International Healthcare Project:
Healthcare in Australia

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Australia's health care system is composed of multiple components, including both national health care as well as a private insurance system. Funding and administration is split between multiple levels of government (national, state/territory, and local), and includes for profit and non-profit groups for private insurance. In addition to the interaction between the public and private sectors in health care, there are also challenges based on the geography of Australia due to differences between urban and rural systems.

Australia is a nation roughly the size of the continental US at 7.6 million km^2. However, Australia's population is less than one tenth that of the US, with only 22.9 million people (2012 estimate). In 2011, Australia had a nominal GDP of $1.488 trillion and a nominal per capita GDP of $65,477. Australia's expenditure on health care is 8.7% of GDP, compared to the US expenditure of 16.4% of GDP. Per capita expenditure in Australia is 3,445 US dollars, compared to 7,720 US dollars of per capita expenditure in the US as of 2008. Australia's average life expectancy is 81.2 years (6^{th} in the world) compared to 78.2 years for the US (38^{th} in the world).

Public health insurance in Australia was first introduced in 1975 as Medibank as a universal health care system. The Medibank legislation was a response to a large proportion (mainly low income) of Australians that did not have coverage through the private health care system established following the end of World War II. In 1976, a supplemental private health insurance fund was established. In 1984, Medibank was renamed as Medicare (the private health insurance segment retained the Medibank name). The government focused on simplicity, affordability, universality, and efficiency through the renaming legislation.

Medicare is funded and administered by the Australian Government and consists of three health care components: medical services, prescription pharmaceuticals, and hospital treatment. Medical services and hospital treatment is only covered for public health providers, as private

hospitals are covered by private insurance. In-patient care is regular and free or subsidized by Medicare for all Australians for public hospitals. General practitioner services are also subsidized through bulk billing arrangements. In addition, mental health, preventive care, and long-term care in both community and residential homes are provided. The public mandate also calls for a reduction of health inequity among the entire population, delivery of some degree of dental care, and the provision of quality and accessible health care to people living in remote and rural Australia.

Funding for Medicare is mainly covered through national general revenue, but is also funded in part by an income tax levy. Australian residents are charged a levy of 1.5% on their taxable income, with an additional surcharge of 1% charged to higher income residents without private insurance. For residents who have low income (below AUD$ 22,163), the rate is reduced; and for those with income below AUD$ 18,839, the levy is exempted. Starting from July 2012, the levy surcharge on higher income group will be collected on progressive rates based on earnings. The additional 1% surcharge for those without private insurance is meant to lower the burden on Medicare for those who have the means to purchase private insurance.

Public health care is administered through all levels of government. The Australian Federal Government is responsible for health service funding, the regulation of health products and services, and national health policy leadership. States and territories are responsible for the delivery and management of public health services (including public hospitals, community health and public dental care) and the regulation of private health care providers and private health facilities. Local governments fund and deliver selected health services such as environmental health programs.

National health care is administered through the various components of Medicare. The Medicare Benefits Schedule (MBS) component of Medicare provides rebates to patients for medical services provided by privately practicing doctors, optometrists and other allied health practitioners. Medicare repays schedule fees for ambulatory services from 85% to 100%, with a 75% reimbursement for in-patient care. Physicians can either choose to charge above the schedule fee at a rate that they consider suitable or receive a bulk billing directly from Medicare. Medicare fully covers minors under age of 16, rural and indigenous area patients, and holders of any of the three concession cards (Commonwealth Senior Health Card, Health Care Card, and Pensioner Concession Card) and will pay the total amount of schedule charges as bulk billings for these groups. The Pharmaceutical Benefits Scheme (PBS) component of Medicare provides rebates to private patients for a wide range of prescription pharmaceuticals. Copayment for prescription drugs in the formulary is AUD $35.40 for general patients and it is reduced to AUD $5.80 for those holding concession cards. The copayment is adjusted annually through a CPI index.

Medicare also includes the National Healthcare Agreement and National Partnership Agreements. The National Healthcare Agreement provides grants to state and territory governments for the provision of free hospital treatment as a public patient, as well as funding to state/territory governments for public health programs. National Partnership Agreements provides grants to state/territory governments for hospital and health reform (including public hospital emergency departments), preventative health, the Closing the Gap in Indigenous Health Outcomes initiative, and health infrastructure. Grants for health services for population health programs such as immunization, cancer screening, drug abuse reduction and health promotion are also covered in this agreement.

In addition to Medicare, Australia's health system is supplemented through private insurance. The private health sector (both for profit and not for profit) plays a significant role in delivering and funding health services in Australia. Most medical and allied health practitioners are in private practice and charge a fee for service not covered through Medicare. Private hospitals provide a third of all hospital beds, almost 40% of total hospital separations, and over half of all surgical episodes requiring the use of an operating room. Prescribed pharmaceuticals are also mostly dispensed by private sector pharmacies. Private health insurers provide rebates for ancillary health services (such as physiotherapy and dental services) and hospital treatment as a private patient. Injury compensation insurers providing workers' compensation and third-party motor vehicle insurance also fund some portions of private health care. The private health sector funds roughly one third of all health care in Australia.

At 30 June 2008, private health insurance was offered by 38 registered health insurers, giving a voluntary option to all Australians for private funding of their hospital and ancillary health treatment. It supplements the Medicare system, which provides a tax-financed public system that is available to all Australians. Individuals fund health care through out-of-pocket expenses, net of government and private health insurance rebates. The top private health insurance companies include BUPA, Medibank Private, HBA, NIB, and HCF.

One of the challenges that Australia faces in its health care system is the disparity between urban and rural health care. From a demographic point of view, Australia is very much an urban society with 70% of its population living in metropolitan zones and 89% of these residents living in urban areas. Those living urban areas have a higher life expectancy than those living in rural areas. This disparity is especially pronounced in the aboriginal population, with a difference of 17 years life expectancy. This disparity is caused by several factors, primarily a

lower supply of general practitioners and pharmacists and a significantly lower number per capita of medical specialists in rural areas than in urban areas. Medical specialists and talented clinicians have better career opportunities in large urban hospitals, precipitating this trend. In addition, urban areas have 30% more hostel accommodation for the elderly, and three times more hostel places per capita than rural areas. Nursing home availability decreasing with increasing remoteness is compounded by the fact that nurses provide a higher proportion of health care in rural and remote Australia than in urban Australia. Overall hospitalization rates are also higher for those living in rural areas.

In 2012, the Gillard government introduced the Living Longer, Living Better reform package aimed at improving health care. This reform package provides 3.7 billion dollars through the first five years. The reform focuses on decreasing patient waiting times at health care facilities, especially in emergency care. Another goal of the reform is increasing the transparency of current accounting and pricing systems to increase efficiency in the health care system. Finally, the reform targets an improvement in hospital care, outpatient services, and the Aged Care system.

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