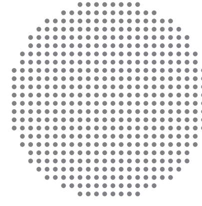
NACCHO

National Aboriginal Community Controlled Health Organisation



EQUITY ECONOMICS

Measuring the Gap in Health Expenditure: Aboriginal and Torres Strait Islander Australians

May 2022

The gap in Commonwealth Government expenditure in 2019-20 is estimated to be $2.6 billion.

Summary

There remains a large and persistent gap in expenditure on health care for Aboriginal and Torres Strait Islander people. The burden of disease is more than twice the rate for the Aboriginal and Torres Strait Islander population than for the non-Indigenous population. However, this large scale of additional need is not reflected in health expenditure on Aboriginal and Torres Strait Islander people.

The current gap in total recurrent health expenditure is estimated at $4.4 billion, including Commonwealth, State and Territory Government and non-government expenditure.

The gap in Commonwealth Government expenditure in 2019-20 is estimated to be $2.6 billion

The remaining gap largely reflects lower private health expenditure. Given the barriers many Aboriginal and Torres Strait Islander people face in accessing private health care, it is important to recognise this as part of the overall gap and for Commonwealth, State and Territory Governments to fill this shortfall and work with the Aboriginal Community Controlled Health Sector and other partners to address it.

Estimating the Health Gap

$7,365 per year

Current health expenditure per capita for non-Indigenous Australians

× 2.03

Aboriginal and Torres Strait Islander people experience disease burden at 2.3 times the rate of non-Indigenous Australians, which translates into 2.03 times the cost-of-service delivery for non-Indigenous Australians

Conservatively estimating the need for two times the expenditure to take account of this greater prevalence of disease

$14,967
(2.03 × $7,365)

Health spending for Aboriginal and Torres Strait Islander people should be in the order of $14,967 per person per year (2.03 x $7,365)

$9,925
per capita

But current expenditure per capita for Aboriginal and Torres Strait Islander people is $9,925

$5,042 gap
($14,967 – $9,925)

The gap in expenditure to achieve equitable spending based on need is $5,042 per person per year ($14,967–$9,925)

863,576

There are an estimated 863,576 Aboriginal and Torres Strait Islander people in Australia, based on latest ABS projections.

$5,042 × 863,576 = $4.4 billion

Therefore, the additional expenditure required to achieve equitable health spending based on need for Aboriginal and Torres Strait Islander people is approximately $4.4 billion per year ($5,042 per person per year x 863,576)

It should be noted that the above figures are based on expenditure by all governments and private expenditure. The same calculation based just on Commonwealth Government gives a shortfall of **$2.6 billion**

Estimating the gap

a. Current health expenditure per capita for non-Indigenous Australians is $7,365 per year.

b. Aboriginal and Torres Strait Islander people experience disease burden at 2.3 times the rate of non-Indigenous Australians, which translates into 2.03 times the cost of service delivery for non-Indigenous Australians. Conservatively estimating the need for two times the expenditure to take account of this greater prevalence of disease, health spending for Aboriginal and Torres Strait Islander people should be in the order of $14,967 per person per year (2.03 x $7,365).

c. But current expenditure per capita for Aboriginal and Torres Strait Islander people is $9,925 per year. The gap in expenditure to achieve equitable spending based on need is $5,042 per person per year ($14,967-$9,925).

d. There are an estimated 863,576 Aboriginal and Torres Strait Islander people in Australia, based on latest ABS projections.

e. Therefore, the additional expenditure required to achieve equitable health spending based on need for Aboriginal and Torres Strait Islander people is approximately **$4.4 billion per year** (= $5,042 per person per year x 863,576).

f. It should be noted that the above figures are based on expenditure by all governments and private expenditure. The same calculation based just on Commonwealth Government gives a shortfall of $2.6 billion.

How was current health expenditure calculated?

- AIHW estimates total recurrent health spending on all Australians funded by all governments (Commonwealth, state, territory and local) and by private sources to be $191.4 billion in 2019-20.[1]
- Total current expenditure on Indigenous health in 2019-20 is estimated to be $8.6 billion.
  - The most recent information on Indigenous health expenditure is 2015-16 financial year analysis by the AIHW which suggested total recurrent expenditure on Indigenous health was $6.9 billion[2].
  - This figure for 2019-20 is estimated by increasing 2015-16 per person Indigenous expenditures at the same rate as total per person health expenditures increased from 2015-16 to 2019-20. This gives an estimate of $8.6 billion spent on Indigenous health in 2019-20 with current pricing.[3]
  - By subtraction, non-Indigenous health expenditure is estimated to be $182.8 billion ($191.4 billion - $8.6 billion = $182.8 billion).

How was the Aboriginal and Torres Strait Islander population estimated?

- The ABS has estimated the Aboriginal and Torres Strait Islander population to be 863,576 in 2020[4], and the total population to be 25,693,267[5] making the Aboriginal Torres Strait Islander population 3.4 per cent of the population.

How was the Burden of Disease calculated?

