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FOCUS on Health Spending

OECD Health Statistics 2015

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OECD Health Statistics 2015 *is the most comprehensive source of comparable statistics on health and health systems across the 34 OECD countries. This interactive database can be used for comparative analyses on health status, risk factors to health, health care resources and utilisation, as well as health expenditure and financing.*

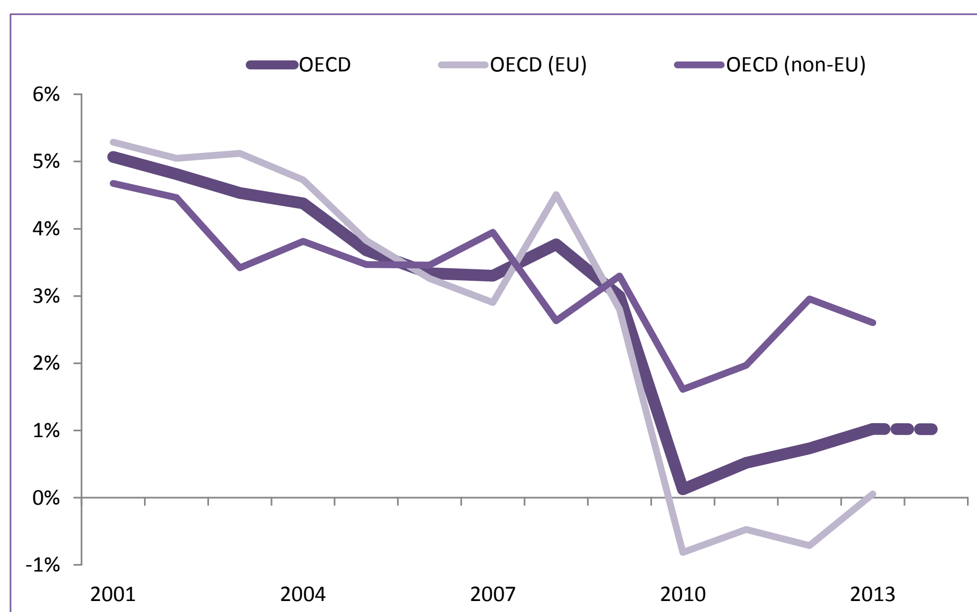
Health spending grows slowly, but European countries lag behind

Spending on health across the OECD edged up slightly in 2013 with preliminary estimates pointing to a continuation of this trend in 2014. The slow rise comes after health spending growth ground to a halt in 2010 in the wake of the global financial and economic crisis. However, many European countries continued to see growth below the OECD average.

Health spending is estimated to have increased by 1.0% in real terms[1] across OECD countries in 2013, up from 0.7% in 2012 and near-zero growth in 2010 (Figure 1). However, growth rates in 2013 remained well below pre-crisis levels: between 2000 and 2009 average growth in health spending reached 3.8%.

Preliminary estimates for a dozen OECD countries suggest that the slow growth trend is likely to continue in 2014 with an initial estimate of health spending growth of around 1.0%. Some convergence between Europe and the rest is forecast, as spending slows in a number of non-European countries.

