.8 million.

6.2.2 Food safety

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

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

Note: 'Food Safety' became an independent government department in 2008.

Expenditure on food safety amounted to $91.2 million in 2006/07 compared with $86.2 million in 2005/06. The most significant spending was on regulatory programmes and regulatory standards, at $42.4 million and $38.0 million respectively. Other expenditure included food safety policy advice, response to food safety emergencies, consultation and food safety information. These activities are reported as a health-related service under food, hygiene and drinking-water control in SHA.

6.2.3 Education

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

The source for these estimates has changed to the Tertiary Education Statistics on the Ministry of Education website[12] and the annual reports from four leading tertiary institutions:[13] Massey University, Auckland University of Technology (AUT), The University of Auckland, and University of Otago. An adjustment for GST has been included (12.5%). The estimate is conservative as only the University of Otago provided a separate cost for their medical programme; these costs are significantly higher per pupil than those incurred for other programmes. For all other tertiary institutions, an unweighted cost per pupil was used.

The total estimates for 2006/07 are $484.8 million for educating health professionals and $118.5 million for clinical research undertaken by tertiary institutions, compared with $450.3 million and $107.3 million respectively for 2005/06. An estimate for the non-government portion of this funding is attributed to out-of-pocket private funding. In accordance with SHA definitions and classifications, this function is a health-related expenditure.

6.2.4 Research, Science and Technology

In July 1997, part of the public investment in health research was transferred from the Ministry of Health to the Ministry of Research, Science and Technology (MoRST). Health research is now included in the priority setting and management process applied to other public-good science and technology investments. In 2006/07, expenditure on health research was $74.5 million, compared with $67.5 million in 2005/06.

The 2006/07 estimate is sourced from the MoRST annual report. To conform to SHA definitions and classifications, research is now reported as a health-related service and not a core health service.

6.2.5 Defence

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

The estimated expenditure on health care for 2006/07 is $28.8 million compared with $27.6 million in 2005/06. The estimate for 2004/05 was sourced by direct response. The total expenditure was distributed to SHA personal health functions in proximity to expenditure patterns in the previous year.

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

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

6.2.6 Social Development

The bulk of health expenditure (mainly disability support services) previously administered by the Ministry of Social Development was transferred to the Ministry of Health between 1993/94 and 1995/96.[14] However, a provision remains within the Ministry of Social Development for Vote Veterans' Affairs to fund assistance to war pension recipients by meeting the costs of medical treatment or equipment required as a result of a disability caused or aggravated by war service.

The estimated total expenditure in 2006/07 is $19.4 million, compared with $16.8 million in 2005/06. Since 2003/04, the source for these estimates has been from the Ministry of Social Development annual report. The expenditure has been distributed across SHA health functions of outpatient and home care for acute, rehabilitative and long-term care services.

The Ministry of Social Development also administers the Community Services Card programme. Expenditure in 2006/07 for administering this programme amounted to $6.3 million, compared with $6.2 million in 2005/06. In accordance with SHA definitions this activity is considered part of government administration of health services and is therefore part of core health expenditure. Funding for youth suicide prevention has been transferred to the Ministry of Health.

6.2.7 Corrections

The Department of Corrections incurs costs relating to the provision of health care services for prison inmates and those held in judicial custody. The total estimated cost of $35.8 million for 2006/07 covers expenditure on general medical treatment ($23.2 million) and psychiatric treatment ($12.6 million). This represents an increase of $5.4 million or 17.7%, compared with the 2005/06 expenditure of $30.4 million.

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

6.2.8 Internal Affairs

The New Zealand Lottery Grants Board, which is administered by The Department of Internal Affairs, funded health and health-related projects amounting to $21.8 million during 2006/07. The data source for these estimates is the New Zealand Lotteries Commission 2006/07 Lottery Grants record.

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

Included in the above estimate are direct grants made to individuals with disabilities to purchase disability support equipment, not funded by other sources, to increase and maintain their participation, fulfilment, enjoyment and achievement in the community. These grants totalled $10.2 million in 2006/07. Additional lottery grants totalling $2.9 million were distributed to fund health research and are attributed to a health-related function. Grants to seniors are no longer separately identifiable and are not included in these estimates.

6.2.9 Te Puni Kōkiri (Māori Development)

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

The policy advice has focused on three main areas:

- how to make progress towards reducing inequalities in health status between Māori and non-Māori
- how to improve Māori health outcomes by increasing Māori participation in the purchase and provision of health services
- the development of new Māori health initiatives for the wellbeing of Māori, including the development of strategies to increase Māori access to health services and the adoption of healthy lifestyle choices.

6.2.10 Pacific Island Affairs

During 2006/07, the Ministry of Pacific Island Affairs incurred health expenditure of $0.2 million for the provision of health policy advice. This service has been attributed to the SHA function: health administration, health expenditure. Starting in 2003/04, this information has been sourced from the Ministry of Pacific Island Affairs annual report, whereas earlier estimates came from direct survey responses.

Table 6.2: Current health expenditure and health-related expenditure by other central government agencies, 2003/04–2006/07

Health care by function	ICHA-HC code	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Change 2005/06 to 2006/07 (000s)	Average annual growth rate
Inpatient care									
Curative and rehabilitative care	HC.1.1; 2.1	1,520	1,565	1,875	2,213	45	310	338	13.6%
Long-term nursing care	HC.3.1	306	316	411	475	10	95	64	16.3%
Services of day-care									
Curative and rehabilitative care	HC.1.2; 2.2	1,520	1,540	1,875	2,185	20	335	310	13.2%
Long-term nursing care	HC.3.2	306	316	411	475	10	95	64	16.3%

Health care by function	ICHA-HC code	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Change 2005/06 to 2006/07 (000s)	Average annual growth rate
Outpatient care									
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**21,941**	**24,819**	**28,623**	**32,626**	**2,878**	**3,804**	**4,003**	**14.1%**
Basic medical and diagnostic services	HC.1.3.1	3,602	4,073	4,093	4,293	471	20	200	6.2%
Outpatient dental care	HC.1.3.2	2,490	2,462	3,126	3,653	(28)	664	527	14.2%
All other specialised health care	HC.1.3.3	2,558	1,456	3,140	3,336	(1,102)	1,684	196	26.3%
All other outpatient care	HC.1.3.9	10,633	14,980	14,611	17,075	4,347	(369)	2,464	18.4%
Home care									
Curative and rehabilitative care	HC.1.4; 2.4	14,901	11,319	19,480	20,926	(3,582)	8,161	1,446	18.5%
Long-term nursing care	HC.3.3	10,797	7,094	14,272	15,131	(3,703)	7,178	859	24.3%
Ancillary services to health care	HC.4	1,148	1,591	1,281	2,015	443	(310)	734	25.5%
Medical goods dispensed to outpatients	**HC.5**	**8,515**	**8,822**	**10,205**	**11,968**	**307**	**1,383**	**1,763**	**12.2%**
Pharmaceutical and other medical non-durables	HC.5.1	1,040	1,336	1,864	2,079	296	528	215	26.5%
Therapeutic appliances and other medical durables	HC.5.2	7,475	7,486	8,341	9,889	11	855	1,548	10.0%
Total expenditure on personal health care		**60,954**	**57,382**	**78,433**	**88,014**	**(3,572)**	**21,051**	**9,581**	**14.3%**
Prevention and public health services	HC.6	140,640	157,914	166,938	215,127	17,274	9,024	48,189	15.6%
Health administration and health insurance	HC.7	6,490	6,433	6,297	6,813	(57)	(136)	516	1.7%
Total current expenditure on health care		**208,084**	**221,729**	**251,668**	**309,954**	**13,645**	**29,939**	**58,286**	**14.4%**
Memorandum items: further health-related functions									
Education and training of health personnel	HC.R.2	184,290	197,700	216,163	232,591	13,410	18,463	16,428	8.1%
Research and development in health	HC.R.3	142,085	159,934	177,941	202,918	17,849	18,007	24,977	12.6%
Food, hygiene and drinking water control	HC.R.4	74,187	83,008	86,153	91,214	8,821	3,145	5,061	7.2%
Environmental health	HC.R.5	20,333	27,098	17,162	17,344	6,765	(9,936)	182	-0.8%
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6		3,793		11,421	3,793	(3,793)	11,421	N/A
Total health-related expenditure		**420,895**	**471,533**	**497,419**	**555,488**	**50,638**	**25,886**	**58,069**	**9.7%**
Total health and health-related expenditure		**628,979**	**693,262**	**749,087**	**865,442**	**64,283**	**55,825**	**116,355**	**11.3%**

6.2.11 Other central government expenditure trends

In 2006/07, total current health expenditure by all the other central government agencies, excluding the Ministry of Health and ACC, totalled $310.0 million, compared with $251.7 million in 2005/06, an increase of approximately $58.0 million or 23.2%. As presented in Table 6.2 above, prevention and public health services expenditure represents the majority of current health expenditure by other central government agencies at $215.1 million, or 69.4% of the total health expenditure. This pattern is heavily influenced by MAF. For the four-year period, the SHA functions reflect a fairly consistent increase of approximately 4.9% across all functions, ranging from a high of 15.7% for pharmaceutical and other medical non-durables to a low of 2.8% within ancillary services to health care.

6.3 Regional and local authorities

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

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

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

The estimates are conservative as most annual reports do not include an allocation of support and administration costs to services. In addition, if there was doubt as to whether a service should be included in the estimate, it was excluded. Appendix 7 contains a complete list of the regional and local authorities included in the 2006/07 sample.

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

Table 6.3: Current health and health-related expenditure by local authorities, 2003/04–2006/07

Health care by function	ICHA-HC code	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	Change 2003/04 to 2004/05	Change 2004/05 to 2005/06	Change 2005/06 to 2006/07	Average annual growth rate
Total expenditure on personal health care		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**N/A**
Prevention and public health services	HC.6	63,242	61,882	82,371	106,072	-1,360	20,489	23,701	19.9%
Health administration and health insurance	HC.7	0	0	0	0	0	0	0	N/A
Total current expenditure on health care		**63,242**	**61,882**	**82,371**	**106,072**	**-1,360**	**20,489**	**23,701**	**19.9%**
Memorandum items: Further health-related functions									
Education and training of health personnel	HC.R.2	0	0	0	0	0	0	0	N/A
Research and development in health	HC.R.3	0	0	0	0	0	0	0	N/A
Food, hygiene and drinking water control	HC.R.4	123,604	145,563	163,265	163,312	21,959	17,702	47	10.0%
Environmental health	HC.R.5	1,116,167	1,198,311	1,277,485	1,336,604	82,144	79,174	59,119	6.2%
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	0	0	0	0	0	0	0	N/A
Total health-related expenditure		**1,239,771**	**1,343,874**	**1,440,750**	**1,499,916**	**104,103**	**96,876**	**59,166**	**6.6%**
Total health and health-related expenditure		**1,303,013**	**1,405,756**	**1,523,121**	**1,605,988**	**102,743**	**117,365**	**82,867**	**7.2%**

6.3.1 Regional and local authorities expenditure trends

As Table 6.3 above shows, total current health and health-related expenditure by regional and local authorities increased from $1,303.0 million in 2003/04 to $1,606.0 million in 2006/07. However, only a relatively small portion of this expenditure is health expenditure: prevention and public health services amount to $63.2, $61.9, $82.4 and $106.1 million for 2003/04, 2004/05, 2005/06 and 2006/07, respectively.

6.4 Trends in the use of other public funding

Table 6.4 presents the trends in other public funding, ACC, other central agencies and regional and local authorities, excluding the Ministry. Other public funding for current health expenditure in 2006/07 is estimated at $1,880.9 million, an increase of $249.9 million or 15.3% from 2005/06.

The four-year period reflects an average annual increase of 15.6% per annum on health expenditure, with the largest dollar value increases in outpatient curative and rehabilitative care, $212.2 million. The expenditure pattern and increases are heavily influenced by ACC purchasing.

