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## THE ANALYSIS OF HEALTH EXPENDITURES IN OECD MEMBER COUNTRIES

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**Abstract:** *The Organisation for Economic Co-operation and Development (OECD) it is a unique forum, where the governments of the member countries work together to respond to economic and social challenges. Its purpose is to shape policies that promote a better life. The analysis of health expenditures in OECD member countries presents a comparison of a comprehensive set of key indicators regarding the health system performance across OECD member countries and key emerging economies. The analysis is based on the latest comparable data, that come from official national statistics and other sources, illustrating differences across countries and over time in terms of access to and quality of care, and health resources. A special focus is given to the health impact and major trends. This international comparison of the expenses of various health systems offers the possibility of sharing the best practices implemented in the respective countries.*

**Key words:** *health, expenditures, system, OECD countries, indicators*

**JEL CLASSIFICATION:** I10, I11, I13, I15, I18.

### INTRODUCTION

The COVID-19 pandemic has shifted the dynamics of public health. The global level of health spending continues to keep pace with the new challenges presented by the ongoing pandemic, which continues to dominate the attention and resources of health systems. The analysis of health expenditures compares how much countries spend on health and what funds are spent on [3, 4].

#### 1. Health spending [1, 5]

Health spending measures the final consumption of health care goods and services (i.e. current health expenditure) including personal health care (curative care, rehabilitative care, long-term care, ancillary services and medical goods) and collective services (prevention and public health services as well as health administration), but excluding spending on investments.

After jumping substantially in 2020, OECD spending on health as a share of GDP is not expected to have increased further in 2021, despite health spending growth accelerating. This is as a result of the strong economic recovery in many OECD countries in 2021.

As a result of the substantial spending growth and the widespread economic downturn, health spending as a share of GDP jumped to 9.7% across OECD countries in 2020, up from 8.8% in 2019.

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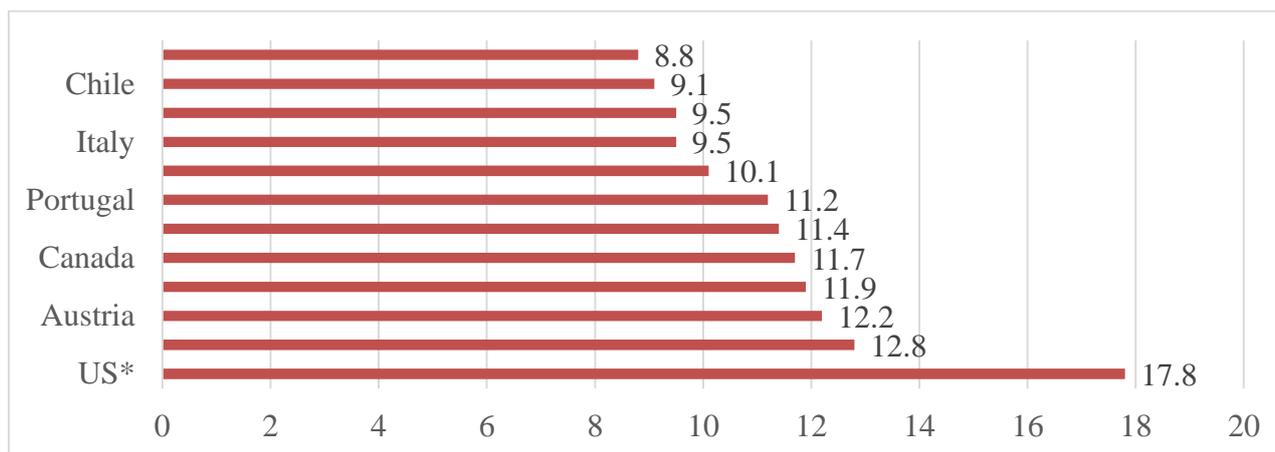


Figure 1. Health spending around the world, as % of GDP, 2021, selected OECD countries<sup>13</sup>

Source: OECD Health Statistics 2022

In many countries, the COVID-19 pandemic revealed a lack of resilience of health systems and additional financing is required to provide countries with the agility to respond to future crises. Generally, there is a need to protect underlying population health, fortify the foundations of health systems, and bolster health workers on the frontline. However, this raises concerns about the fiscal sustainability of health systems in the long-run.

### 1.1. Health expenditure in relation to GDP [2, 3]

The amount spent on health care compared to the size of the overall economy varies over time owing to differences in both the growth of health spending and overall economic growth. During the 1990s and early 2000s, OECD countries generally saw health spending outpace the rest of the economy, leading to an almost continual rise in the ratio of health expenditure to gross domestic product (GDP). After the volatility of the 2008 economic crisis, the share remained relatively stable, as growth in health spending broadly matched overall economic performance across OECD countries. However, with the COVID-19 crisis severely restricting economic activity, and health spending tending to increase, the ratio of health expenditure to GDP is set to experience significant adjustment.