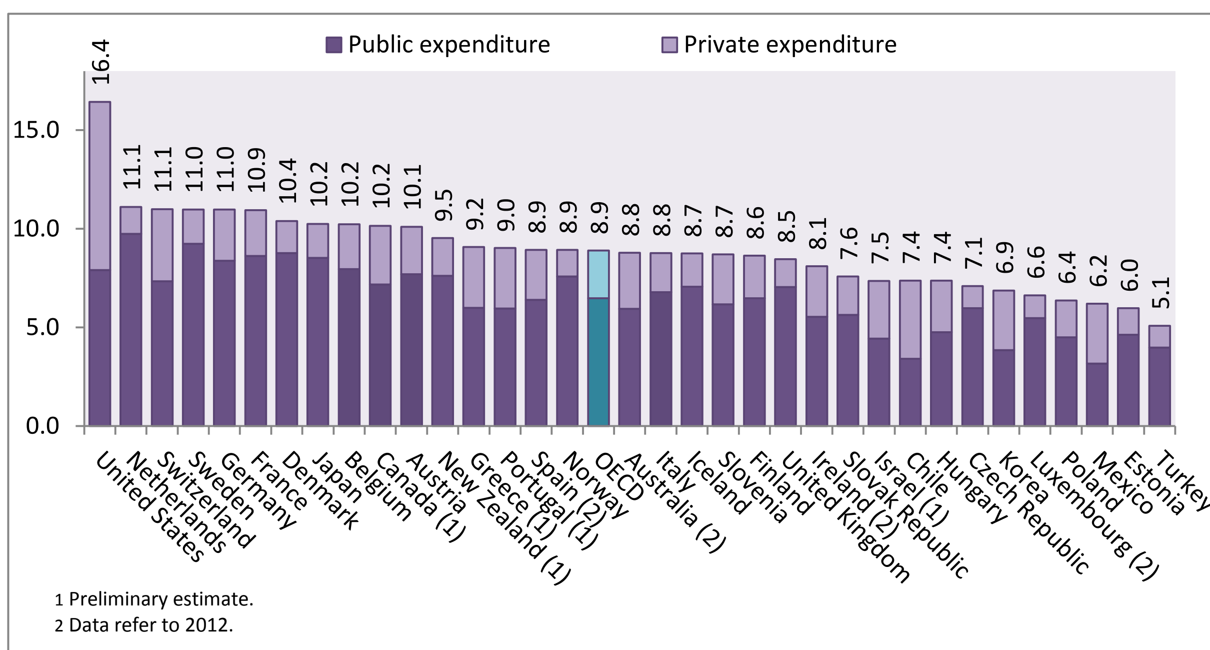
Figure 1. Average annual growth in per capita health spending, in real terms, 2001-2014



Source: OECD Health Statistics 2015

With increases in health spending in line with overall economic growth, health expenditure as a share of GDP has remained stable in recent years. This is in contrast to the years preceding the economic crisis, when health spending outpaced the rest of the economy. In 2013, health spending (excluding investment) as a share of GDP was 8.9%[2], ranging from 5.1% in Turkey to 16.4% in the United States (Figure 2).

Figure 2. Health spending (excluding investment) as a share of GDP, OECD countries, 2013



Source: OECD Health Statistics 2015

A third of OECD countries saw health spending fall in 2013

Many countries continue to see health spending below 2009 levels

Since 2009, there has been a difference of health spending growth between European Union countries and the rest of the OECD. While both groups of countries showed similar levels of growth prior to the crisis, many European countries faced dramatic reductions in health spending from 2010 onwards with some subject to ongoing contraction over a number of years. Average health spending growth across the EU members of the OECD climbed just above zero in 2013 after three successive years of reductions. Across the rest of the OECD, average health spending growth also fell significantly in 2010 (from 3.3% in 2009 to 1.6% in 2010), but since then has averaged between 2% and 3% each year.

Greece, Italy and Portugal saw further reductions in per capita health spending in 2013 (Table 1). For Greece, the 2.5% drop in real terms signalled a fourth consecutive fall in health spending, leaving per capita levels at around 75% of those in 2009. Portugal and Italy have both seen health spending contract for three years in a row. Preliminary estimates for Italy also suggest a further fall in spending occurred in 2014. Austria and the Netherlands posted real term drops in health spending for the first time in 2013. In all, per capita health spending fell in 10 OECD countries (out of the 30 OECD countries reporting 2013 figures), all in Europe but New Zealand.