Table 6.4: Total other public funding (excluding the Ministry), 2003/04–2006/07

Health care by function	ICHA-HC code	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Change 2005/06 to 2006/07 (000s)	Average annual growth rate
Inpatient care									
Curative and rehabilitative care	HC.1.1; 2.1	81,316	91,228	102,766	115,254	9,912	11,538	12,488	12.3%
Long-term nursing care	HC.3.1	410	428	411	475	18	(17)	64	5.3%
Services of day-care									
Curative and rehabilitative care	HC.1.2; 2.2	132,548	146,102	136,632	138,723	13,554	(9,470)	2,091	1.8%
Long-term nursing care	HC.3.2	306	316	411	475	10	95	64	16.3%
Outpatient care									
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**316,571**	**376,330**	**459,591**	**528,800**	**59,759**	**83,261**	**69,209**	**18.7%**
Basic medical and diagnostic services	HC.1.3.1	267,366	316,011	374,379	426,857	48,645	58,368	52,478	16.9%
Outpatient dental care	HC.1.3.2	16,024	20,996	30,438	34,448	4,972	9,442	4,010	29.7%
All other specialised health care	HC.1.3.3	19,890	22,495	36,509	46,151	2,605	14,014	9,642	33.9%
All other outpatient care	HC.1.3.9	10,633	14,980	14,611	17,075	4,347	(369)	2,464	18.4%
Home care									
Curative and rehabilitative care	HC.1.4; 2.4	118,920	147,219	154,932	181,798	28,299	7,713	26,866	15.5%
Long-term nursing care	HC.3.3	10,797	7,094	14,272	15,131	(3,703)	7,178	859	24.3%
Ancillary services to health care	**HC.4**	**78,818**	**96,333**	**161,305**	**177,130**	**17,515**	**64,972**	**15,825**	**33.2%**
Medical goods dispensed to outpatients	**HC.5**	**84,562**	**114,385**	**115,645**	**134,403**	**29,823**	**1,260**	**18,758**	**17.5%**
Pharmaceutical and other medical non-durables	HC.5.1	17,817	19,044	19,205	29,541	1,227	161	10,336	20.5%
Therapeutic appliances and other medical durables	HC.5.2	66,745	95,341	96,440	104,862	28,596	1,099	8,422	17.6%
Total expenditure on personal health care		**824,248**	**979,435**	**1,145,965**	**1,292,189**	**155,187**	**166,530**	**146,224**	**16.2%**
Prevention and public health services	HC.6	248,132	264,591	293,809	366,207	16,459	29,218	72,398	14.1%
Health administration and health insurance	HC.7	144,555	169,176	191,297	222,554	24,621	22,121	31,257	15.5%
Total current expenditure on health care		**1,216,935**	**1,413,202**	**1,631,071**	**1,880,950**	**196,267**	**217,869**	**249,879**	**15.6%**

Health care by function	ICHA-HC code	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Change 2005/06 to 2006/07 (000s)	Average annual growth rate
Memorandum items: further health related functions									
Education and training of health personnel	HC.R.2	184,290	197,700	216,163	232,591	13,410	18,463	16,428	8.1%
Research and development in health	HC.R.3	142,085	159,934	177,941	202,918	17,849	18,007	24,977	12.6%
Food, hygiene and drinking water control	HC.R.4	197,791	228,571	249,418	254,526	30,780	20,847	5,108	8.9%
Environmental health	HC.R.5	1,136,500	1,225,409	1,294,647	1,353,948	88,909	69,238	59,301	6.0%
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	46,074	70,730	70,171	96,277	24,656	-559	26,106	N/A
Total health-related expenditure		**1,706,740**	**1,882,344**	**2,008,340**	**2,140,260**	**175,604**	**125,996**	**131,920**	**7.9%**
Total health and health-related expenditure		**2,923,675**	**3,295,546**	**3,639,411**	**4,021,210**	**371,871**	**343,865**	**381,799**	**11.2%**

7 Private Sector Funding

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

Private sources of funding consist of out-of-pocket, health insurance and not-for-profit organisations. Together, they accounted for approximately 20.8% of total current health expenditure in 2006/07, compared with 22.5% in 2005/06 – considerably higher than the low of 12% in 1979/80 (see Figures 4.2 and 4.2A). Out-of-pocket expenditure by private households is the largest component of private sector funding, contributing approximately 14.9% to total current health expenditure in 2006/07, while health insurance and not-for-profit organisations contributed 4.9% and 1.0% respectively.

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

7.1 Out-of-pocket expenditure

Data on out-of-pocket expenditure for 2006/07 is based on the 2006 Household Economic Survey (HES) produced by Statistics New Zealand.[15] Surveys were conducted for 2000/01 and 2003/04. The figures for 2001/02 and 2002/03 had been estimated based on the Consumers Price Index (CPI), which did not adequately address the actual growth in out-of-pocket expenditure known once the 2003/04 survey responses were available. For the 2004/05 and 2005/06 estimates, the extrapolation uses the actual growth rates from the two most recent surveys.

Household consumption expenditure covers expenditure by resident households, whether this occurs in New Zealand or overseas. Resident households include individuals living in private dwellings or in non-private dwellings, such as boarding houses, rest homes and prisons.[16]

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

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

It is believed that the HES underestimates expenditure in a number of areas, such as contributions to health insurance. This is because payments are often deducted at source from salaries, etc, and are sometimes overlooked in the survey data collection.[17] Health insurance payments are covered under the 'health service costs net' (not elsewhere classified) in the HES.

[15] An annual survey until 1998

[16] See http://www.stats.govt.nz

[17] See http://www.stats.govt.nz

Consequently the HES produce conservative estimates. Use of this survey as a data source for out-of-pocket expenses remains unchanged. Table 7.1 presents the trends for out-of-pocket expenditure for 2003/04 to 2006/07 by health care function. During this period, total out-of-pocket expenditure on total health and health-related services increased on average by 4.6% per annum. Services of day care increased more significantly by 8.1%.

For 2006/07, the major components of out-of-pocket expenditure on health were out-patient care (34.2%), pharmaceuticals (22.0%) and Health Insurance (20.2%); most of these services were provided by the private sector.

Table 7.1: Survey responses for out-of-pocket expenditure, using SHA, 2003/04–2006/07

Health care by function	ICHA-HC code	Out-of-pocket				Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Change 2005/06 to 2006/07 (000s)	Average annual growth rate
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)				
Inpatient care									
Curative and rehabilitative care	HC.1.1; 2.1	218,133	245,878	266,510	273,461	27,745	20,632	6,951	7.9%
Long-term nursing care	HC.3.1	12,825	13,929	15,098	16,365	1,104	1,169	1,267	8.5%
Services of day care									
Curative and rehabilitative care	HC.1.2; 2.2	48,121	54,505	59,078	60,183	6,384	4,573	1,105	7.8%
Long-term nursing care	HC.3.2	1,603	1,741	1,887	2,046	138	146	159	8.5%
Outpatient care									
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**860,804**	**952,068**	**1,031,957**	**915,612**	**91,264**	**79,889**	**(116,345)**	**2.6%**
Basic medical and diagnostic services	HC.1.3.1	106,996	121,810	132,031	133,478	14,814	10,221	1,447	7.8%
Outpatient dental care	HC.1.3.2	64,425	70,566	76,487	64,538	6,141	5,921	(11,949)	0.8%
All other specialised health care	HC.1.3.3	106,916	121,723	131,937	133,375	14,807	10,214	1,438	7.8%
All other outpatient care	HC.1.3.9	582,467	637,969	691,502	584,221	55,502	53,533	(107,281)	0.8%
Home care									
Curative and rehabilitative care	HC.1.4; 2.4	6,518	6,689	7,250	5,188	171	561	(2,062)	-5.8%
Long-term nursing care	HC.3.3	6,518	6,689	7,250	5,188	171	561	(2,062)	-5.8%
Ancillary services to health care	**HC.4**	**19,554**	**20,068**	**21,752**	**15,565**	**514**	**1,684**	**(6,187)**	**-5.8%**
Medical goods dispensed to outpatients	**HC.5**	**548,573**	**594,746**	**644,651**	**589,505**	**46,173**	**49,905**	**(55,146)**	**2.8%**
Pharmaceutical and other medical non-durables	HC.5.1	519,804	563,421	610,698	551,936	43,617	47,277	(58,762)	2.4%
Therapeutic appliances and other medical durables	HC.5.2	28,769	31,325	33,953	37,569	2,556	2,628	3,616	9.3%
Total expenditure on personal health care		**1,722,649**	**1,896,313**	**2,055,433**	**1,883,113**	**173,664**	**159,120**	**(172,320)**	**3.4%**
Health administration and health insurance	HC.7	432,800	458,000	496,430	540,782	25,200	38,430	44,352	7.7%
Total current expenditure on health care		**2,155,449**	**2,354,313**	**2,551,863**	**2,423,895**	**198,864**	**197,550**	**(127,968)**	**4.2%**

Health care by function	ICHA-HC code	Out-of-pocket				Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Change 2005/06 to 2006/07 (000s)	Average annual growth rate
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)				
Memorandum items: further health-related functions									
Education and training of health personnel	HC.R.2	198,000	214,175	234,177	252,252	16,175	20,002	18,075	8.4%
Total health-related expenditure		**198,000**	**214,175**	**234,177**	**252,252**	**16,175**	**20,002**	**18,075**	**8.4%**
Total health and health-related expenditure		**2,353,449**	**2,568,488**	**2,786,040**	**2,676,147**	**215,039**	**217,552**	**(109,893)**	**4.6%**

Source: Statistics New Zealand, Household Economic Survey 2006

7.1.1 Out-of-pocket expenditure trends

The trends in total out-of-pocket expenditure from 1996/97 to 2006/07 are reported in Appendix 3.1. Total out-of-pocket expenditure on health increased from $1,162.8 million in 1996/97 to $2,423.9 million in 2006/07. In nominal terms, the rate of this increase was approximately 7.9% per year (5.6% in real terms). The actual growth rate from 2000/01 to 2003/04 (actual survey years) was used to project the expenditure for the non-survey years; 2004/05 and 2005/06.

In 2006/07, the total out-of-pocket funder category also included $252.3 million for the cost of educating health professionals not covered by the government subsidy. This is a health-related function.

7.2 Health insurance

Estimates of health insurers' total current expenditure on health care during the review year are based on data provided by the executive director of the Health Funds Association of New Zealand Inc (HFANZ). The 2006/07 estimates show that current health expenditure by the insurance industry has increased from $503.5 million in 1996/97 to $793.9 million in 2006/07. During 2006/07, health insurance accounted for 4.9% of all current spending on health, compared with 6.4% in 1996/97.

Table 7.2 provides the 2001/02–2006/07 estimated destinations of insurance funding on personal health care based on aggregate information from the HFANZ statistics, whereas the earlier years' estimates were based on direct survey.

Table 7.2: Destinations of insurance funding on personal health care ($ million), 2001/02–2006/07

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	Change 2004/05–2005/06	Change 2005/06–2006/07	Average annual growth rate
Public institutions	0.415	0.714	0.673	0.622	0.600	0.750	-0.022	0.150	16.0%
Private institutions	385.552	418.270	454.240	485.765	548.839	546.363	63.073	-2.476	7.3%
Community care	226.348	221.648	216.725	209.299	212.636	246.837	3.337	34.200	2.0%
Total	**612.315**	**640.632**	**671.638**	**695.686**	**762.075**	**793.950**	**66.388**	**31.874**	**5.4%**

Source: Annual Survey and Health Insurance Association – Health Insurance Statistics July 2007

Note: 2003/04–2005/06 data restated for an estimate of Health administration.

7.2.1 Expenditure trends

Aggregate health insurance expenditure grew from $503.5 million in 1996/97 to $793.9 million in 2006/07. The average annual compound growth in insurance expenditure during the period was 4.7% (2.4% in real terms). A breakdown by category of trends in health insurance expenditure since 1996/97 is provided in Appendix 4.

The trend over the 10-year period to 2006/07 reflects an increase in 'major medical' insurance but a decline in comprehensive medical policies. This is in line with the Ministry's capitated primary practice services funding (subsidised GP visits for registered patients).

Table 7.3 gives details of insurance coverage by age group across the population for 2001/02 to 2006/07. There has been no material change in age distribution over the past five years.

Table 7.3: Proportion of the New Zealand population covered by medical insurance (by age group), 2002, 2005, 2006 and 2007

Age	2002	2005	2006	2007	Change 2006 to 2007	Percent % 2006 to 2007	Average annual growth rate
0–4	49,259	58,475	58,970	61,770	2,800	4.7%	4.6%
5–9	80,792	82,360	82,219	82,351	132	0.2%	0.4%
10–14	95,273	96,969	95,312	95,465	153	0.2%	0.0%
15–19	93,593	95,570	97,487	97,643	156	0.2%	0.9%
20–24	63,969	66,917	67,315	70,015	2,700	4.0%	1.8%
25–29	61,778	61,369	62,416	64,116	1,700	2.7%	0.7%
30–34	88,380	89,989	88,146	88,287	141	0.2%	0.0%
35–39	106,227	108,675	109,518	109,693	175	0.2%	0.6%
40–44	119,441	125,109	124,057	124,256	199	0.2%	0.8%
45–49	116,332	125,305	126,591	126,794	203	0.2%	1.7%
50–54	117,761	120,908	121,069	121,263	194	0.2%	0.6%
55–59	99,546	115,470	117,936	118,125	189	0.2%	3.5%
60–64	75,165	78,750	81,501	87,101	5,600	6.9%	3.0%
65–69	43,741	45,417	49,975	54,475	4,500	9.0%	4.5%
70–74	31,268	29,005	29,378	30,507	1,129	3.8%	-0.5%
75–79	22,065	21,160	21,922	22,764	842	3.8%	0.6%
80–84	12,560	13,905	14,363	14,915	552	3.8%	3.5%
85–89	5,281	4,944	5,519	5,731	212	3.8%	1.6%
90–94	1,288	1,342	1,475	1,532	57	3.8%	3.5%
95–99	128	132	146	152	6	3.8%	3.4%
100+	16	30	20	21	1	3.8%	5.4%
Unknown	26	57	47	26	-21	-44.7%	0.0%
Total	**1,283,889**	**1,341,858**	**1,355,382**	**1,377,002**	**21,620**	**1.6%**	**1.4%**

Source: Health Funds Association, Health Insurance Statistics August 2007

7.3 Voluntary and not-for-profit organisations

In order to estimate the voluntary and not-for-profit contribution to health funding, a large sample was compiled with data sourced from annual reports.[18] (See Appendix 7 for a list of the organisations.) The not-for-profit estimate represents funding from non-governmental sources, primarily contributions, donations, corporate grants and earnings on investments.[19] The sample of not-for-profit organisations is increasing as additional entities providing health and health-related services are located. An estimate for GST has been included by increasing the values by 12.5%.

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

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

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

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

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

7.3.1 Expenditure trends

Estimates for the not-for-profit sector have increased from $23.1 million in 1996/97 to $162.5 million in 2006/07. The values reported for periods prior to 2003/04 are significantly underestimated as they were based on a very small sample without an extrapolation to a national level. Each year, additional organisations are located, and the sample grows. Therefore the year-on-year change reflects both organisations being added to the sample and the change in funding by previously identified organisations.

7.4 Trends in uses of private source funding

The estimates for total private source funding by SHA from 2003/04 to 2006/07 are shown in Table 7.4. Details for 2006/07 by individual funder group are presented in Table 7.5.