In 2020, prior to the COVID-19 pandemic, OECD countries spent, on average, around 9.7% of their GDP on health care – a figure more or less unchanged since 2013. The United States spent by far the most on health care, equivalent to 12.8% of its GDP – well above Canada, the next highest spending country, at 12.9% (Figure 2). After the United States and Canada, a group of ten high-income countries, including France, Canada, Japan and the United Kingdom, all spent more than 10% of their GDP on health care. The next block of countries spending between 7% and 9% of their GDP on health care includes many of the central and eastern European OECD countries, as well as the newer members from the Latin America region – Colombia and Costa Rica. Finally, Mexico and Turkey spent less than 7% of GDP on health, alongside some of the partner countries, such as the People’s Republic of China (China) and India.

<sup>13</sup> Note: \*these data are OECD estimates for 17 countries. All other data are preliminary.

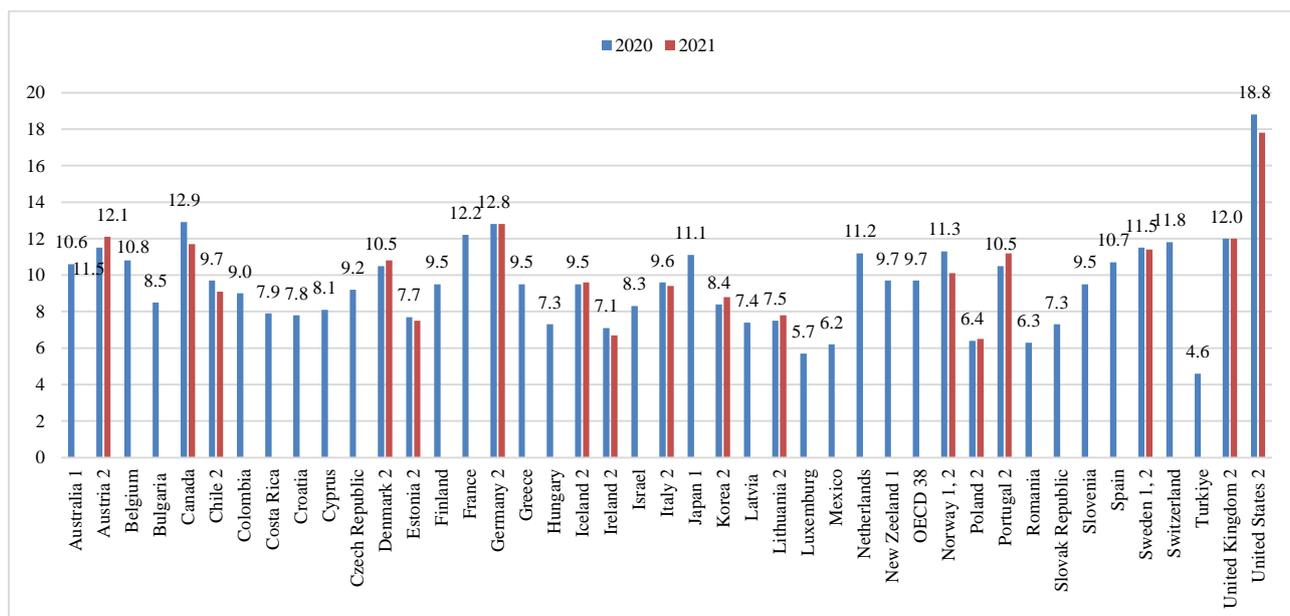


Figure 2. Health expenditure as a share of GDP, 2020 (or nearest year) and 2021<sup>14</sup>

Source: OECD Health Statistics 2022

Preliminary estimates for 2021 for a number of 17 OECD countries not all point to a significant increase in the ratio of health spending to GDP. Only 8 countries estimated an average increasing of 3,3%, the rest one estimated an average decreasing of 7,2%. This reflects both the extra health spending and increases/reductions in GDP caused by economic activity. Based on the initial data, the average share of GDP allocated to health is estimated to have jumped from 8.8% in 2019 to 9.7% in 2020. Those countries most severely affected by the pandemic reported unprecedented increases in the share of GDP allocated to health. The Poland estimated a decrease from 6,5% in 2020 to 5,6% in 2021, while Austria anticipated its share of spending on health rising from 11,5% to more than 12,0%.

