



**Government of South Australia**

Department of Treasury  
and Finance

# Health expenditure: impact on SA

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# Outline

- Ageing, demand and costs
- Budget capacity
- Resources
- HiAP – part of the solution



# Modelling the future

- **Modelling future impacts of ageing and technology on government expenditure**



# Demographics

- Ageing is a worldwide trend
- More than just baby boomers ageing
- Long-run decline in fertility and increased longevity

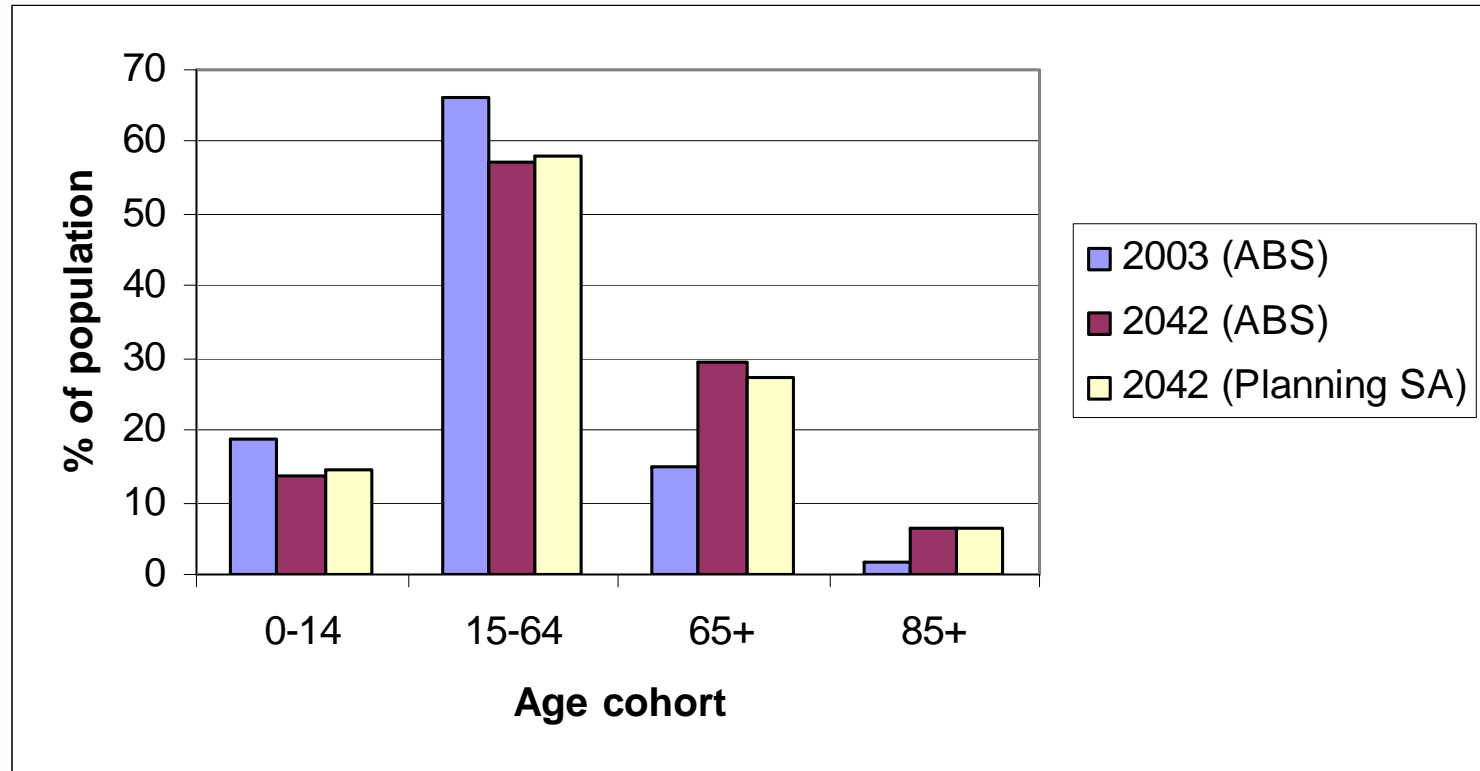


# Ageing

- **40-year population projections have a high degree of uncertainty**
- **But much of the projected ageing is already “built in”**
- **Increased migration and fertility would not significantly impact on projected ageing**