Significant reversals in health spending growth since 2009

Only six countries have seen higher growth since the start of the economic crisis

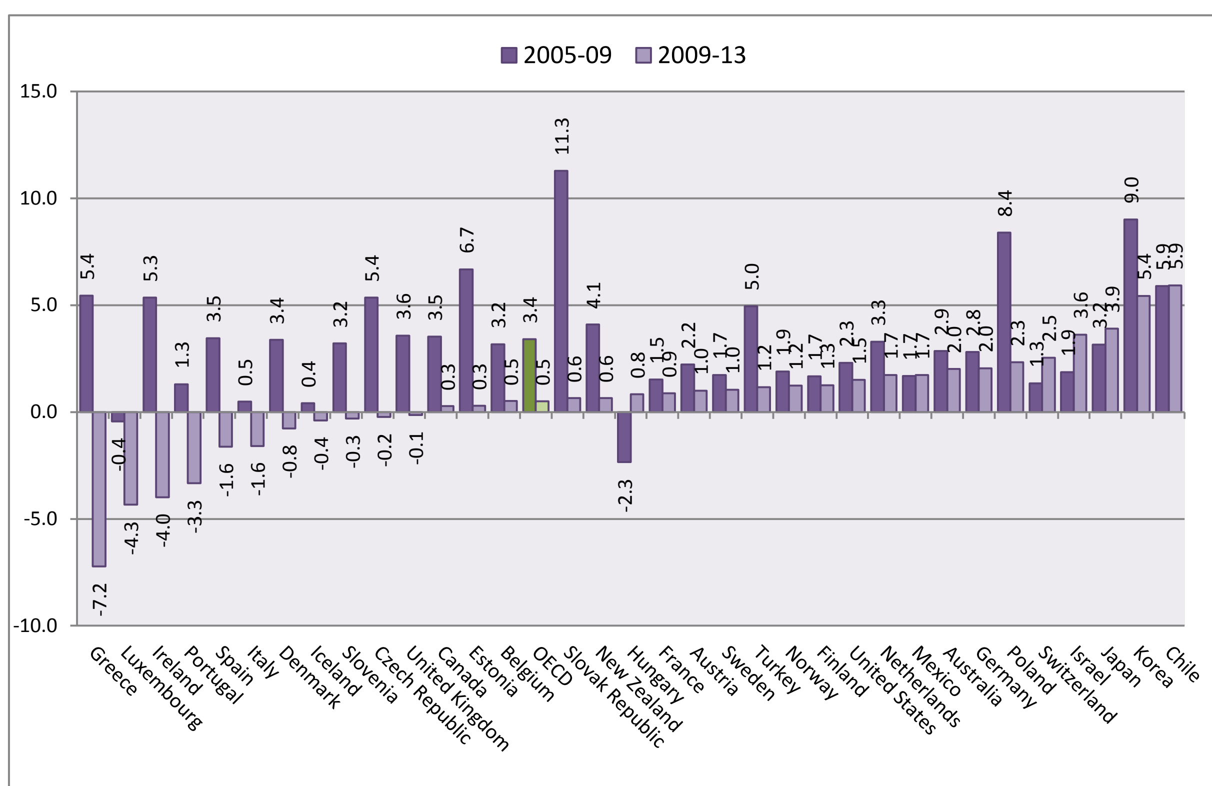
There have been significant changes in the annual growth rates in health spending in years before (2005-2009) and during (2009-2013) the financial crisis in a number of countries (Figure 3). Annual increases have been reversed in Greece (5.4% vs. -7.2%) and Ireland (5.3% vs. -4.0%) and have slowed down in the vast majority of OECD countries. Only six countries — Hungary, Mexico, Switzerland, Israel[3], Japan and Chile — record higher average growth during the crisis than pre-2009.

Chile, Korea and Turkey saw health spending increase by more than 5% in real terms in 2013. For Chile and Korea this level of spending growth has been constant since 2009. Preliminary estimates for 2014 point towards a slowdown in health spending in Japan, after recent strong growth.

In the United States, health spending grew by 1.5% in 2013, less than half the average annual growth rate prior to 2009. The latest available forecasts from the Centers for Medicare and Medicaid Services point to faster growth in 2014 as more Americans gain health insurance coverage.

Canada has seen a sustained period of negative or low growth since 2010. This is in contrast to the average 3.5% growth per year between 2005 and 2009. With health spending growth estimated to have continued below economic growth in 2014, health spending as a share of GDP is expected to drop to 10% — down from a high of 10.6% in 2009.