Table 7.4: Destination of private funding of health services, using SHA, 2003/04–2006/07

Health care by function	ICHA-HC code	Total private sector				Total private			Average annual growth rate
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Change 2005/06 to 2006/07 (000s)	
Inpatient care									
Curative and rehabilitative care	HC.1.1; 2.1	554,862	604,593	670,636	677,966	49,731	66,043	7,330	7.0%
Long-term nursing care	HC.3.1	12,825	13,929	15,098	20,797	1,104	1,169	5,699	18.2%

Health care by function	ICHA-HC code	Total private sector				Total private			Average annual growth rate
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	Change 2003/04 to 2004/05 (000s)	Change 2004/05 to 2005/06 (000s)	Change 2005/06 to 2006/07 (000s)	
Services of day-care									
Curative and rehabilitative care	HC.1.2; 2.2	132,392	144,294	160,250	161,426	11,902	15,956	1,176	6.9%
Long-term nursing care	HC.3.2	1,620	1,763	1,916	2,068	143	153	152	8.5%
Outpatient care									
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**973,407**	**1,069,468**	**1,148,538**	**1,043,717**	**96,061**	**79,070**	**(104,821)**	**2.7%**
Basic medical and diagnostic services	HC.1.3.1	133,714	143,790	149,894	161,575	10,076	6,104	11,681	6.5%
Outpatient dental care	HC.1.3.2	88,923	95,015	102,277	92,950	6,092	7,262	(9,327)	1.8%
All other specialised health care	HC.1.3.3	131,637	146,834	158,926	162,317	15,197	12,092	3,391	7.3%
All other outpatient care	HC.1.3.9	619,133	683,829	737,441	626,875	64,696	53,612	(110,566)	1.1%
Home care									**0.0%**
Curative and rehabilitative care	HC.1.4; 2.4	32,698	30,632	30,033	34,784	(2,066)	(599)	4,751	2.5%
Long-term nursing care	HC.3.3	54,475	72,894	73,679	81,210	18,419	785	7,531	15.0%
Ancillary services to health care	**HC.4**	**71,846**	**79,917**	**82,920**	**79,313**	**8,071**	**3,003**	**(3,607)**	**3.5%**
Medical goods dispensed to outpatients	**HC.5**	**584,773**	**630,720**	**682,422**	**635,341**	**45,947**	**51,702**	**(47,081)**	**3.1%**
Pharmaceutical and other medical non-durables	HC.5.1	549,422	591,298	638,193	586,361	41,876	46,895	(51,832)	2.5%
Therapeutic appliances and other medical durables	HC.5.2	35,351	39,422	44,229	48,980	4,071	4,807	4,751	11.5%
Total expenditure on personal health care		**2,418,898**	**2,648,210**	**2,865,492**	**2,736,622**	**229,312**	**217,282**	**(128,870)**	**4.4%**
Prevention and public health services	HC.6	35,254	56,144	57,111	58,096	20,890	967	985	20.9%
Health administration and health insurance	HC.7	465,846	492,757	534,503	585,631	26,911	41,746	51,128	7.9%
Total current expenditure on health care		**2,919,998**	**3,197,111**	**3,457,107**	**3,380,349**	**277,113**	**259,996**	**(76,758)**	**5.1%**
Memorandum items: further health- related functions									**0.0%**
Education and training of health personnel	HC.R.2	198,000	214,175	234,177	252,604	16,175	20,002	18,427	8.5%
Research and development in health	HC.R.3	20,266	30,486	29,825	31,215	10,220	(661)	1,390	17.6%
Food, hygiene and drinking water control	HC.R.4	0	0	0	0	–	–	–	n/a
Environmental health	HC.R.5	0	0	0	0	–	–	–	n/a
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	0	0	0	4,300	–	–	4,300	n/a
Total health-related expenditure		**218,266**	**244,661**	**264,002**	**288,119**	**26,395**	**19,341**	**24,117**	**9.7%**
Total health and health-related expenditure		**3,138,264**	**3,441,772**	**3,721,109**	**3,668,468**	**303,508**	**279,337**	**(52,641)**	**5.5%**

Over this four-year period, the total private funding of health care services has grown by 5.1% on average. Although this reflects significant growth, it is less than the total public funding growth rate of 7.6%. Within private funding, the growth on personal health care is slightly lower than the total at 4.4%, although this figure is skewed by the expansion of not-for-profit organisations in the sample and their significant contribution to prevention and public health functions. The range in growth is from a low of 1.1% to a high of 18.2% for all other out-patient curative care, and long-term nursing care respectively. However, note the low dollar values for long-term nursing care. The largest dollar value increase is for outpatient curative and rehabilitative care.

Table 7.5: Destination of private funding of health services using SHA and funder, 2003/04–2006/07

Health care by function	ICHA-HC code	Not-for-profit				Insurance				Out-of-pocket			
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)
Inpatient care													
Curative and rehabilitative care	HC.1.1; 2.1	0	0	0	0	336,729	358,714	404,125	404,505	218,133	245,879	266,511	273,461
Long-term nursing care	HC.3.1	0	0	0	4,432	0	0	0	0	12,825	13,929	15,098	16,365
Services of day care													
Curative and rehabilitative care	HC.1.2; 2.2	0	0	0	0	84,271	89,789	101,172	101,243	48,121	54,505	59,078	60,183
Long-term nursing care	HC.3.2	0	0	0	0	17	22	29	22	1,603	1,741	1,887	2,046
Outpatient care													
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**27,178**	**35,113**	**33,133**	**30,870**	**85,425**	**82,287**	**83,448**	**97,235**	**860,804**	**952,068**	**1,031,957**	**915,612**
Basic medical and diagnostic services	HC.1.3.1	0	0	0	0	26,718	21,980	17,863	28,097	106,996	121,810	132,031	133,478
Outpatient dental care	HC.1.3.2	0	0	0	0	24,498	24,449	25,790	28,412	64,425	70,566	76,487	64,538
All other specialised health care	HC.1.3.3	0	0	0	0	24,721	25,111	26,989	28,942	106,916	121,723	131,937	133,375
All other outpatient care	HC.1.3.9	27,178	35,113	33,133	30,870	9,488	10,747	12,806	11,784	582,467	637,969	691,502	584,221
Home care													
Curative and rehabilitative care	HC.1.4; 2.4	0	0	0	585	26,180	23,943	22,783	29,011	6,518	6,689	7,250	5,188
Long-term nursing care	HC.3.3	21,793	42,284	43,675	47,033	26,164	23,921	22,754	28,989	6,518	6,689	7,250	5,188
Ancillary services to health care	**HC.4**	**8,685**	**13,570**	**9,251**	**11,455**	**43,607**	**46,279**	**51,917**	**52,293**	**19,554**	**20,068**	**21,752**	**15,565**
Medical goods dispensed to outpatients	**HC.5**	**0**	**0**	**0**	**3,947**	**36,200**	**35,974**	**37,771**	**41,889**	**548,573**	**594,746**	**644,651**	**589,505**
Pharmaceutical and other medical non-durables	HC.5.1	0	0	0	1,112	29,618	27,877	27,495	33,313	519,804	563,421	610,698	551,936
Therapeutic appliances and other medical durables	HC.5.2	0	0	0	2,835	6,582	8,097	10,276	8,576	28,769	31,325	33,953	37,569
Total expenditure on personal health care		**57,656**	**90,967**	**86,059**	**98,322**	**638,593**	**660,929**	**723,999**	**755,187**	**1,722,649**	**1,896,314**	**2,055,434**	**1,883,113**

Health care by function	ICHA-HC code	Not-for-profit				Insurance				Out-of-pocket			
		2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)	2003/04 (000s)	2004/05 (000s)	2005/06 (000s)	2006/07 (000s)
Prevention and public health services	HC.6	35,254	56,144	57,111	58,096	0	0	0	0	0	0	0	0
Health administration and health insurance	HC.7	0	0	0	6,087	33,046	34,757	38,073	38,762	432,800	458,000	496,430	540,782
Total current expenditure on health care		**92,910**	**147,111**	**143,171**	**162,505**	**671,639**	**695,686**	**762,072**	**793,949**	**2,155,449**	**2,354,314**	**2,551,864**	**2,423,895**
Memorandum items: further health-related functions													
Education and training of health personnel	HC.R.2				352					198,000	214,175	234,177	252,252
Research and development in health	HC.R.3	20,266	30,486	29,825	31,215								
Food, hygiene and drinking water control	HC.R.4												
Environmental health	HC.R.5												
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6				4,300								
Total health-related expenditure		**20,266**	**30,486**	**29,825**	**35,867**	**0**	**0**	**0**	**0**	**198,000**	**214,175**	**234,177**	**252,252**
Total health and health-related expenditure		**113,176**	**177,597**	**172,996**	**198,372**	**671,639**	**695,686**	**762,072**	**793,949**	**2,353,449**	**2,568,489**	**2,786,041**	**2,676,147**

The not-for-profit estimate increased significantly from 2003/04 to 2004/05 as additional entities providing health and health-related services were located. This estimate remains conservative as it reflects only a sample of the sector, with the full extent of the sector remaining unknown.

As presented in Table 7.5, personal health care is the sole function of out-of-pocket and insurance expenditure.

Insurance expenditure increase is attributable to both an increase in the number of claims and an increase in the cost of treatment. This is in line with a shift away from comprehensive insurance products towards major medical coverage only.[20]

Out-of-pocket expenditure by private households is the largest component of private sector funding, contributing on average 74.3% of total private health funding with nominal dollar growth of 4.2% over this four-year period.

[20] HFANZ, health insurance statistics, July 2007.

8 International Comparisons

8.1 Data comparison issues

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

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

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

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

With this HET report, all tables reflect data from 1996/97 to 2006/07, or the most recent year with complete data for OECD countries. The following comparisons of health expenditure in OECD countries should be viewed with these limitations in mind.

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

8.2 Per capita health expenditure in US dollar purchasing power parities

The concept of purchasing power parities (PPPs) provides a mechanism for comparing the health spending of different countries on a common basis. PPPs are the rates of currency conversion that equalise the purchasing power of different currencies. Table 8.1 presents this information.

Table 8.1: Per capita current health expenditure (US$ PPP) for OECD countries, 1997–2007

Country	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Rank 2006	Rank 2007
Australia	1,681	1,799	1,976	2,131	2,260	2,422	2,532	2,705	2,811	2,956	DNR	14th	DNR
Austria	2,272	2,420	2,536	2,665	2,723	2,912	3,049	3,226	3,281	3,431	3,581	6th	5th
Belgium	1,853	1,923	2,048	2,243	2,365	2,542	2,913	3,122	3,155	3,198	3,462	12th	9th
Canada	2,093	2,246	2,319	2,411	2,615	2,748	2,922	3,080	3,296	3,512	3,715	5th	4th
Czech Republic	843	844	894	930	1,040	1,138	1,287	1,341	1,402	1,467	1,572	24th	21st
Denmark	1,994	2,111	2,216	2,317	2,448	2,626	2,713	2,915	3,014	3,219	3,362	10th	10th
Finland	1,523	1,589	1,665	1,763	1,866	2,024	2,131	2,332	2,455	2,556	2,676	18th	15th
France	2,167	2,249	2,336	2,481	2,657	2,854	2,906	3,028	3,209	3,323	3,496	8th	7th
Germany	2,313	2,384	2,487	2,567	2,694	2,818	2,970	3,040	3,220	3,340	3,463	7th	8th
Greece	1,301	1,324	1,402	1,381	1,655	1,856	1,932	1,999	2,260	2,446	2,626	20th	16th
Hungary	637	721	774	819	932	1,064	1,241	1,257	1,368	1,410	1,341	25th	23rd
Iceland	2,067	2,416	2,603	2,669	2,781	3,078	3,196	3,335	3,304	3,207	3,319	11th	11th
Ireland	1,276	1,357	1,450	1,595	1,881	2,131	2,341	2,546	2,673	2,862	3,296	15th	12th
Italy	1,665	1,751	1,792	1,957	2,114	2,129	2,177	2,302	2,426	2,559	2,569	17th	18th
Japan	1,605	1,654	1,752	1,896	2,010	2,079	2,160	2,283	2,417	2,532	DNR	19th	DNR
Korea	581	560	647	767	898	940	1,010	1,094	1,226	1,408	1,584	26th	20th
Luxembourg*	1,972	2,083	2,373	2,523	2,711	3,039	3,518	3,995	3,951	4,085	DNR	4th	DNR
Mexico*	407	434	465	499	546	580	626	665	705	758	807	29th	25th
Netherlands	1,826	1,964	2,076	2,221	2,440	2,700	2,849	3,018	3,171	3,316	3,527	9th	6th
New Zealand	1,352	1,451	1,522	1,605	1,708	1,842	1,846						
New Zealand restated	1,430	1,529	1,619	1,687	1,818	1,931	1,939	2,043	2,201	2,415	2,480	21st	19th
Norway	2,209	2,357	2,565	2,832	3,029	3,399	3,590	3,813	4,030	4,232	4,463	2nd	2nd
Poland	457	524	552	561	623	705	717	771	807	869	970	28th	24th
Portugal	1,143	1,171	1,287	1,444	1,503	1,599	1,726	1,820	1,996	2,056	DNR	23rd	DNR
Slovak Republic*	564	584	586	590	653	725	757	971	1,091	1,263	1,479	27th	22nd
Spain	1,266	1,342	1,406	1,489	1,576	1,682	1,954	2,064	2,197	2,381	2,579	22nd	17th
Sweden	1,797	1,894	2,015	2,174	2,401	2,574	2,709	2,834	2,845	3,005	3,180	13th	13th
Switzerland	2,846	2,982	3,073	3,217	3,428	3,673	3,779	3,938	4,015	4,165	4,417	3rd	3rd
Turkey*	250	295	357	413	438	460	480	553	584	DNR	DNR	30th	DNR
United Kingdom*	1,412	1,480	1,586	1,749	1,924	2,089	2,216	2,453	2,578	2,755	2,851	16th	14th
United States	3,865	4,027	4,228	4,480	4,826	5,205	5,588	5,911	6,254	6,614	6,956	1st	1st
Unweighted mean	1,577	1,667	1,770	1,882	2,029	2,191	2,331	2,482	2,598	2,711	2,459		
Weighted mean	1,941	2,050	2,164	2,293	2,450	2,646	2,811	2,985	2,686	3,266	3,472		
Average annual growth rate									6.7%	6.0%	6.0%		

Source: OECD health data, July 2009, and Ministry of Health

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

DNR: Did not report.