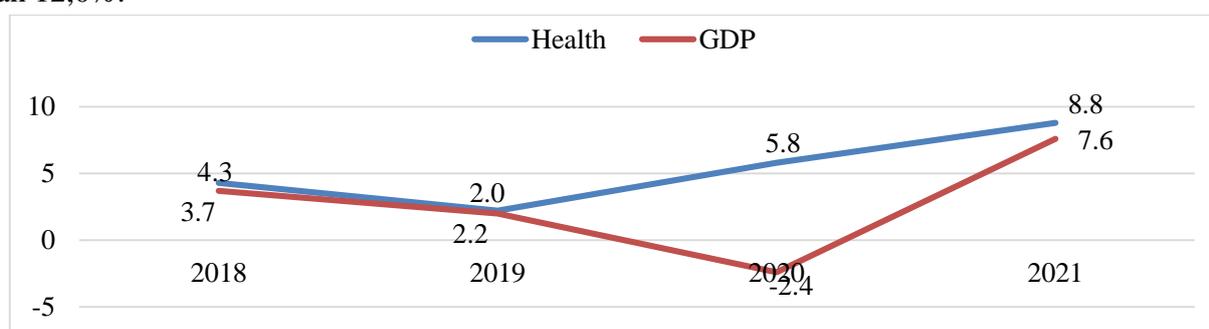


Figure 3. Annual real growth in per capita health expenditure and GDP, OECD, 2017-21<sup>15</sup>

Source: OECD Health Statistics 2022

Analysis of the trends in per capita health spending and GDP over the last 15 years clearly show the two shocks: the economic crisis in 2008 and the recent impact of COVID-19 in 2020 (Figure 3). While OECD economies contracted sharply in 2008 and 2009, health spending growth was maintained for a while before also declining – growth hovered just above zero between 2010 and 2012 – as a range of policy measures to rein in public spending on health kicked in. For the rest of the 2010s, the average rate of health spending growth in OECD countries tended to track growth in

<sup>14</sup> 1. OECD estimates for 2020. 2. OECD estimates for 2021.

<sup>15</sup> Note: Average of 17 OECD countries.

the overall economy closely. The gap widened in 2019, with stronger growth in health spending. With widespread lockdowns and other public health measures severely restricting economic output and consumer spending, many OECD economies went into freefall in 2020. This is likely to be the fastest growth in OECD health spending in the last 15 years. Per capita GDP rose by 3,0% on average, with Lithuania estimated increase of GDP by 12,9% in 2021 and Portugal by 12,3%, according to preliminary data for a number of OECD countries.

In 2020, average per capita health spending in OECD countries (when adjusted for differences in purchasing power) was more than USD 4 000, while in the United States it reached a level more than USD 11 000 for every US citizen. Switzerland, the next highest spender among OECD countries, had health expenditure of around two-thirds of this level (Figure 4). In addition to Switzerland, only a handful of high-income OECD countries, including Germany, Norway and Netherlands, spent more than half of the US spending on health, while others, such as Finland and Iceland, were around the OECD average. Lowest per capita spenders on health among OECD member countries were Colombia, Turkey and Mexico, with health expenditure of around a quarter of the OECD average. Latest available estimates show that per capita spending in Chile and Poland was in 2021 just around 2000 US dollars/capita.

### *1.2. Health expenditure per capita [2]*

The level of per capita health spending, which covers both individual and population health care needs, and how this changes over time, depends on a wide range of demographic, social and economic factors, as well as the financing and organisational arrangements of the health system.

Figure 4. shows the split of health spending based on the type of health care coverage – organised either through government health schemes or compulsory insurance (public or private), or through a voluntary arrangement such as private voluntary health insurance or direct payments by households. Across OECD countries, more than 67% of all health spending is financed through government or compulsory insurance schemes. In the United States, since the introduction of the Affordable Care Act in 2014, this share stands at 77%, reflecting the existence of an individual mandate to purchase health insurance. Federal and state programmes such as Medicaid and Medicare continue to play an important role in purchasing health care.

Preliminary estimates for 2021 show that the lowest per capita spender on health from government or compulsory insurance schemes, among OECD member countries, was Chile, a little over 1500 US dollars/capita. The lowest per capita spending from private voluntary health insurance was registered by Estonia, around 600 US dollars/capita. At the same time, the lowest out-of-pocket spending (direct payments by households) was recorded by Poland 502.2 US dollars/capita.