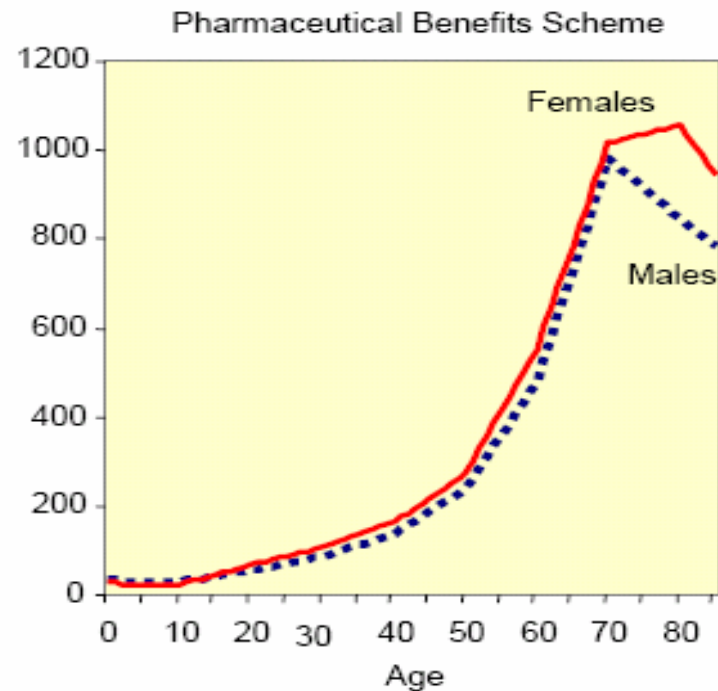
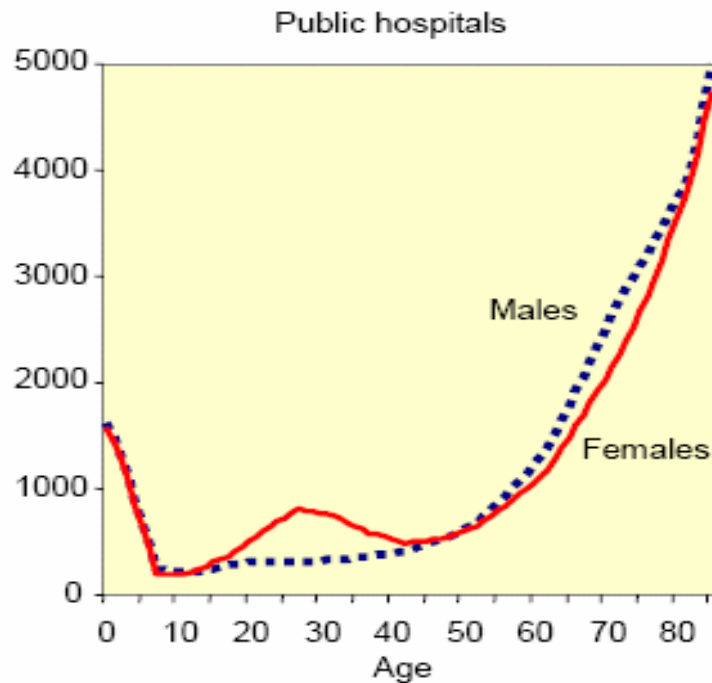