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

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

In 2007, the United States had the highest per capita health expenditure of the OECD countries, followed by Norway, Switzerland and then Canada. Of the 25 countries reporting in 2007, New Zealand ranked 19th, after Italy and before Korea, and 21st of the 30 OECD countries reporting in 2006.

The complete listing of countries can be found in Table 8.1 above. For the 10-year period ending 2007, New Zealand's rate of growth increased to 6.3% and is comparable to the OECD 10-year average of 6.0%.

8.3 Health expenditure as a percentage of GDP

Table 8.2 presents information by country for the period 1997 to 2007 for the percentage of GDP spent on health.

Table 8.2: Current health expenditure as a percentage of GDP, 1997–2007

Country	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Rank 2006	Rank 2007
Australia	7.1%	7.3%	7.5%	7.8%	7.9%	8.1%	8.1%	8.3%	8.2%	8.2%	DNR	16th	DNR
Austria	9.2%	9.4%	9.5%	9.4%	9.6%	9.6%	9.8%	9.9%	9.8%	9.7%	9.6%	5th	7th
Belgium	7.8%	7.9%	8.1%	8.1%	8.3%	8.5%	9.7%	10.1%	9.8%	9.5%	9.8%	7th	5th
Canada	8.5%	8.8%	8.5%	8.5%	8.9%	9.2%	9.4%	9.4%	9.4%	9.5%	9.6%	6th	6th
Czech Republic	6.1%	6.0%	6.2%	6.2%	6.4%	6.7%	7.2%	6.9%	6.9%	6.7%	6.5%	26th	22nd
Denmark	7.9%	8.1%	8.2%	8.1%	8.3%	8.5%	8.9%	9.0%	9.1%	9.2%	9.3%	10th	8th
Finland	7.3%	7.0%	7.0%	6.9%	7.0%	7.3%	7.7%	7.8%	8.0%	7.8%	7.7%	21st	18th
France	10.0%	9.9%	9.9%	9.8%	10.0%	10.3%	10.6%	10.7%	10.8%	10.7%	10.7%	3rd	3rd
Germany	9.8%	9.8%	9.9%	9.9%	10.0%	10.2%	10.4%	10.2%	10.3%	10.2%	10.1%	4th	4th
Greece	8.1%	8.0%	8.2%	7.5%	8.3%	8.6%	8.6%	8.3%	9.1%	9.2%	9.2%	11th	10th
Hungary	6.3%	6.7%	6.8%	6.7%	6.9%	7.2%	8.0%	7.7%	8.1%	7.8%	7.2%	22nd	21st
Iceland	7.9%	8.7%	9.1%	9.3%	9.1%	9.9%	10.4%	9.9%	9.4%	9.1%	9.3%	12th	9th
Ireland	5.9%	5.6%	5.6%	5.6%	6.1%	6.4%	6.8%	6.9%	6.9%	6.8%	7.3%	25th	20th
Italy	7.4%	7.4%	7.4%	7.7%	7.8%	8.0%	8.0%	8.3%	8.6%	8.6%	8.3%	15th	15th
Japan	6.6%	6.9%	7.2%	7.4%	7.7%	7.8%	7.9%	7.9%	8.0%	7.9%	DNR	20th	DNR
Korea	4.0%	4.1%	4.3%	4.7%	5.2%	5.0%	5.3%	5.4%	5.7%	6.1%	6.4%	27th	23rd
Luxembourg	5.6%	5.7%	5.8%	5.8%	6.3%	6.7%	7.4%	7.9%	7.6%	7.1%	DNR	23rd	DNR
Mexico	4.8%	4.9%	5.1%	5.0%	5.4%	5.6%	5.8%	5.8%	5.7%	5.7%	5.8%	29th	25th
Netherlands	7.6%	7.7%	7.7%	7.6%	7.9%	8.5%	9.0%	9.1%	9.0%	8.9%	9.0%	13th	12th
New Zealand	7.3%	7.8%	7.6%	7.7%	7.8%	8.2%	8.0%						
New Zealand restated	7.7%	8.2%	8.1%	8.1%	8.3%	8.5%	8.4%	8.4%	8.8%	9.3%	9.1%	9th	11th
Norway	7.9%	8.6%	8.6%	7.8%	8.2%	9.2%	9.4%	9.0%	8.5%	8.1%	8.4%	17th	14th
Poland	5.1%	5.5%	5.5%	5.3%	5.7%	6.1%	6.0%	5.9%	5.9%	5.9%	6.0%	28th	24th
Portugal	7.7%	7.7%	8.0%	8.5%	8.5%	8.7%	9.2%	9.5%	9.7%	9.5%	DNR	8th	DNR
Slovak Republic	5.8%	5.7%	5.6%	5.4%	5.4%	5.6%	5.6%	6.6%	6.7%	7.0%	7.4%	24th	19th
Spain	7.2%	7.1%	7.1%	7.0%	7.0%	7.0%	7.9%	7.9%	8.0%	8.1%	8.2%	19th	16th
Sweden	7.7%	7.8%	7.8%	7.8%	8.6%	8.9%	9.0%	8.8%	8.8%	8.7%	8.7%	14th	13th
Switzerland	10.0%	10.1%	10.2%	10.2%	10.6%	10.9%	11.3%	11.3%	11.2%	10.8%	10.8%	2nd	2nd
Turkey	3.1%	3.6%	4.6%	4.7%	5.3%	5.6%	5.7%	5.7%	5.4%	DNR	DNR	DNR	DNR
United Kingdom	6.3%	6.3%	6.5%	6.7%	7.0%	7.2%	7.4%	7.7%	7.9%	8.1%	8.0%	18th	17th
United States	12.8%	12.8%	12.8%	12.9%	13.7%	14.4%	14.9%	14.9%	15.0%	15.1%	15.3%	1st	1st
Unweighted mean	7.3%	7.4%	7.6%	7.5%	7.8%	8.1%	8.4%	8.5%	8.5%	8.3%	7.3%		
Weighted mean	7.8%	7.9%	8.0%	8.0%	8.3%	8.6%	8.9%	9.2%	9.3%	9.3%	9.1%		
Average annual growth rate								2.5%	2.2%	2.0%	1.6%		

Source: Copyright OECD health data July 2009, and Ministry of Health
DNR: Did not report.
New Zealand restated: Includes previously reported 'non-health' items now included in core health, primarily disability support services funded by the Ministry of Health.
Note: Includes impact of Greece upward revision of GDP of 26% in May 2007.

New Zealand spent 9.1% on health in 2007 compared with 9.3% of GDP in 2006, equal to the weighted OECD average of 9.1% and 9.3% for 2007 and 2006 respectively (not

all countries have reported for 2007). The actual weighted average for 2007 is subject to change once all countries provide information. Table 8.2 shows that New Zealand's health expenditure as a percentage of GDP was the 9th highest of the 30 OECD member countries in 2006 and 11th of the 25 reporting for 2007. In 2006, the United States had the highest proportion of current health expenditure to GDP at 15.1%, while Mexico, at 5.7%, had the lowest proportion.

For New Zealand, the proportion of current health expenditure to GDP increased from 7.7% in 1997 to 9.1% in 2007. In comparison, the OECD weighted average over the same period increased from 7.8% to 9.1%. For New Zealand, the percentage of GDP spent on current health expenditure increased to 9.1% in 2006/07. New Zealand's rate of growth over the 10-year period of 1.7% exceeds the OECD average annual 10-year growth rate of 1.6%.

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

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

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

Table 8.3: Publicly funded health expenditure as a proportion of total health expenditure, 1997–2007

Country	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Rank 2006	Rank 2007
Australia	66.9	66.4	68.4	67.1	66.0	66.7	66.5	67.1	67.4	67.7	DNR	22nd	DNR
Austria	75.7	76.0	76.7	76.8	76.1	75.8	75.5	75.7	76.1	75.9	76.4	14th	12th
Belgium	76.8	76.3	76.1	76.0	76.6	75.2	71.6	73.1	72.3	DNR	DNR	DNR	DNR
Canada	70.1	70.6	70.0	70.4	70.0	69.6	70.2	70.2	70.3	69.8	70.0	20th	17th
Czech Republic	90.3	90.4	90.5	90.3	89.8	90.5	89.8	89.2	88.6	88.0	85.2	2nd	1st
Denmark	82.3	82.0	82.2	82.4	82.7	82.9	83.9	83.8	83.7	84.1	84.5	3rd	2nd
Finland	72.2	71.8	71.5	71.1	71.8	72.3	72.5	73.0	73.5	74.6	74.6	15th	13th
France	79.6	79.5	79.4	79.4	79.4	79.7	79.4	79.3	79.3	79.1	79.0	10th	9th
Germany	80.8	80.1	79.8	79.7	79.3	79.2	78.7	77.0	77.0	76.8	76.9	13th	10th
Greece	52.8	52.1	53.4	60.0	60.8	58.0	59.8	59.1	60.1	62.0	60.3	23rd	19th
Hungary	81.3	74.8	72.4	70.7	69.0	70.2	72.8	72.4	DNR	72.6	70.6	16th	16th
Iceland	82.1	80.4	82.2	81.1	81.0	81.9	81.7	81.2	81.4	82.0	82.5	6th	4th
Ireland	73.9	73.8	73.1	73.5	74.0	75.8	77.7	78.1	77.5	77.5	80.7	11th	7th
Italy	70.8	70.4	70.7	72.5	74.6	74.5	74.5	76.0	76.2	76.8	76.5	12th	11th
Japan	81.5	80.8	81.1	81.3	81.7	81.5	81.5	81.7	DNR	81.3	DNR	8th	DNR
Korea	41.7	45.9	46.8	44.9	51.7	50.6	49.8	50.8	52.1	54.6	54.9	25th	21st
Luxembourg	92.5	92.4	89.8	89.3	87.9	90.3	89.8	90.1	DNR	90.9	DNR	1st	DNR
Mexico	44.7	46.0	47.8	46.6	44.9	43.9	44.1	46.4	45.5	44.2	45.2	27th	23rd

Netherlands	67.8	64.1	62.7	63.1	62.8	62.5	DNR	DNR	DNR	DNR	DNR	DNR	DNR
New Zealand	77.3	77.0	77.5	78.0	76.4	77.9	78.3	77.2					
New Zealand restated	78.5	78.2	79.0	79.1	77.9	78.9	79.4	76.9	78.9	79.1	79.2	9th	8th
Norway	81.3	82.2	82.6	82.5	83.6	83.5	83.7	83.6	83.5	83.8	84.1	4th	3rd
Poland	72.0	65.4	71.1	70.0	71.9	71.2	69.9	68.6	69.3	69.9	70.8	19th	15th
Portugal	65.7	67.1	67.6	72.5	71.5	72.2	73.3	72.0	71.8	71.5	DNR	17th	DNR
Slovak Republic	91.7	91.6	89.6	89.4	89.3	89.1	88.3	73.8	74.4	68.3	66.8	21st	18th
Spain	72.5	72.2	72.0	71.6	71.2	71.3	70.4	70.5	70.6	71.2	71.8	18th	14th
Sweden	85.8	85.8	85.7	84.9	81.8	82.1	82.5	81.8	81.6	81.6	81.7	7th	6th
Switzerland	55.0	54.7	55.1	55.4	56.9	57.7	58.3	58.4	59.5	59.1	59.3	24th	20th
Turkey	71.6	71.9	61.1	62.9	68.2	70.4	71.6	72.3	71.4	DNR	DNR	DNR	DNR
United Kingdom	80.4	80.4	80.6	79.3	80.0	79.9	80.1	81.6	81.9	82.0	81.7	5th	5th
United States	44.7	43.5	43.1	43.2	44.2	44.1	43.9	44.3	44.4	45.2	45.4	26th	22nd
Weighted mean	**72.6**	**72.0**	**71.7**	**71.8**	**71.9**	**72.1**	**72.4**	**71.8**	**73.6**	**74.8**	**74.0**		

Source: OECD health data July 2009, and Ministry of Health

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

Notes: Public expenditure percentages reported by OECD is stated in US$PPP

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

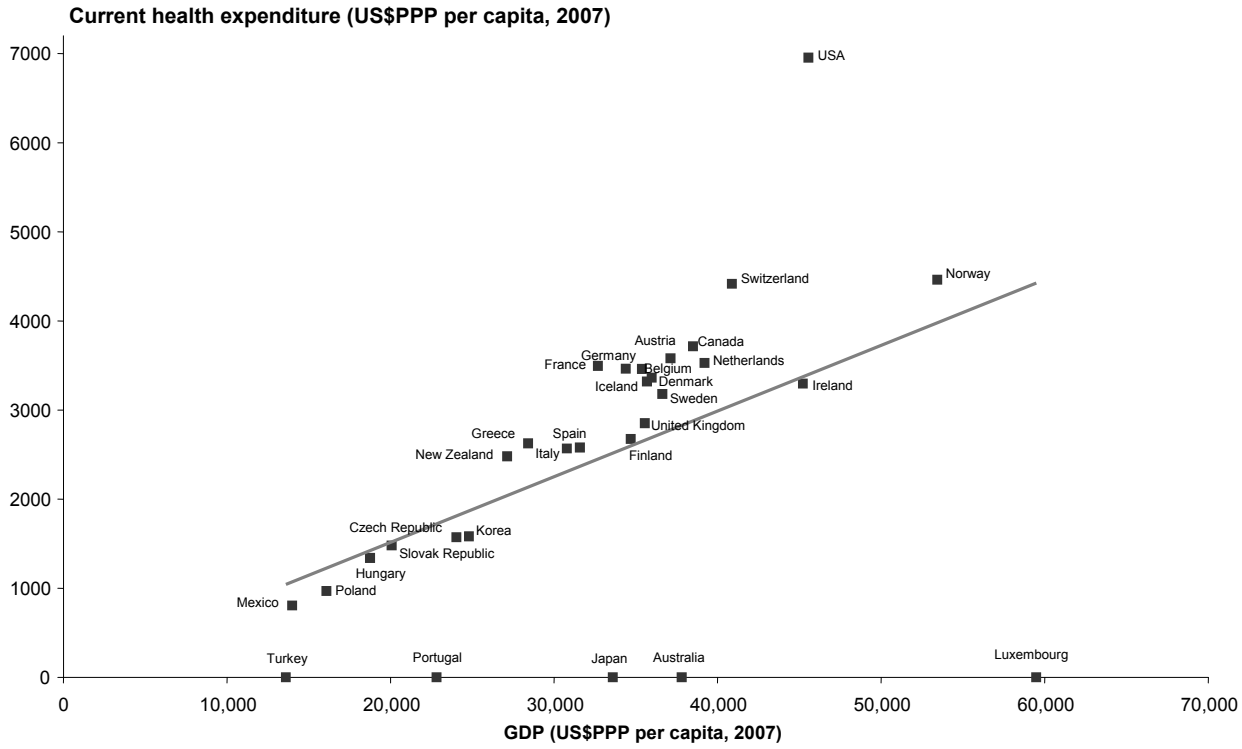
As shown in Table 8.3, current public health expenditure in the OECD accounts for 74.0% of total health expenditure. In 2006, Luxembourg had the highest public expenditure as a proportion of total current health expenditure (90.9%), while Mexico and United States had the lowest at (44.2%) and (45.2%) respectively. New Zealand was ranked 9th, with public funding accounting for 79.1% of total health spending and ranks 8th for the 23 countries reporting to date with 2007 information. In 2007, New Zealand's public funding increased to 80.5% stated in US$PPP. New Zealand's position and ranking is not likely to change significantly when more recent information becomes available for other countries.