Figure 3. Average annual growth in per capita health spending, in real terms, OECD countries, 2005-2013



Source: OECD Health Statistics 2015

Table 1. Annual growth in per capita health spending, in real terms, OECD countries, 2010-2014

	2009/10	2010/11	2011/12	2012/13	2013/14
Australia	-1.0%	4.2%	2.9%		
Austria	1.5%	0.5%	2.3%	-0.3%	
Belgium	-0.8%	2.7%	0.1%	0.1%	
Canada	2.0%	-1.3%	0.3%	0.1% e	0.2% e
Chile	5.7%	5.1%	5.9%	6.9%	
Czech Republic	-3.1%	2.5%	-0.1%	-0.2%	
Denmark	-1.4%	-1.4%	0.2%	-0.5%	
Estonia	-4.3%	0.8%	n.a. b	4.4%	
Finland	1.6%	2.3%	0.8%	0.2%	0.8% e
France	0.8%	n.a. b	0.6%	1.2%	
Germany	3.0%	0.8%	2.7%	1.7%	2.5% e
Greece	-10.9% e	-2.8% e	-12.2% e	-2.5% e	
Hungary	5.0%	1.9%	-2.8%	-0.6%	
Iceland	-6.1%	0.1%	1.3%	3.4%	1.2% e
Ireland	-8.7%	-4.1%	1.1%		
Israel	3.1%	2.9%	5.7%	2.8% e	
Italy	1.1%	-0.9%	-3.0%	-3.5%	-0.4% e
Japan	5.2%	4.9%	3.0%		-0.1% e
Korea	8.1%	4.0%	4.4%	5.3%	5.7% e
Luxembourg	-2.2%	-5.8%	-5.0%		
Mexico	1.3%	-2.1%	5.9%	2.0%	
Netherlands	2.3%	1.7%	3.2%	-0.3%	0.0% e
New Zealand	0.4% e	0.8% e	2.7% e	-1.3% e	
Norway	-0.1%	2.6%	1.9%	0.6%	2.4% e
Poland	n.a. b	2.0%	1.2%	3.8%	
Portugal	1.1%	-4.8%	-5.8%	-3.7% e	
Slovak Republic	n.a. b	-2.4%	4.4%	0.0%	
Slovenia	0.9%	0.1%	-0.8%	-1.4%	1.1% e
Spain	0.1%	-1.9%	-3.1%		
Sweden	-0.3%	n.a. b	1.4%	2.0%	
Switzerland	n.a. b	2.1%	3.5%	1.9%	0.8% e
Turkey	-1.2%	1.2%	-0.7%	5.4%	
United Kingdom	-1.3%	-0.1%	0.3%	0.6%	
United States	1.9%	1.0%	1.6%	1.5%	
OECD	**0.2%**	**0.5%**	**0.7%**	**1.0%**	**1.0% e**

b: break in series

e: preliminary estimate

Source: OECD Health Statistics 2015

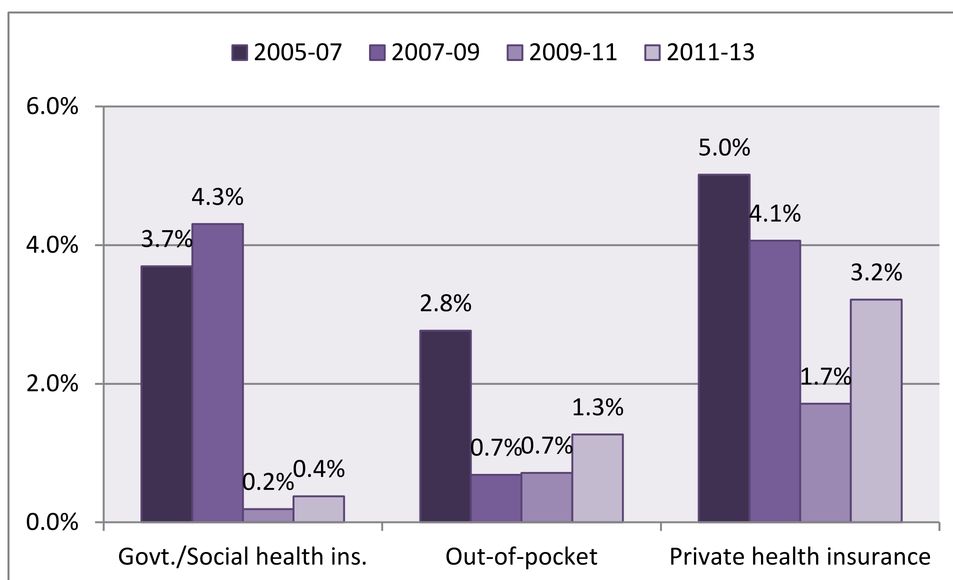
Cuts in public spending and the increasing role of private spending