- Burden of disease measures the difference between a population's actual health and its ideal health that is, if everyone lived as long as possible and no one lived with illness or injury.
- Disease burden is measured using the summary metric of disability-adjusted life years (DALY). DALY caused by premature death (fatal burden) are known as 'years of life lost' (YLL) and are measured against an ideal life expectancy. DALY caused by living in poor health (non-fatal burden) are known as 'years lived with disability' (YLD). YLD are weighted by severity of disease to take into account the impacts of different diseases.
- The burden of disease is 2.3 times higher for the Aboriginal and Torres Strait Islander population than for the non-Indigenous population[6], however, further analysis is required to better understand how this affects overall cost of service provision.
- It is estimated that the Aboriginal and Torres Strait Islander age-standardised prevalence of disease (YLD) is 2.023 times the age-standardised prevalence of disease in the general population. Therefore, if Aboriginal and Torres Strait Islander people are to receive the same level of services per case of disease for treating their diseases as the general population, 2.023 times the level of services and expenditure needs to be provided per Indigenous person. In Australia at present, 95 per cent of total health expenditure is estimated to be for treatment and the remaining 5 per cent has a preventive purpose making the age standardised Indigenous/total population burden of disease ratio 2.03.[7]
- This does not include additional costs associated with delivering comprehensive holistic and culturally appropriate care. Nor does it take into account the additional costs to 'close the gap', that is, to ensure Aboriginal and Torres Strait Islander health improves at the rate required to bring it in to parity with non-Indigenous health.

How much additional expenditure is required to bring Aboriginal and Torres Strait Islander health expenditure in line with the non-Indigenous population?

In order for Aboriginal and Torres Strait Islander people to receive the same level of services as the general population, additional recurrent expenditure of $4.4 billion is required including $2.6 billion in additional Commonwealth Government expenditure. The remaining gap largely reflects lower private health expenditure.

This analysis is based on the significantly higher burden of disease experienced by Aboriginal and Torres Strait Islander people. These figures are not intended to be used alone to determine resource allocation and more analysis is required to determine varied costs across the nation associated with delivering efficient and effective, comprehensive and culturally appropriate care to Aboriginal and Torres Strait Islander Australians. However, it is critical we estimate the gap in expenditure because it helps us understand the scale of unmet need amongst Aboriginal and Torres Strait Islanders. If we fail to understand the scale of health needs, we will continue to fail to close the gap.

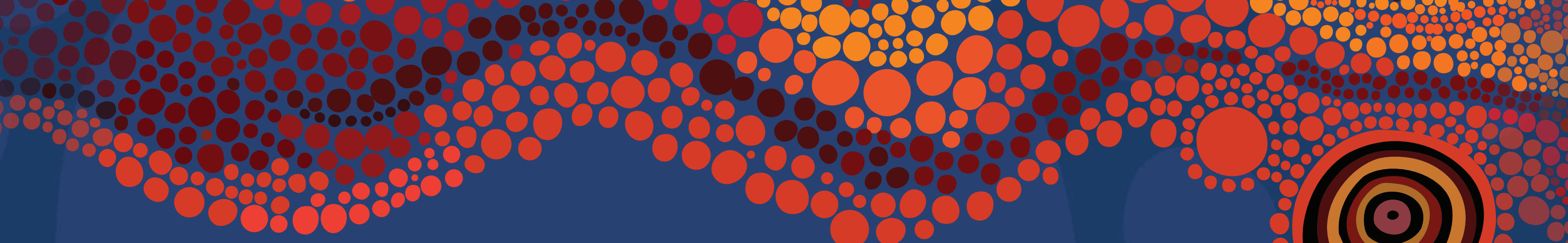
The gap has persisted for a decade

Using the same methodology outlined above the total gap in expenditure across government and non-government sources in 2010 can be estimated to be around $3.2 billion in 2019-20 dollars. However, this estimate varies depending on the figure used for the Aboriginal and Torres Strait Islander population. There are three alternative estimates that could be used:

- The population used in the 2010-11 Indigenous health expenditure report was 569,327 using the 2006 census as a base.
- Using the 2011 census as a base the ABS estimated the population in June 2011 was 669,881.
- In 2019 using the June 2016 census as a base and backcasting, the ABS estimated the Indigenous population was 720,093.

Using the three different population figures gives different estimates of the spending gap. However, a significant gap remains under all scenarios. For the purposes of this estimate, the 2011 data has been used as it is most proximate in time to the comparison expenditure data. Making this assumption means the total gap in spending including government and non-government sources has declined somewhat from 60 per cent to 53 per cent between 2010-11 and 2015-16.

1. Total recurrent health expenditure is taken from the AIHW Health Expenditure Database (total recurrent health expenditure in current prices by area of expenditure and source of funds 2019-20), which excludes capital.
2. Aboriginal and Torres Strait Islander Health Performance Framework https://www.indigenoushpf.gov.au
3. Note that the 2020-21 Commonwealth Budget included significant new funding for Aboriginal and Torres Strait Islanders including: $254 million towards infrastructure to better support Aboriginal Community Controlled Health Organisations; $45 million for Health Mums and Healthy Bubs; $66 million for alcohol and other drug treatment services; $79 million for a National Aboriginal and Torres Strait Islander Suicide Prevention strategy. https://www.pm.gov.au/media/commonwealths-closing-gap-implementation-plan
4. https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3238.02001%20to%202026
5. https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/latest-release
6. AIHW Australian Burden of Disease Study 2018: key findings for Aboriginal and Torres Strait Islander people [https://www.aihw.gov.au/getmedia/a0ff4cc7-d02f-4a8d-b737-3052f510688e/aihw-bod-28.pdf.aspx?inline=true]
7. Ratio estimated by Adjunct Associate Professor Mr John Goss, Health Research Institute, Faculty of Health, University of Canberra.



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Aboriginal health in Aboriginal hands