# Age structure in SA



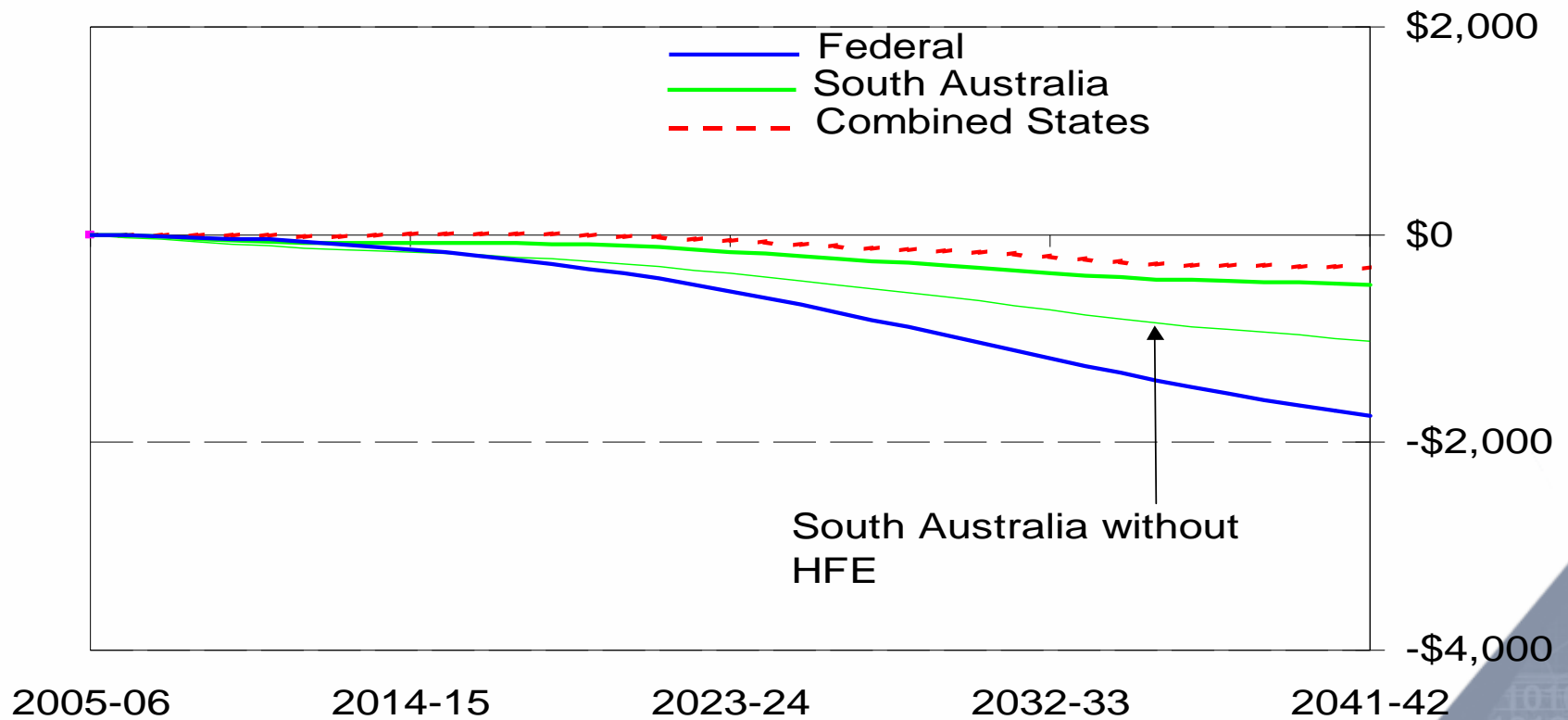
# Health Costs rise with age

(\$ per person)