During the 1960s, there was a shift among OECD countries towards more public funding of health care. This pattern stabilised during the late 1970s and early 1980s and has reversed slightly in more recent years. Since 1992, New Zealand has remained within the narrow range of 77% to 80% and continues within this range to 2006/07.

8.5 Health expenditure and GDP per capita

Figure 8.1 and Table 8.4 show the positive relationship between health expenditure and GDP for 30 OECD countries. There is a well-established relationship between GDP per capita and health expenditure per capita; the higher a country's GDP per capita, the greater its health expenditure per capita is likely to be compared with other countries. Figure 8.1 presents data for all countries in 2007.

Figure 8.1: Relationship between current health expenditure and GDP in OECD countries, 2007



Source: OECD health data July 2007 and Ministry of Health

Note: Zero is the countries yet to report.

As Figure 8.1 shows, New Zealand expenditure on health care is similar to what could be expected for another OECD country with a similar level of GDP. There is no agreed optimal level of health care spending relative to GDP. However, as New Zealand's economy continued to grow through to 2008, it is expected that health expenditure per capita will increase proportionally and then drop back in the 2008/09 year owing to the financial impacts of the global recession.

Table 8.4 shows, with increases in GDP and health expenditure, that New Zealand has 'moved up the line' in the OECD rankings of countries reporting GDP per capita and health expenditure per capita.

Table 8.4: Per capita GDP and per capita current health expenditure (US$ PPP) for OECD countries, 2005, 2006 and 2007

Country	GDP per capita 2005	GDP per capita 2006	GDP per capita 2007	Current health expenditure per capita 2005	Current health expenditure per capita 2006	Current health expenditure per capita 2007
Australia	34,159	35,874	37,808	2,811	2,956	DNR
Austria	33,497	35,259	37,121	3,281	3,431	3,581
Belgium	32,049	33,612	35,380	3,155	3,198	3,462
Canada	35,002	36,867	38,500	3,296	3,512	3,715
Czech Republic	20,393	21,999	24,027	1,402	1,467	1,572
Denmark	33,214	34,887	35,978	3,014	3,219	3,362
Finland	30,638	32,576	34,698	2,455	2,556	2,676

France	29,758	31,055	32,684	3,209	3,323	3,496
Germany	31,379	32,834	34,393	3,220	3,340	3,463
Greece	24,928	26,699	28,423	2,260	2,446	2,626
Hungary	16,959	18,031	18,754	1,368	1,410	1,341
Iceland	35,010	35,096	35,696	3,304	3,207	3,319
Ireland	38,832	42,004	45,214	2,673	2,862	3,296
Italy	28,373	29,719	30,794	2,426	2,559	2,569
Japan	30,312	31,938	33,603	2,417	2,532	DNR
Korea	21,342	23,083	24,801	1,226	1,408	1,584
Luxembourg	52,197	57,358	59,484	3,951	4,085	DNR
Mexico	12,418	13,316	13,989	705	758	807
Netherlands	35,104	37,119	39,213	3,171	3,316	3,527
New Zealand	24,876	26,025	27,140	2,201	2,415	2,480
Norway	47,306	52,118	53,443	4,030	4,232	4,463
Poland	13,786	14,842	16,089	807	869	970
Portugal	20,630	21,653	22,824	1,996	2,056	DNR
Slovak Republic	16,174	18,019	20,073	1,091	1,263	1,479
Spain	27,377	29,520	31,586	2,197	2,381	2,579
Sweden	32,298	34,456	36,632	2,845	3,005	3,180
Switzerland	35,734	38,440	40,877	4,015	4,165	4,417
Turkey	10,841	12,074	13,604	584	DNR	DNR
United Kingdom	32,700	34,137	35,557	2,578	2,755	2,851
United States	41,785	43,904	45,559	6,254	6,614	6,956

Source: OECD health data July 2009 and Ministry of Health

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

DNR: Did not report.

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

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

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

- Some differences result from health service cost (and price) variations. Richer countries pay a higher price per unit of medical care consumed, given the higher labour costs and higher prices for services.
- The intensity of treatment differs between countries.
- The rates at which various invasive procedures are performed differ widely between countries.
- The rapid and extensive introduction of new medical technologies in the United States in particular explains a significant part of the difference in growth of expenditure outlays between the United States and elsewhere.
- As major determinants of health expenditure, demographic characteristics also vary significantly between countries. Some countries have high life expectancies and relatively old populations and therefore need to spend more on older people, whose health care costs are the highest per capita. (The converse is true of countries with younger populations.)
- Cultural and religious factors result in differences not only in the perception of morbidity but also in the choice of therapeutic responses.

- Variations in welfare philosophies and private insurance coverage affect public provision and the level of health care assistance provided in different countries.
- Differences between countries in the origin of funding can also significantly affect the demand for health care and expenditure.
- The incidence of litigation against health providers varies between countries. In countries with a higher incidence (as in the United States in particular), providers of health care are more likely to take out expensive insurance cover.

Appendix 1: OECD System of Health Accounts

A1.1 Functions of health care

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

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

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

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

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

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

Basic function of care

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

Curative

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

Rehabilitative

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

Long-term

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

Mode of production

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

Inpatient

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

Day care

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

Outpatient

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

Home-based care

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

Other personal health functions

Ancillary

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

Medical goods dispensed to outpatients

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

Other health functions

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

Prevention and public health

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

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

Administration and health insurance

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

Table A1: Functions of health care

HC.1	**Services of curative care**	
	HC.1.1	Inpatient curative care
	HC.1.2	Day cases of curative care
	HC.1.3	Outpatient curative care
		HC.1.3.1 Basic medical and diagnostic services

	HC.1.3.2	Outpatient dental care
	HC.1.3.3	All other specialised health care
	HC.1.3.9	All other outpatient curative care
HC.1.4	Services of curative home care	
HC.2	**Services of rehabilitative care**	
HC.2.1	Inpatient rehabilitative care	
HC.2.2	Day cases of rehabilitative care	
HC.2.3	Outpatient rehabilitative care	
HC.2.4	Services of rehabilitative home care	
HC.3	**Services of long-term nursing care**	
HC.3.1	Inpatient long-term nursing care	
HC.3.2	Day cases of long-term nursing care	
HC.3.3	Long-term nursing care; home care	
HC.4	**Ancillary services to health care**	
HC.4.1	Clinical laboratory	
HC.4.2	Diagnostic imaging	
HC.4.3	Patient transport and emergency rescue	
HC.4.9	All other miscellaneous ancillary services	
HC.5	**Medical goods dispensed to outpatients**	
HC.5.1	Pharmaceuticals and other medical non-durables	
	HC.5.1.1	Prescribed medicines
	HC.5.1.2	Over-the-counter medicines
	HC.5.1.3	Other medical non-durables
HC.5.2	Therapeutic appliances and other medical durables	
	HC.5.2.1	Glasses and other vision products
	HC.5.2.2	Orthopaedic appliances and other prosthetics
	HC.5.2.3	Hearing aids
	HC.5.2.4	Medico-technical devices, including wheelchairs
	HC.5.2.9	All other miscellaneous medical durables
HC.6	**Prevention and public health services**	
HC.6.1	Maternal and child health; family planning and counselling	
HC.6.2	School health services	
HC.6.3	Prevention of communicable diseases	
HC.6.4	Prevention of non-communicable diseases	
HC.6.5	Occupational health care	
HC.6.9	All other miscellaneous public health services	
HC.7	**Health administration and health insurance**	
HC.7.1	General government administration of health	
	HC.7.1.1	General government administration of health (except social security)
	HC.7.1.2	Administration, operation and support activities of social security funds
HC.7.2	Health administration and health insurance: private	
	HC.7.2.1	Health administration and health insurance: social insurance
	HC.7.2.2	Health administration and health insurance: other private

A1.2 Health-related functions

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

Capital formation

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

Education and training

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

Research and development

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

Food, hygiene and drinking water

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

Environmental health

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

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

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

Administration and provision of health-related cash benefits

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

Table A2: Health-related functions

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

A1.3 Provider industry

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

Table A3: OECD SHA provider industry

HP.1	**Hospitals**	
	HP.1.1	General hospitals
	HP.1.2	Mental health and substance abuse hospitals
	HP.1.3	Speciality (other than mental health and substance abuse) hospitals
HP.2	**Nursing and residential care facilities**	
	HP.2.1	Nursing care facilities
	HP.2.2	Residential mental retardation, mental health and substance abuse facilities
	HP.2.3	Community care facilities for the elderly
	HP.2.9	All other residential care facilities
HP.3	**Providers of ambulatory health care**	
	HP.3.1	Offices of physicians
	HP.3.2	Offices of dentists

	HP.3.3	Offices of other health practitioners
	HP.3.4	Outpatient care centres
	HP.3.5	Medical and diagnostic laboratories
	HP.3.6	Providers of home health-care services
	HP.3.9	Other providers of ambulatory health care
HP.4	**Retail sales and other providers of medical goods**	
	HP.4.1	Dispensing chemists
	HP.4.2	Retail sales and other suppliers of optical glasses and other vision products
	HP.4.3	Retail sales and other suppliers of hearing aids
	HP.4.4	Retail sales and other suppliers of medical appliances (not glasses and hearing aids)
	HP.4.9	All other miscellaneous sales and other suppliers of pharmaceuticals and medical goods
HP.5	**Provision and administration of public health programmes**	
HP.6	**Health administration and insurance**	
	HP.6.1	Government administration of health
	HP.6.2	Social security funds
	HP.6.3	Other social insurance
	HP.6.4	Other (private) insurance
	HP.6.9	All other providers of health administration
HP.7	**Other industries (rest of the economy)**	
	HP.7.1	Establishments as providers of occupational health-care services
	HP.7.2	Private households as providers of home care
	HP.7.9	All other industries as secondary producers of health care
HP.9	**Rest of the world**	

A1.4 Sources of funding

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

Table A4: OECD SHA sources of funding[21]

HF.1	**General government**		
	HF.1.1	General government excluding social security funds	
		HF.1.1.1	Central government
		HF.1.1.2	State/provincial government
		HF.1.1.3	Local/municipal government
	HF.1.2	Social security funds	
HF.2	**Private sector**		
	HF.2.1	Private social insurance	

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

	HF.2.2	Private insurance (other than social insurance)
	HF.2.3	Private households
	HF.2.4	Non-profit institutions serving households (other than social insurance)
	HF.2.5	Corporations (other than health insurance)
HF.3	**Rest of the world**	

Appendix 2: Nominal and Real Health Expenditure (with 'non-health' items included for prior years) 1996/97–2006/07

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Nominal expenditure ($ million)											
Public	6,181	6,614	7,037	7,442	8,086	8,834	9,302	9,724	10,775	11,933	12,840
Private	1,689	1,843	1,873	1,968	2,300	2,361	2,418	2,920	3,197	3,457	3,380
Total	7,871	8,458	8,910	9,410	10,386	11,194	11,719	12,644	13,972	15,390	16,220
Percentage change		7.46%	5.35%	5.60%	10.37%	7.79%	4.69%	7.89%	10.50%	10.15%	5.39%
Real expenditure (2007 $ million)											
Public	7,677	8,080	8,628	8,941	9,415	10,012	10,392	10,608	11,425	12,172	12,840
Private	2,098	2,252	2,296	2,364	2,678	2,675	2,701	3,185	3,390	3,526	3,380
Total	9,775	10,332	10,924	11,305	12,093	12,687	13,093	13,794	14,814	15,698	16,220
Percentage change		5.70%	5.73%	3.49%	6.97%	4.91%	3.20%	5.35%	7.40%	5.97%	3.32%
Real per capita expenditure (2007 $ million) – resident population											
Public	2,041	2,125	2,254	2,323	2,431	2,560	2,614	2,611	2,787	2,940	3,037
Percentage change		4.12%	6.05%	3.05%	4.69%	5.28%	2.10%	-0.09%	6.74%	5.50%	3.27%
Private	558	592	600	614	692	684	679	784	827	852	799
Percentage change		6.17%	1.28%	2.38%	12.60%	-1.10%	-0.68%	15.42%	5.47%	3.00%	-6.15%
Total	2,599	2,718	2,854	2,937	3,123	3,244	3,293	3,395	3,614	3,792	3,836
Percentage change		4.56%	5.01%	2.91%	6.34%	3.87%	1.51%	3.11%	6.44%	4.93%	1.15%

Source: Ministry of Health

Notes:
1 Totals may be affected by rounding
2 GST inclusive
3 CPI for June 2007
4 Nominal dollars are actual dollars spent. Real dollars have been adjusted to 2007 dollar value by CPI.
5 2003/04 to 2005/06 public expenditure data restated for DHB and ACC revised coding to SHA.