Public spending on health has been slow to grow since 2009

Almost three-quarters of health spending comes from public sources (either general government or social health insurance), on average across the OECD. Developments in overall health spending are therefore largely driven by the trends in public spending. Strong pre-crisis growth resulted in average public expenditure on health increasing at an annual rate of almost 4% (Figure 4). In 2010, growth in public health spending came almost to a halt overall with reductions in many countries. Since then spending growth has been very slow, often in line with overall economic growth.

While private spending also registered much lower growth since 2009, the reductions have been less pronounced. Government and social insurance budgets were maintained in the immediate aftermath of the crisis, but out-of-pocket spending was more immediately affected

Figure 4. Average annual per capita growth rates by health financing, in real terms, 2005-2013



Source: OECD Health Statistics 2015

as disposable incomes reduced and personal spending was cut. Initially private spending dropped by 0.5% in 2009, whereas public spending continued to grow by over 4% in real terms.

Out-of-pocket spending has continued to grow since 2009, albeit at a slower rate (around 1.0% per year on average), partly as a result of cost-sharing measures introduced in a number of countries.

Measures taken include increasing co-payments for prescribed pharmaceuticals and raising reimbursement thresholds for pharmaceuticals, restricting reimbursement to generics, reducing benefits for dental treatment, increasing user charges for hospital care and emergency treatment, introducing cost-sharing for certain activities in primary care such as vaccinations and removing entitlements for public coverage for particular groups of the population.

Some of the countries hardest hit by the crisis have seen significant increases in out-of-pocket payments as a share of health spending. Greece and Portugal, for example, have seen the private share of health spending increase by around 4 percentage points since 2009 to 31% and 28% of total health spending respectively.

Over a longer period there has been some convergence as the burden of private households to finance health spending has been reduced significantly in some OECD countries as a result of an increase in public coverage. The share in Turkey has been almost halved between 1999 and 2013 from 40% to 22%, while in Mexico the share has gone down from 55% to 45% in the ten years from 2003 to 2013.

Private health insurance (PHI) can play different roles in health systems. Whereas PHI provides primary health care coverage for large population groups in the United States, Chile and Germany it complements or supplements public coverage for the vast majority of the population in countries such as France, Belgium and Slovenia. In other countries, e.g. Australia and Ireland, it serves as duplicate insurance providing access to a larger group of providers.

On average across OECD countries, spending for PHI accounts for only 7% of health spending. For a number of countries PHI plays only a marginal role, but in others it represents a sizeable share, e.g. in the United States (35%) and Chile (21%). The share is also above 10% in Slovenia, France, Ireland and Canada. While health spending growth through private health insurance slowed down significantly in the period 2009-2011,

spending grew by 3.2% between 2011 and 2013 – also as a response to some cost-shifting and loss of coverage in some countries.