# Fiscal Impact of Ageing

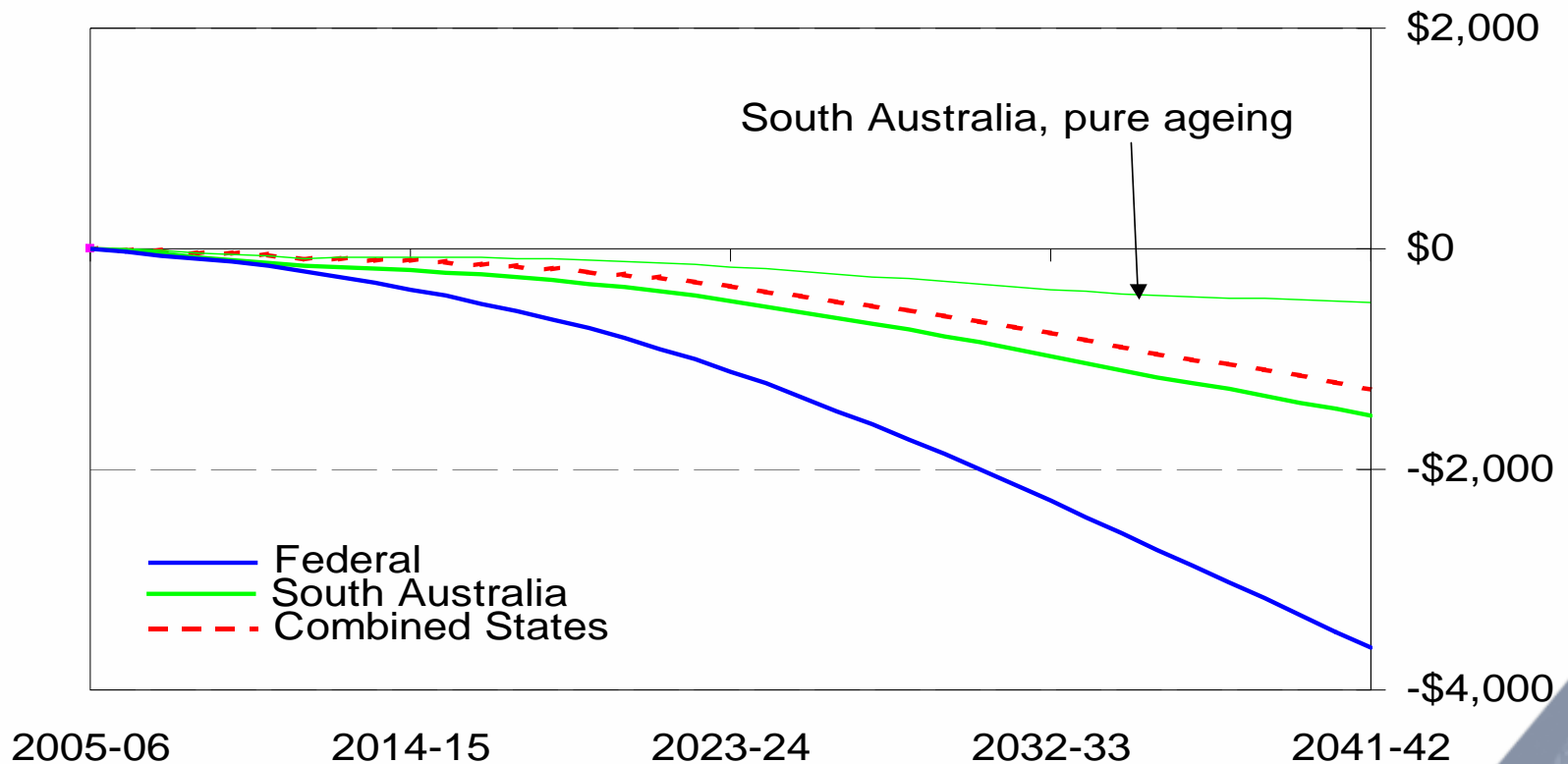
Annual budget balance per capita (real terms), relative to 2005-06