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

3.1 Nominal dollars, 1996/97–2006/07

Sources of funds	1996/97		1997/98		1998/99		1999/00		2000/01		2001/02		2002/03		2003/04		2004/05		2005/06		2006/07	
	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total
Ministry of Health	5,337,616	67.8	5,707,629	67.5	6,205,456	69.6	6,543,778	69.5	6,952,914	66.9	7,418,078	66.3	7,773,876	66.3	8,507,429	67.3	9,361,675	67.0	10,302,319	66.9	10,958,724	67.6
Deficit financing	235,600	3.0	198,032	2.3	39,600	0.4	6,413	0.1	76,837	0.7	244,125	2.2	216,337	1.8	9	0.0	0	0.0	0	0.0	0	0.0
ACC – social security	364,206	4.6	419,741	5.0	487,044	5.5	581,078	6.2	709,561	6.8	801,330	7.2	924,253	7.9	945,608	7.5	1,129,591	8.1	1,297,032	8.4	1,464,925	9.0
Other government agencies	197,712	2.5	242,050	2.9	245,948	2.8	250,230	2.7	282,226	2.7	302,011	2.7	313,386	2.7	208,084	1.6	221,730	1.6	251,667	1.6	309,954	1.9
Local authorities	46,186	0.6	46,900	0.6	59,292	0.7	60,374	0.6	64,243	0.6	68,381	0.6	73,792	0.6	63,242	0.5	61,882	0.4	82,371	0.5	106,072	0.7
Public total	**6,181,320**	**78.5**	**6,614,352**	**78.2**	**7,037,340**	**79.0**	**7,441,873**	**79.1**	**8,085,781**	**77.9**	**8,833,925**	**78.9**	**9,301,644**	**79.4**	**9,724,372**	**76.9**	**10,774,878**	**77.1**	**11,933,389**	**77.5**	**12,839,675**	**79.2**
Out-of-pocket	1,162,807	14.8	1,305,404	15.4	1,316,021	14.8	1,375,165	14.6	1,656,853	16.0	1,714,843	15.3	1,740,565	14.9	2,155,449	17.0	2,354,313	16.9	2,551,863	16.6	2,423,895	14.9
Health insurance	503,496	6.4	510,871	6.0	527,114	5.9	560,857	6.0	610,198	5.9	612,315	5.5	640,632	5.5	671,638	5.3	695,686	5.0	762,074	5.0	793,949	4.9
Not-for-profit organisations	23,120	0.3	27,055	0.3	29,954	0.3	31,952	0.3	32,943	0.3	33,355	0.3	36,591	0.3	92,911	0.7	147,111	1.1	143,169	0.9	162,506	1.0
Private total	**1,689,423**	**21.5**	**1,843,330**	**21.8**	**1,873,089**	**21.0**	**1,967,974**	**20.9**	**2,299,994**	**22.1**	**2,360,513**	**21.1**	**2,417,788**	**20.6**	**2,919,998**	**23.1**	**3,197,111**	**22.9**	**3,457,106**	**22.5**	**3,380,350**	**20.8**
Total from all sources	**7,870,743**	**100.0**	**8,457,682**	**100.0**	**8,910,429**	**100.0**	**9,409,847**	**100.0**	**10,385,775**	**100.0**	**11,194,438**	**100.0**	**11,719,432**	**100.0**	**12,644,370**	**100.0**	**13,971,989**	**100.0**	**15,390,495**	**100.0**	**16,220,025**	**100.0**
% of GDP	**7.7%**		**8.2%**		**8.1%**		**8.1%**		**8.3%**		**8.6%**		**8.4%**		**8.4%**		**8.9%**		**9.3%**		**9.1%**	

Source: Ministry of Health

Notes:

1 Totals may be affected by rounding

2 GST inclusive

3 Nominal dollars are actual dollars spent

4 2003/04 to 2005/06 public expenditure data restated for DHB and ACC revised coding to SHA.

3.2 Real dollars, 1996/97–2006/07

Sources of funds	1996/97		1997/98		1998/99		1999/00		2000/01		2001/02		2002/03		2003/04		2004/05		2005/06		2006/07	
	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total	($000)	% of total
Ministry of Health	6,628,722	67.8	6,972,194	67.5	7,607,650	69.6	7,861,783	69.5	8,095,859	66.9	8,407,155	66.3	8,684,944	66.3	9,280,832	67.3	9,926,101	67.0	10,508,365	66.9	10,958,724	67.6
Deficit financing	292,589	3.0	241,907	2.3	48,548	0.4	7,705	0.1	89,468	0.7	276,675	2.2	241,691	1.8	0	0.0	0	0.0	0	0.0	0	0.0
ACC – social security	452,303	4.6	512,738	5.0	597,097	5.5	698,115	6.2	826,201	6.8	908,174	7.2	1,032,572	7.9	1,031,572	7.5	1,197,695	8.1	1,322,972	8.4	1,464,925	9.0
Other government agencies	245,536	2.5	295,678	2.9	301,523	2.8	300,630	2.7	328,619	2.7	342,279	2.7	350,114	2.7	227,001	1.6	235,098	1.6	256,700	1.6	309,954	1.9
Local authorities	57,358	0.6	57,291	0.6	72,690	0.7	72,534	0.6	74,803	0.6	77,498	0.6	82,440	0.6	68,991	0.5	65,613	0.4	84,019	0.5	106,072	0.7
Public total	**7,676,508**	**78.5**	**8,079,807**	**78.2**	**8,627,508**	**79.0**	**8,940,766**	**79.1**	**9,414,950**	**77.9**	**10,011,782**	**78.9**	**10,391,760**	**79.4**	**10,608,396**	**76.9**	**11,424,507**	**77.1**	**12,172,057**	**77.5**	**12,839,675**	**79.2**
Out-of-pocket	1,444,076	14.8	1,594,625	15.4	1,613,391	14.8	1,652,142	14.6	1,929,212	16.0	1,943,489	15.3	1,944,552	14.9	2,351,399	17.0	2,496,257	16.9	2,602,903	16.6	2,423,895	14.9
Health insurance	625,286	6.4	624,058	6.0	646,221	5.9	673,821	6.0	710,505	5.9	693,957	5.5	715,712	5.5	732,696	5.3	737,630	5.0	777,315	5.0	793,949	4.9
Not-for-profit organisations	28,712	0.3	33,049	0.3	36,722	0.3	38,388	0.3	38,358	0.3	37,802	0.3	40,879	0.3	101,357	0.7	155,981	1.1	146,033	0.9	162,506	1.0
Private total	**2,098,074**	**21.5**	**2,251,732**	**21.8**	**2,296,335**	**21.0**	**2,364,350**	**20.9**	**2,678,075**	**22.1**	**2,675,248**	**21.1**	**2,701,143**	**20.6**	**3,185,452**	**23.1**	**3,389,868**	**22.9**	**3,526,251**	**22.5**	**3,380,350**	**20.8**
Total from all sources	**9,774,583**	**100.0**	**10,331,540**	**100.0**	**10,923,843**	**100.0**	**11,305,117**	**100.0**	**12,093,026**	**100.0**	**12,687,030**	**100.0**	**13,092,903**	**100.0**	**13,793,848**	**100.0**	**14,814,375**	**100.0**	**15,698,307**	**100.0**	**16,220,025**	**100.0**

Source: Ministry of Health

Notes:

1 Totals may be affected by rounding
2 GST inclusive
3 CPI for June 2007
4 Real dollars have been adjusted to 2007 dollar value by CPI
5 2003/04 to 2005/06 Public expenditure data restated for DHB and ACC revised coding to SHA.

Appendix 4: Private Health Insurance Trends, 1996/97–2006/07 ($000)

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Institutional care											
Public	3,202	389	624	643	227	415	714	673	622	600	750
Private	252,745	300,091	307,093	339,616	371,350	385,552	418,270	454,240	485,765	548,839	546,363
Subtotal – institutional care	255,947	300,480	307,717	340,259	371,577	385,967	418,984	454,913	486,387	549,438	547,112
Community care											
General practitioners and maternity	77,776	73,732	67,767	69,025	70,880	66,074	63,349	54,732	44,883	36,230	57,424
Specialist services and referral services	90,932	88,233	87,099	88,971	108,322	106,651	109,367	116,371	122,814	137,028	138,966
Dental services	30,359	3,809	22,311	21,164	18,277	16,541	16,389	14,472	12,259	10,436	15,425
Medicaments	48,482	44,617	42,211	41,424	41,142	37,082	32,543	31,151	29,343	28,941	35,022
Subtotal – community care	247,549	210,390	219,387	220,584	238,621	226,348	221,648	216,725	209,299	212,636	246,837
Public health											
Teaching and research											
Total	**503,496**	**510,871**	**527,104**	**560,843**	**610,198**	**612,315**	**640,632**	**671,639**	**695,686**	**762,074**	**793,949**

Source: Ministry of Health and HFANZ

Note: Totals may be affected by rounding

2003/04–2005/06 data has been restated for an estimate of health administration.

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

5.1 2004/05

Health care by function	Function and industry codes	Hospitals	Nursing and residential care facilities	Providers of ambulatory health care	Offices of physicians	Offices of dentists	Offices of other health practitioners	Outpatient care centres	Medical and diagnostic laboratories	Providers of home health-care services	All other providers of ambulatory health care	Retail sale and other providers of medical goods	Dispensing chemists	All other sales of medical goods	Provision and administration of public health programmes	General health administration and insurance	Government administration of health	Social security funds	Other (private) insurance	All other health administration	All other industries	Totals
		HP.1	HP.2	HP.3	HP.3.1	HP.3.2	HP.3.3	HP.3.4	HP.3.5	HP.3.6	HP.3.9	HP.4	HP.4.1	HP.4.2–4.9	HP.5	HP.6	HP.6.1	HP.6.2	HP.6.4	HP.6.9	HP.7	
Inpatient care																						
Curative and rehabilitative care	HC.1.1; 2.1	3,236,340	135,427	190,160	190,160	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	-	3,561,927
Long-term nursing care	HC.3.1	82,440	827,769	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	-	910,209
Services of day care																						-
Curative and rehabilitative care	HC.1.2; 2.2	298,728	36,725	53,245	47,540	–	–	5,705	–	–	–	–	–	–	–	–	–	–	–	–	-	388,698
Long-term nursing care	HC.3.2	28,563	46,133	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	-	74,696
Outpatient care																						
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**1,057,746**	**53,870**	**2,189,324**	**683,628**	**158,581**	**859,630**	**434,156**	**3,258**	**317**	**49,753**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**35,113**	**3,336,053**
Basic medical and diagnostic services	HC.1.3.1	828,476	26,113	1,071,865	502,136	–	119,475	398,381	3,258	–	48,615	–	–	–	–	–	–	–	–	–	-	1,926,454
Outpatient dental care	HC.1.3.2	12,803	–	228,326	–	157,760	70,566	–	–	–	–	–	–	–	–	–	–	–	–	–	-	241,129
All other specialised health care	HC.1.3.3	4,503	146	164,681	144,204	73	20,235	97	–	–	73	–	–	–	–	–	–	–	–	–	-	169,330
All other outpatient care	HC.1.3.9	10,363	1,498	671,037	2,996	749	640,094	26,449	–	–	749	–	–	–	–	–	–	–	–	–	35,113	718,011
Home care																						
Curative and rehabilitative care	HC.1.4; 2.4	185,092	9,164	310,067	22,573	–	1,291	122,066	–	164,137	–	–	–	–	–	–	–	–	–	–	39,645	543,968
Long-term nursing care	HC.3.3	52,935	36,692	716,122	26,113	–	–	7,130	–	644,390	38,488	–	–	–	–	–	–	–	–	–	38,673	844,422
Ancillary services to health care	**HC.4**	**22,888**	**–**	**617,632**	**–**	**–**	**–**	**(860)**	**414,756**	**95,875**	**107,861**	**–**	**–**	**–**	**–**	**12,822**	**–**	**–**	**–**	**12,822**	**13,570**	**666,912**

Health care by function	Function and industry codes	Hospitals	Nursing and residential care facilities	Providers of ambulatory health care	Offices of physicians	Offices of dentists	Offices of other health practitioners	Outpatient care centres	Medical and diagnostic laboratories	Providers of home health-care services	All other providers of ambulatory health care	Retail sale and other providers of medical goods	Dispensing chemists	All other sales of medical goods	Provision and administration of public health programmes	General health administration and insurance	Government administration of health	Social security funds	Other (private) insurance	All other health administration	All other industries	Totals
		HP.1	HP.2	HP.3	HP.3.1	HP.3.2	HP.3.3	HP.3.4	HP.3.5	HP.3.6	HP.3.9	HP.4	HP.4.1	HP.4.2–4.9	HP.5	HP.6	HP.6.1	HP.6.2	HP.6.4	HP.6.9	HP.7	
Medical goods dispensed to outpatients	HC.5	828	–	–	–	–	–	–	–	–	–	1,644,494	1,446,849	197,645	–	–	–	–	–	–	-	1,645,322
Pharmaceutical and other medical non-durables	HC.5.1	828	–	–	–	–	–	–	–	–	–	1,451,168	1,446,849	4,319	–	–	–	–	–	–	-	1,451,996
Therapeutic appliances and other medical durables	HC.5.2	–	–	–	–	–	–	–	–	–	–	193,326	–	193,326	–	–	–	–	–	–	-	193,326
Total expenditure on personal health care		4,965,560	1,145,780	4,076,550	970,014	158,581	860,921	568,197	418,014	904,719	196,102	1,644,494	1,446,849	197,645	–	12,822	–	–	–	12,822	127,001	11,972,207
Prevention and public health services	HC.6	5,760	–	287,711	94,835	–	30,400	162,476	–	–	–	–	–	–	448,505	7,017	7,017	–	–	–	122,035	871,028
Health administration and health insurance	HC.7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,128,753	473,253	162,743	492,757	–	-	1,128,753
Total current expenditure on health care		**4,971,320**	**1,145,780**	**4,364,261**	**1,064,849**	**158,581**	**891,321**	**730,673**	**418,014**	**904,719**	**196,102**	**1,644,494**	**1,446,849**	**197,645**	**448,505**	**1,148,592**	**480,270**	**162,743**	**492,757**	**12,822**	**249,036**	**13,971,988**

Note: Public expenditure data restated for DHB and ACC revised coding to SHA.
Insurance data restated for an estimate of Health administration.