Significant spending reductions across all parts of the health care sector

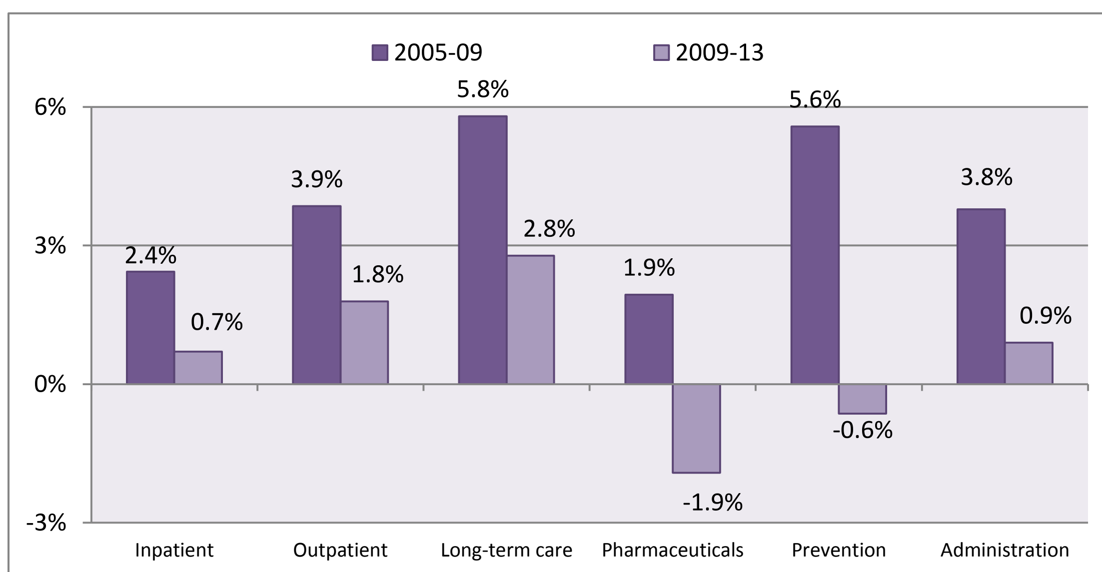
As per capita health spending growth slowed significantly since 2009, all major health spending categories have been affected to varying degrees. Spending on outpatient and long-term care has tended to hold up better, while spending on pharmaceuticals and prevention has seen reductions across many countries (Figure 5).

Pharmaceuticals and prevention continue to bear the brunt of cuts

Expenditure for pharmaceuticals has been cut annually by nearly 2% after recording positive annual increases of 2% in the pre-crisis years — still down on previously strong growth in pharmaceutical spending in the 1990s and early 2000s. Cost-containment measures (e.g. price cuts, the introduction of references pricing, inclusion of compulsory rebates, reduction of pharmacy margins and value-added tax), the end of patents and the rise of generics have all contributed to the reduction in pharmaceutical spending. Nearly three-quarters of OECD countries reported a real term cut in pharmaceutical spending, including Portugal (-8%), Luxembourg (-7%), Greece (-6%) and Spain (-5%). Only Norway and Switzerland experience annual higher expenditure growth for pharmaceuticals during than before the crises, albeit differences being small. Overall, spending on preventive care contracted by -0.6% on an annual basis, after recording very high growth rates during the period 2005-2009 (5.6%). Part of the reversal in spending growth can be explained by the H1N1 influenza epidemic. It led to significant one-off expenditure for the purchase of large stocks of vaccines in many countries around 2009.

Despite initial ring-fencing of public health budgets, prevention spending has been reduced in around half of OECD countries since 2009.

Figure 5. Average annual per capita growth rates for health care spending components, in real terms, 2005-2013



Source: OECD Health Statistics 2015

Spending on long-term care and outpatient services more resistant

While spending on long-term, outpatient and inpatient care have continued to grow, the rates have also significantly reduced since 2009. Across OECD countries, expenditure for long-term care increased by 2.8% per year recently which is half the pre-crisis growth rate. However, given pressure from the demand side due to an ageing society in almost all OECD countries, long-term does not appear to have been a priority area for cost-cutting. Only two countries have seen spending on long-term care decrease between 2009 and 2013.

Long-term care spending growth since 2009 exceeded pre-crisis years in nearly a third of OECD countries, including Japan and Germany. This is also true for Portugal where long-term care is the only major health care component for which spending increased by around 7% annually. Growth has been particularly strong in Korea where expenditure for long-term care increased as a result of measures to expand coverage in their LTC system.