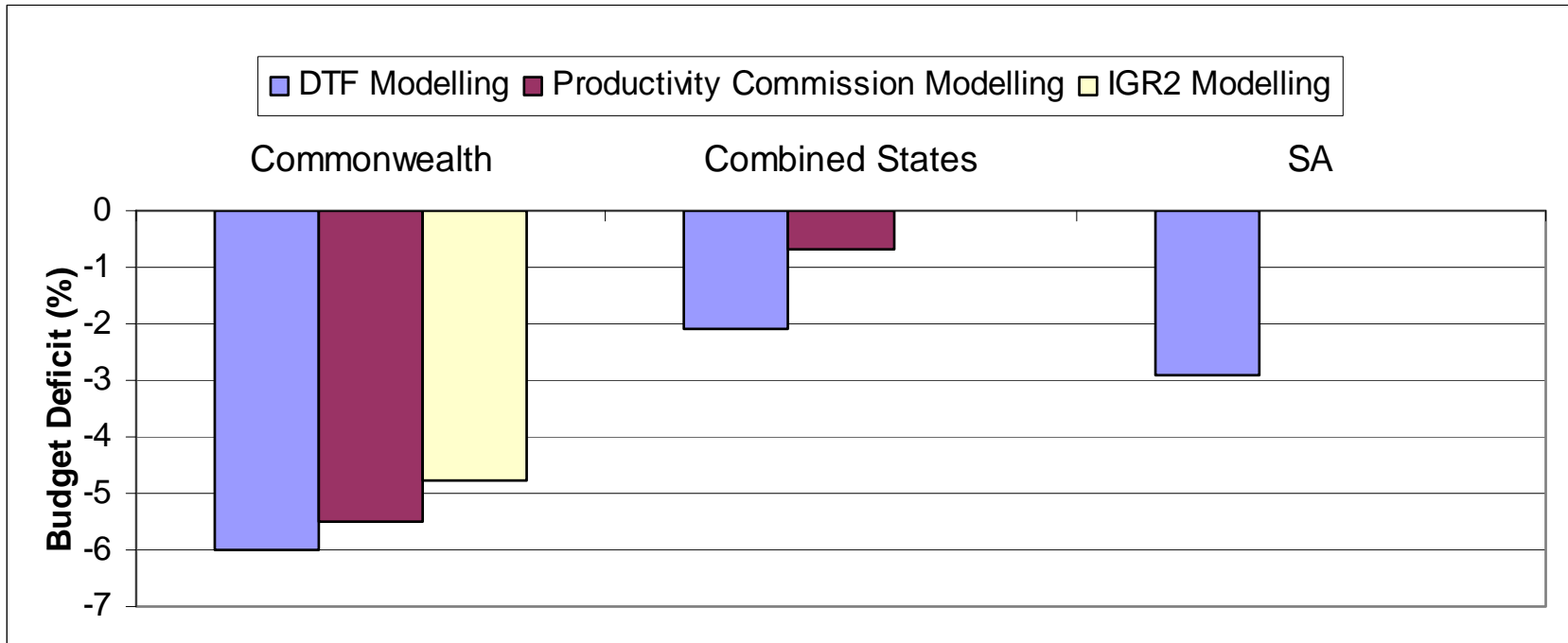


# Ageing + rising health costs

Annual budget balance per capita (real terms), relative to 2005-06



# Change in Budget Primary Balance as % of GDP



# A \$2.4 billion problem?

- **19.8% of revenue**
- **not acceptable**
- **debt**
- **future generations**



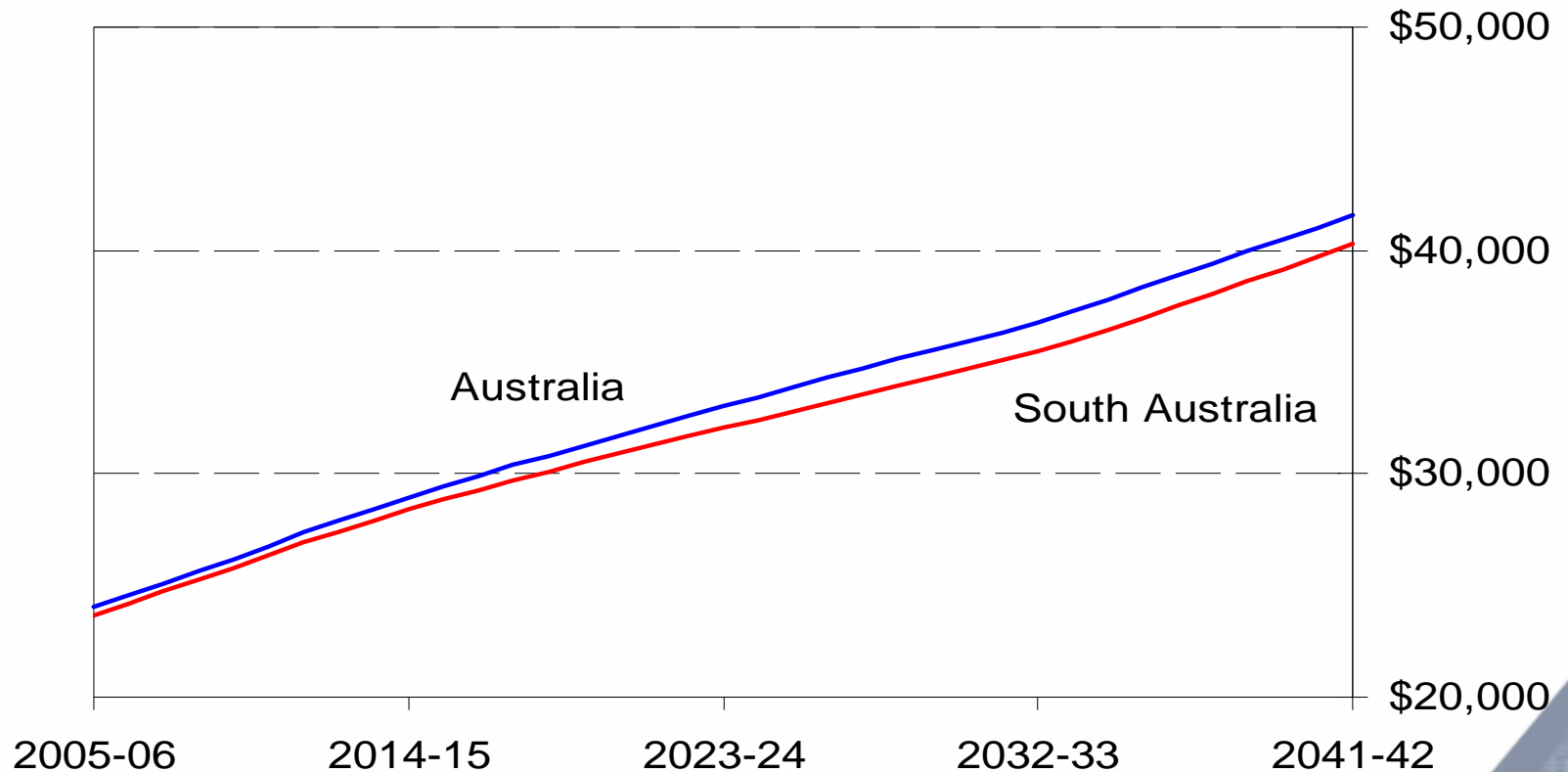
# Options?

- **Tax**
- **Reallocation from other government services**
- **Reallocation from other health services**
- **Reduce impact through policies to deliver a healthier society**



# Tax capacity?

## Household consumption per capita – real terms



# Future deficit impact

**A \$2.4 billion cut in spending would be equivalent to:**

- **19.8% of total Government expenditure**
- **27.8% of non-health expenditure**



# 29 percent for 12 percent

- **12% of the population require public hospital services**
- **29% of the Government's budget is for public hospitals**
- **Australia allocated 2.1% of its health budget in 2005 to public health and prevention vs OECD average of 3.1%**



# Health status

- **Modelling assumes no deterioration in population's health**
- **Deterioration due to chronic disease could worsen fiscal impact**





# Health resources where?

- **Illness vs wellness systems**
- **Acute vs primary care**



# Beyond Health

- **Prevention better than cure**
- **Resources outside of Health**



# Your agency's role

- **More than hospitals**
- **Health in All Policies**