5.2 2005/06

Health care by function	Function and industry codes	Hospitals	Nursing and residential care facilities	Providers of ambulatory health care	Offices of physicians	Offices of dentists	Offices of other health practitioners	Outpatient care centres	Medical and diagnostic laboratories	Providers of home health care services	All other providers of ambulatory health care	Retail sale and other providers of medical goods	Dispensing chemists	All other sales of medical goods	Provision and administration of public health programmes	General health administration and insurance	Government administration of health	Social security funds	Other (private) insurance	All other health administration	All other industries	Totals
		HP.1	HP.2	HP.3	HP.3.1	HP.3.2	HP.3.3	HP.3.4	HP.3.5	HP.3.6	HP.3.9	HP.4	HP.4.1	HP.4.2–4.9	HP.5	HP.6	HP.6.1	HP.6.2	HP.6.4	HP.6.9	HP.7	
Inpatient care																						

Health care by function	Function and industry codes	Hospitals	Nursing and residential care facilities	Providers of ambulatory health care	Offices of physicians	Offices of dentists	Offices of other health practitioners	Outpatient care centres	Medical and diagnostic laboratories	Providers of home health care services	All other providers of ambulatory health care	Retail sale and other providers of medical goods	Dispensing chemists	All other sales of medical goods	Provision and administration of public health programmes	General health administration and insurance	Government administration of health	Social security funds	Other (private) insurance	All other health administration	All other industries	Totals
		HP.1	HP.2	HP.3	HP.3.1	HP.3.2	HP.3.3	HP.3.4	HP.3.5	HP.3.6	HP.3.9	HP.4	HP.4.1	HP.4.2–4.9	HP.5	HP.6	HP.6.1	HP.6.2	HP.6.4	HP.6.9	HP.7	
Curative and rehabilitative care	HC.1.1; 2.1	3,500,062	135,388	206,116	206,116	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,841,566
Long-term nursing care	HC.3.1	86,417	948,273	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,034,690
Services of day care																						–
Curative and rehabilitative care	HC.1.2; 2.2	312,426	43,256	57,822	51,529	–	–	6,292	–	–	–	–	–	–	–	–	–	–	–	–	–	413,504
Long-term nursing care	HC.3.2	34,028	57,679	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	91,707
Outpatient care																						
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**1,340,050**	**58,019**	**2,370,771**	**734,264**	**170,140**	**975,920**	**452,809**	**4,042**	**–**	**33,597**	**584**	**–**	**584**	**–**	**–**	**–**	**–**	**–**	**–**	**33,133**	**3,802,557**
Basic medical and diagnostic services	HC.1.3.1	1,079,003	28,122	1,162,553	536,328	–	172,300	417,941	3,275	–	32,709	–	–	–	–	–	–	–	–	–	–	2,269,678
Outpatient dental care	HC.1.3.2	15,875	–	245,739	–	169,252	76,487	–	–	–	–	–	–	–	–	–	–	–	–	–	–	261,614
All other specialised health care	HC.1.3.3	16,177	314	178,943	156,377	157	22,065	188	–	–	157	–	–	–	–	–	–	–	–	–	–	195,434
All other outpatient care	HC.1.3.9	10,420	1,461	722,106	3,405	731	694,240	23,000	–	–	731	–	–	–	–	–	–	–	–	–	33,133	767,120
Home care																						
Curative and rehabilitative care	HC.1.4; 2.4	142,011	29	339,140	21,469	–	1,224	138,213	–	178,234	–	–	–	–	–	–	–	–	–	–	33,269	514,449
Long-term nursing care	HC.3.3	57,672	39,809	816,050	28,122	–	–	10,679	–	735,556	41,693	–	–	–	–	–	–	–	–	–	40,551	954,082
Ancillary services to health care	HC.4	22,344	–	691,857	–	–	–	–	448,971	106,880	136,007	–	–	–	–	18,676	–	–	–	18,676	23,750	756,627

Health care by function	Function and industry codes	Hospitals	Nursing and residential care facilities	Providers of ambulatory health care	Offices of physicians	Offices of dentists	Offices of other health practitioners	Outpatient care centres	Medical and diagnostic laboratories	Providers of home health care services	All other providers of ambulatory health care	Retail sale and other providers of medical goods	Dispensing chemists	All other sales of medical goods	Provision and administration of public health programmes	General health administration and insurance	Government administration of health	Social security funds	Other (private) insurance	All other health administration	All other industries	Totals
		HP.1	HP.2	HP.3	HP.3.1	HP.3.2	HP.3.3	HP.3.4	HP.3.5	HP.3.6	HP.3.9	HP.4	HP.4.1	HP.4.2–4.9	HP.5	HP.6	HP.6.1	HP.6.2	HP.6.4	HP.6.9	HP.7	
Medical goods dispensed to outpatients	HC.5	1,100	–	–	–	–	–	–	–	–	–	1,896,598	1,684,754	211,844	–	–	–	–	–	–	–	1,897,698
Pharmaceutical and other medical non-durables	HC.5.1	1,100	–	–	–	–	–	–	–	–	–	1,689,489	1,684,754	4,735	–	–	–	–	–	–	–	1,690,589
Therapeutic appliances and other medical durables	HC.5.2	–	–	–	–	–	–	–	–	–	–	207,109	–	207,109	–	–	–	–	–	–	–	207,109
Total expenditure on personal health care		**5,496,110**	**1,282,453**	**4,481,756**	**1,041,500**	**170,140**	**977,144**	**607,993**	**453,013**	**1,020,670**	**211,297**	**1,897,182**	**1,684,754**	**212,428**	**–**	**18,676**	**–**	**–**	**–**	**18,676**	**130,703**	**13,306,880**
Prevention and public health services	HC.6	7,565	1	268,293	81,988	–	31,427	154,878	–	–	–	–	–	–	517,976	6,881	6,881	–	–	–	144,674	945,391
Health administration and health insurance	HC.7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,138,224	418,720	185,000	534,503	–	–	1,138,224
Total current expenditure on health care		**5,503,675**	**1,282,454**	**4,750,049**	**1,123,488**	**170,140**	**1,008,571**	**762,871**	**453,013**	**1,020,670**	**211,297**	**1,897,182**	**1,684,754**	**212,428**	**517,976**	**1,163,781**	**425,601**	**185,000**	**534,503**	**18,676**	**275,377**	**15,390,495**

Note: Public expenditure data restated for DHB and ACC revised coding to SHA
Insurance data restated for an estimate of Health administration.

5.3 2006/07

Health care by function	Function and industry codes	Hospitals	Nursing and residential care facilities	Providers of ambulatory health care	Offices of physicians	Offices of dentists	Offices of other health practitioners	Out-patient care centres	Medical and diagnostic laboratories	Providers of home health-care services	All other providers of ambulatory health care	Retail sale and other providers of medical goods	Dispensing chemists	All other sales of medical goods	Provision and administration of public health programmes	General health administration and insurance	Government administration of health	Social security funds	Other (private) insurance	All other health administration	All other industries	Totals
		HP.1	HP.2	HP.3	HP.3.1	HP.3.2	HP.3.3	HP.3.4	HP.3.5	HP.3.6	HP.3.9	HP.4	HP.4.1	HP.4.2–4.9	HP.5	HP.6	HP.6.1	HP.6.2	HP.6.4	HP.6.9	HP.7	

Health care by function	Function and industry codes	Hospitals	Nursing and residential care facilities	Providers of ambulatory health care	Offices of physicians	Offices of dentists	Offices of other health practitioners	Out-patient care centres	Medical and diagnostic laboratories	Providers of home health-care services	All other providers of ambulatory health care	Retail sale and other providers of medical goods	Dispensing chemists	All other sales of medical goods	Provision and administration of public health programmes	General health administration and insurance	Government administration of health	Social security funds	Other (private) insurance	All other health administration	All other industries	Totals
		HP.1	HP.2	HP.3	HP.3.1	HP.3.2	HP.3.3	HP.3.4	HP.3.5	HP.3.6	HP.3.9	HP.4	HP.4.1	HP.4.2–4.9	HP.5	HP.6	HP.6.1	HP.6.2	HP.6.4	HP.6.9	HP.7	
Inpatient care																						
Curative and rehabilitative care	HC.1.1; 2.1	3,687,936	126,804	208,000	208,000	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4,022,740
Long-term nursing care	HC.3.1	91,906	979,439	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,071,345
Services of day care														–								–
Curative and rehabilitative care	HC.1.2; 2.2	320,737	46,648	58,684	52,000	–	–	6,684	–	–	–	–	–	–	–	–	–	–	–	–	–	426,069
Long-term nursing care	HC.3.2	36,982	65,875	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	102,857
Outpatient care																						
Outpatient curative and rehabilitative care	**HC.1.3; 2.3**	**1,552,393**	**70,373**	**2,561,842**	**788,583**	**250,970**	**868,466**	**576,709**	**896**	**18**	**76,200**	**683**	**–**	**683**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,185,291**
Basic medical and diagnostic services	HC.1.3.1	1,264,310	34,166	1,369,685	609,811	–	220,807	499,578	–	–	39,490	–	–	–	–	–	–	–	–	–	–	2,668,161
Outpatient dental care	HC.1.3.2	13,741	–	249,950	–	249,950	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	263,691
All other specialised health care	HC.1.3.3	17,043	334	215,515	130,667	167	56,213	334	–	–	28,135	–	–	–	–	–	–	–	–	–	–	232,892
All other outpatient care	HC.1.3.9	11,913	1,708	656,771	4,083	854	581,741	63,215	–	18	6,861	–	–	–	–	–	–	–	–	–	–	670,392
Home care																						
Curative and rehabilitative care	HC.1.4; 2.4	103,839	5,187	403,540	13,288	–	14,067	180,463	–	195,722	–	–	–	–	–	–	–	–	–	–	44,603	557,169
Long-term nursing care	HC.3.3	69,845	90,276	892,767	47,454	–	14,067	15,704	–	765,883	49,659	–	–	–	–	–	–	–	–	–	–	1,052,888
Ancillary services to health care	**HC.4**	**20,664**	**–**	**704,897**	**–**	**–**	**–**	**–**	**470,525**	**109,842**	**124,530**	**–**	**–**	**–**	**–**	**4,646**	**–**	**–**	**–**	**4,646**	**21,318**	**751,525**
Medical goods dispensed to outpatients	**HC.5**	**11,023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,847,009**	**1,558,050**	**288,959**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,858,032**
Pharmaceutical and other medical non-durables	HC.5.1	11,023	–	–	–	–	–	–	–	–	–	1,562,701	1,558,050	4,651	–	–	–	–	–	–	–	1,573,724

Health care by function	Function and industry codes	Hospitals	Nursing and residential care facilities	Providers of ambulatory health care	Offices of physicians	Offices of dentists	Offices of other health practitioners	Out-patient care centres	Medical and diagnostic laboratories	Providers of home health-care services	All other providers of ambulatory health care	Retail sale and other providers of medical goods	Dispensing chemists	All other sales of medical goods	Provision and administration of public health programmes	General health administration and insurance	Government administration of health	Social security funds	Other (private) insurance	All other health administration	All other industries	Totals
		HP.1	HP.2	HP.3	HP.3.1	HP.3.2	HP.3.3	HP.3.4	HP.3.5	HP.3.6	HP.3.9	HP.4	HP.4.1	HP.4.2–4.9	HP.5	HP.6	HP.6.1	HP.6.2	HP.6.4	HP.6.9	HP.7	
Therapeutic appliances and other medical durables	HC.5.2	–	–	–	–	–	–	–	–	–	–	284,308	–	284,308	–	–	–	–	–	–	–	284,308
Total expenditure on personal health care		**5,895,325**	**1,384,602**	**4,829,730**	**1,109,325**	**250,970**	**896,600**	**779,559**	**471,421**	**1,071,465**	**250,389**	**1,847,692**	**1,558,050**	**289,642**	**–**	**4,646**	**–**	**–**	**–**	**4,646**	**65,921**	**14,027,916**
Prevention and public health services	HC.6	7,674	38	205,577	47,741	–	31,686	126,119	–	–	32	–	–	–	608,088	3,491	3,491	–	–	–	172,033	996,901
Health administration and health insurance	HC.7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,189,121	393,836	215,741	579,544	–	6,087	1,195,208
Total current expenditure on health care		**5,902,999**	**1,384,640**	**5,035,307**	**1,157,066**	**250,970**	**928,286**	**905,678**	**471,421**	**1,071,465**	**250,421**	**1,847,692**	**1,558,050**	**289,642**	**608,088**	**1,197,258**	**397,327**	**215,741**	**579,544**	**4,646**	**244,041**	**16,220,025**