Expenditure growth for outpatient care was also reduced by half overall (1.8% vs. 3.9%) as a result of the crisis but has still remained positive in three-quarters of OECD countries. Some governments decided to protect expenditure for primary care and front-line services whilst looking for cuts elsewhere in the health system. Still, a number of countries recorded important reduction of outpatient care spending between 2009 and 2013, including Greece and Luxembourg; growth was also negative in Italy, Portugal and Spain. On the other hand, Australia, Norway, Japan and Mexico report higher growth rates in outpatient care spending since the crisis.

Inpatient spending grow but at lower rates than outpatient and LTC

Amounting to nearly 30% of total expenditure, hospital (inpatient) care is the biggest individual spending component. Annual average growth rates for hospital care dropped to a quarter of its previous growth rate, down from 2.4%, and was negative between 2009-13 in nearly a dozen OECD countries, including Portugal, Luxembourg and Australia.

Reducing wages in public hospitals, postponing staff replacement and delaying investment in hospital infrastructure were among the most frequent measures taken in OECD countries to balance health budgets. More than a quarter of OECD countries have seen higher growth in hospital spending since 2009 but in most cases on a moderate level. The highest annual increases were observed in Mexico, Japan (both 5%) as well as in Israel and the Netherlands.

Table 2. Average annual per capita growth (AAGR) in health spending, in OECD and emerging economies, in real terms, 2009-2013 and share of GDP, 2013

Country	AAGR %	Share of GDP %[1]
OECD	0.5	9.3
Brazil	6.0*	9.1
China (People's Republic of)	11.0**	5.6
India	n.a.	4.0
Indonesia	8.9	2.9
Russia	-0.2	6.5
South Africa	3.5	8.9

1. Total spending on health (including investments)
* 2009-2011 ** 2009-2012

Source: OECD Health Statistics 2015, WHO Global Health Expenditure Database

Strong health spending growth among emerging economies

OECD Health Statistics 2015 includes health spending and financing data for a set of key emerging countries that allow a comparison of latest trends with OECD countries.

Expansion of health care coverage as part of the move towards Universal Health Care has been a key driver of health spending growth in a number of the key emerging economies. While many OECD countries have faced reductions in per capita health spending and growth has remained close to zero since 2009, China and Indonesia have seen health spending grow rapidly (Table 2).

Brazil, which spends a similar proportion of its GDP on health as OECD countries, saw health spending continue to grow at 6% per year between 2009 and 2011, while South Africa has seen health spending grow between 2% and 6% between 2009 and 2013.

Finally, in the Russian Federation — after double-digit growth (in real terms) in health spending between 2005 and 2009 — economic concerns have resulted in health spending growth grinding to a halt in more recent years.

Did you know?

- Per capita health spending across the OECD grew by 1.0% in real terms in 2013 and is expected to have grown at the same rate in 2014, in line with average GDP growth in OECD countries. Growth in health spending remains well below pre-crisis levels when average annual growth across the OECD was 3.4%.
- A third of OECD countries — mostly European — reported a real term cut in overall health spending in 2013; Greece, Italy and Portugal have seen ongoing reductions in health spending for several years.
- While the average public share of health spending has remained constant (at around 73%), the need to reduce public deficits in some countries has resulted in a shift to private sources of financing via changes to entitlement, amendments to the benefits package and the introduction/extension of user charges. In Greece and Portugal, the private share of health spending increased by around 4 percentage points since 2009, resulting in a third of health spending now coming from private sources.
- Other OECD countries have extended coverage to their populations over a longer period of time. Both Turkey and Mexico have seen a large reduction in the out-of-pocket payments as a share of health spending as public coverage has been extended.
- All sectors of the health system have seen reductions in growth from pre-crisis levels. The end of patents for some big name drugs together with cost-containment policies in many countries has seen spending on pharmaceuticals drop in real terms. Expenditure on prevention services has also generally declined.
- Ring-fencing by some countries of some primary care and front-line services has resulted in less significant reductions in the growth of spending in the outpatient sector.
- Outside of the OECD, health spending has increased rapidly in countries such as China and Indonesia as progress towards universal health coverage takes hold.

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1. Per capita health spending.
2. 9.3% including spending on investments in the health care sector.
3. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law