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

6.1 2004/05

Function	ICHA-HC code Function and funder code	Total public HF.1	Ministry of Health HF.1.1.1	Other central government HF.1.1.2	Regional and local government HF.1.1.3	Social security funds HF.1.2	Total private HF.2	Private insurance HF.2.1 + HF.2.2	Private household out-of-pocket payments HF.2.3	Non-profit institutions (other than social insurance) HF.2.4	Totals
Health care services and goods by function											
Services of curative and rehabilitative care	HC.1, HC.2	5,981,658	5,220,778	39,244	0	721,636	1,848,986	554,733	1,259,140	35,113	7,830,644
Services of long-term nursing care	HC.3	1,740,740	1,732,903	7,725	0	112	88,587	23,943	22,360	42,284	1,829,327
Ancillary services to health care	HC.4	586,996	490,663	1,591	0	94,742	79,917	46,279	20,068	13,570	666,913
Medical goods dispensed to outpatients	**HC.5**	**1,014,602**	**900,217**	**8,822**	**0**	**105,563**	**630,720**	**35,974**	**594,746**	**0**	**1,645,322**
Pharmaceuticals and other medical non-durables	HC.5.1	860,698	841,654	1,336	0	17,708	591,298	27,877	563,421	0	1,451,996
Therapeutic appliances and other medical durables	HC.5.2	153,904	58,563	7,486	0	87,855	39,422	8,097	31,325	0	193,326
Personal medical services and goods	**HC.1–HC.5**	**9,323,996**	**8,344,561**	**57,382**	**0**	**922,053**	**2,648,210**	**660,929**	**1,896,314**	**90,967**	**11,972,206**
Prevention and public health services	HC.6	814,885	550,294	157,914	61,882	44,795	56,144	0	0	56,144	871,029
Health administration and health insurance	HC.7	635,996	466,820	6,433	0	162,743	492,757	34,757	458,000	0	1,128,753
Total current expenditure on health		**10,774,877**	**9,361,675**	**221,729**	**61,882**	**1,129,591**	**3,197,111**	**695,686**	**2,354,314**	**147,111**	**13,971,988**
Gross capital formation	HC.R.1	0	0	0	0	0	0	0	0	0	0
Total expenditure on health		**10,774,877**	**9,361,675**	**221,729**	**61,882**	**1,129,591**	**3,197,111**	**695,686**	**2,354,314**	**147,111**	**13,971,988**
Memorandum items: further health related functions		**0**									
Education and training of health personnel	HC.R.2	319,922	122,222	197,700	0	0	214,175	0	214,175	0	534,097
Research and development in health	HC.R.3	159,934	0	159,934	0	0	30,486	0	0	30,486	190,420
Food, hygiene and drinking water control	HC.R.4	228,571	0	83,008	145,563	0	0	0	0	0	228,571
Environmental health	HC.R.5	1,225,409	0	27,098	1,198,311	0	0	0	0	0	1,225,409
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	70,730	0	3,793	0	66,937	0	0	0	0	70,730
Administration and provision of health-related cash benefits	HC.R.7	0	0	0	0	0	0	0	0	0	0
Total health-related expenditure		**2,004,566**	**122,222**	**471,533**	**1,343,874**	**66,937**	**244,661**	**0**	**214,175**	**30,486**	**2,249,227**
Total health and health-related expenditure		**12,779,443**	**9,483,897**	**693,262**	**1,405,756**	**1,196,528**	**3,441,772**	**695,686**	**2,568,489**	**177,597**	**16,221,215**

6.2 2005/06

Function	ICHA-HC code Function and funder code	Total public HF.1	Ministry of Health HF.1.1.1	Other central government HF.1.1.2	Regional and local government HF.1.1.3	Social security funds HF.1.2	Total private HF.2	Private insurance HF.2.1 + HF.2.2	Private household out-of-pocket payments HF.2.3	Non-profit institutions (other than social insurance) HF.2.4	Totals
Health care services and goods by function											
Services of curative and rehabilitative care	HC.1, HC.2	6,562,622	5,708,700	51,854	0	802,068	2,009,457	611,529	1,364,795	33,133	8,572,079
Services of long-term nursing care	HC.3	1,989,784	1,974,691	15,093	0	0	90,694	22,783	24,236	43,675	2,080,478
Ancillary services to health care	HC.4	673,707	512,402	1,281	0	160,024	82,920	51,917	21,752	9,251	756,627
Medical goods dispensed to outpatients	**HC.5**	**1,215,276**	**1,099,631**	**10,205**	**0**	**105,440**	**682,422**	**37,771**	**644,651**	**0**	**1,897,698**
Pharmaceuticals and other medical non-durables	HC.5.1	1,052,397	1,033,192	1,864	0	17,341	638,193	27,495	610,698	0	1,690,590
Therapeutic appliances and other medical durables	HC.5.2	162,879	66,439	8,341	0	88,099	44,229	10,276	33,953	0	207,108
Personal medical services and goods	**HC.1–HC.5**	**10,441,389**	**9,295,424**	**78,433**	**0**	**1,067,532**	**2,865,493**	**724,000**	**2,055,434**	**86,059**	**13,306,882**
Prevention and public health services	HC.6	888,279	594,470	166,938	82,371	44,500	57,111	0	0	57,111	945,390
Health administration and health insurance	HC.7	603,721	412,424	6,297	0	185,000	534,503	38,073	496,430	0	1,138,224
Total current expenditure on health		**11,933,389**	**10,302,318**	**251,668**	**82,371**	**1,297,032**	**3,457,107**	**762,073**	**2,551,864**	**143,170**	**15,390,496**
Gross capital formation	HC.R.1	0	0	0	0	0	0	0	0	0	0
Total expenditure on health		**11,933,389**	**10,302,318**	**251,668**	**82,371**	**1,297,032**	**3,457,107**	**762,073**	**2,551,864**	**143,170**	**15,390,496**
Memorandum items: further health-related functions											
Education and training of health personnel	HC.R.2	342,934	126,771	216,163	0	0	234,177	0	234,177	0	577,111
Research and development in health	HC.R.3	177,941	0	177,941	0	0	29,825	0	0	29,825	207,766
Food, hygiene and drinking water control	HC.R.4	249,418	0	86,153	163,265	0	0	0	0	0	249,418
Environmental health	HC.R.5	1,294,647	0	17,162	1,277,485	0	0	0	0	0	1,294,647
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	70,171	0	0	0	70,171	0	0	0	0	70,171
Administration and provision of health-related cash benefits	HC.R.7	0	0	0	0	0	0	0	0	0	0
Total health-related expenditure		**2,135,111**	**126,771**	**497,419**	**1,440,750**	**70,171**	**264,002**	**0**	**234,177**	**29,825**	**2,399,113**
Total health and health-related expenditure		**14,068,500**	**10,429,089**	**749,087**	**1,523,121**	**1,367,203**	**3,721,109**	**762,073**	**2,786,041**	**172,995**	**17,789,609**

6.3 2006/07

Function	ICHA-HC code Function and funder code	Total public HF.1	Ministry of Health HF.1.1.1	Other central government HF.1.1.2	Regional and local government HF.1.1.3	Social security funds HF.1.2	Total private HF.2	Private insurance HF.2.1 + HF.2.2	Private household out-of-pocket payments HF.2.3	Non-profit institutions (other than social insurance) HF.2.4	Totals
Health care services and goods by function											
Services of curative and rehabilitative care	HC.1, HC.2	7,273,377	6,308,800	57,951	0	906,626	1,917,893	631,994	1,254,444	31,455	9,191,270
Services of long-term nursing care	HC.3	2,123,015	2,106,935	16,080	0	0	104,075	29,011	23,599	51,465	2,227,090
Ancillary services to health care	HC.4	672,210	495,080	2,015	0	175,115	79,313	52,293	15,565	11,455	751,523
Medical goods dispensed to outpatients	**HC.5**	**1,222,691**	**1,088,288**	**11,968**	**0**	**122,435**	**635,341**	**41,889**	**589,505**	**3,947**	**1,858,032**
Pharmaceuticals and other medical non-durables	HC.5.1	1,051,529	1,021,988	2,079	0	27,462	522,195	33,313	487,770	1,112	1,573,724
Therapeutic appliances and other medical durables	HC.5.2	171,162	66,300	9,889	0	94,973	113,146	8,576	101,735	2,835	284,308
Personal medical services and goods	**HC.1–HC.5**	**11,291,293**	**9,999,103**	**88,014**	**0**	**1,204,176**	**2,736,622**	**755,187**	**1,883,113**	**98,322**	**14,027,915**
Prevention and public health services	HC.6	938,804	572,597	215,127	106,072	45,008	58,096	0	0	58,096	996,900
Health administration and health insurance	HC.7	609,577	387,023	6,813	0	215,741	585,631	38,762	540,782	6,087	1,195,208
Total current expenditure on health		**12,839,674**	**10,958,723**	**309,954**	**106,072**	**1,464,925**	**3,380,349**	**793,949**	**2,423,895**	**162,505**	**16,220,023**
Gross capital formation	HC.R.1	0	0	0	0	0	0	0	0	0	0
Total expenditure on health		**12,839,674**	**10,958,723**	**309,954**	**106,072**	**1,464,925**	**3,380,349**	**793,949**	**2,423,895**	**162,505**	**16,220,023**
Memorandum items: further health-related functions											
Education and training of health personnel	HC.R.2	372,585	139,994	232,591	0	0	252,604	0	252,252	352	625,189
Research and development in health	HC.R.3	202,918	0	202,918	0	0	31,215	0	0	31,215	234,133
Food, hygiene and drinking water control	HC.R.4	254,526	0	91,214	163,312	0	0	0	0	0	254,526
Environmental health	HC.R.5	1,353,948	0	17,344	1,336,604	0	0	0	0	0	1,353,948
Administration and provision of social services in kind to assist living with disease and impairment	HC.R.6	96,277	0	11,421	0	84,856	4,300	0	0	4,300	100,577
Administration and provision of health-related cash benefits	HC.R.7	0	0	0	0	0	0	0	0	0	0
Total health-related expenditure		**2,280,254**	**139,994**	**555,488**	**1,499,916**	**84,856**	**288,119**	**0**	**252,252**	**35,867**	**2,568,373**
Total health and health-related expenditure		**15,119,928**	**11,098,717**	**865,442**	**1,605,988**	**1,549,781**	**3,668,468**	**793,949**	**2,676,147**	**198,372**	**18,788,396**

Appendix 7: Contributors

The following organisations contributed information used in the compilation of *Health Expenditure Trends in New Zealand 1997–2007*.

Annual reports for other central government agencies

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

Health insurance industry

The Health Funds Association of New Zealand Inc (HFANZ) Statistics July 2007 are aggregated to produce estimates of total expenditure by the health insurance industry. The following health insurers are member organisations of the HFANZ.

HFANZ members in 2006/07	
AA-GIO Insurance Ltd	Manchester Unity Friendly Society
American International Assurance (AIA New Zealand)	Police Health Plan Ltd
EBS Health Care	Southern Cross Healthcare
Health Service Welfare Society	Sovereign Assurance Company Ltd
ING Life (NZ) Limited	Tower Limited
IOOF Friendly Society	Union Medical Benefits Society Ltd
IAG New Zealand Limited	

Annual reports for regional and local government authorities

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

Annual reports for not-for-profit organisations

Key organisations	Annual reports
Alcohol & Drug Services	2007 multiple branches
Alzheimers New Zealand	2007 multiple branches
Ambulance – Wellington Free	2007 report
Ambulance – St Johns	Not found, used Lions grants
Ambulance and other patient transport	Not found, used Lions grants
Amputee Society	2007 multiple branches
Arthritis New Zealand	2007 multiple branches
Asthma & Respiratory Foundation of New Zealand	2007 multiple branches
Barnardos New Zealand	2007 report
The Brain Injury Association of New Zealand	2007 multiple branches
Brain Research (Australasian) Inc	2007 report
Breast Cancer Network NZ	2007 report
Cancer Society of New Zealand	2007 multiple branches
Cancer Support Group	2007 report
CanTeen	2007 report
Child Cancer Foundation	2007 report
Cerebral Palsy Society of New Zealand	2007 multiple branches
CCS Disability Action	2007 report
Deaf Association of New Zealand	2007 multiple branches
Deaf-blind New Zealand Incorporated	2007 report
Diabetes New Zealand	2007 multiple branches
Disabled Persons Association (DPA New Zealand)	2007 multiple branches
Downtown Community Ministry	2007 report
Epilepsy Association of New Zealand Inc	2007 report
Epilepsy Foundation of New Zealand	2007 report
Family Planning	2007 report
Heart Foundation	2007 report
Hearing Association New Zealand	2007 multiple branches
Hospice – Bay of Plenty	2007 report
Hospice – Bay of Island	2007 report
Hospice – Friends of Taupo	2007 report
Hospice – North Haven	2007 report
Hospice – New Zealand Inc	2007 report
Hospice – Taranaki	2007 report
Hospice – South Canterbury	2007 report
Hospice – Waipuna	2007 report
IHC (Intellectual Handicapped) NZ Inc	2007 report
Lion Foundation	Grants awarded 2007
Medic Alert Foundation New Zealand Inc	2007 report
Multiple Sclerosis Society of New Zealand	2007 multiple branches
Muscular Dystrophy Association of New Zealand	2007 multiple branches

Key organisations	Annual reports
New Zealand Breastfeeding Authority	2007 report
Ozanam House	2007 report
Parkinsonism Society of New Zealand	2007 multiple branches
Patients Aid Community Trust	2007 report
Royal New Zealand Plunket Society, The	2007 report
Presbyterian Support New Zealand	2007 multiple branches
Spinal Cord Society New Zealand	2007 multiple branches
Stroke Foundation of New Zealand	2007 multiple branches

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