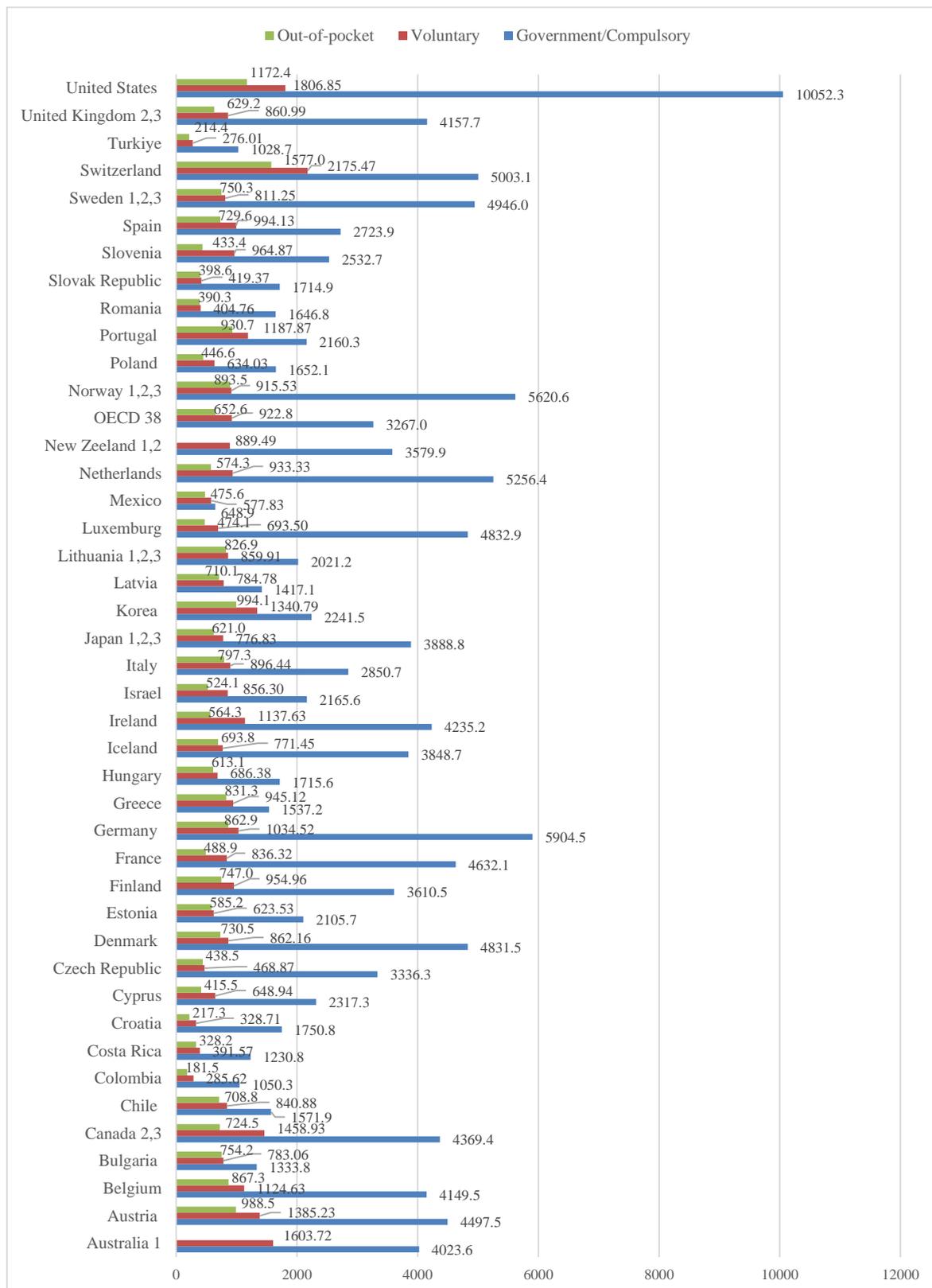


Figure 4. Health expenditure per capita, 2020 (or nearest year)<sup>16</sup>

Source: OECD Health Statistics 2022

<sup>16</sup> 1. Government/compulsory estimates 2. Voluntary estimates. 3. Out-of-pocket estimates.

Between 2017 and 2020, average per capita spending on health care grew by an average of 12% across OECD countries (Figure 5). This compares with the low growth rates experienced in many countries in the years immediately following the global financial and economic crisis. In the 2017-19 period, average annual growth of less than 1% was still seen in Switzerland, but in 2018-20 the average annual growth of less than 1% was still seen in Norway. With the onset of the COVID-19 pandemic in 2020, preliminary estimates for a subset of OECD countries (17 countries) point to a sharp increase in overall health spending of around 7.7%, on average in 2021. This increase would represent the highest growth in average per capita health spending from one year to another.

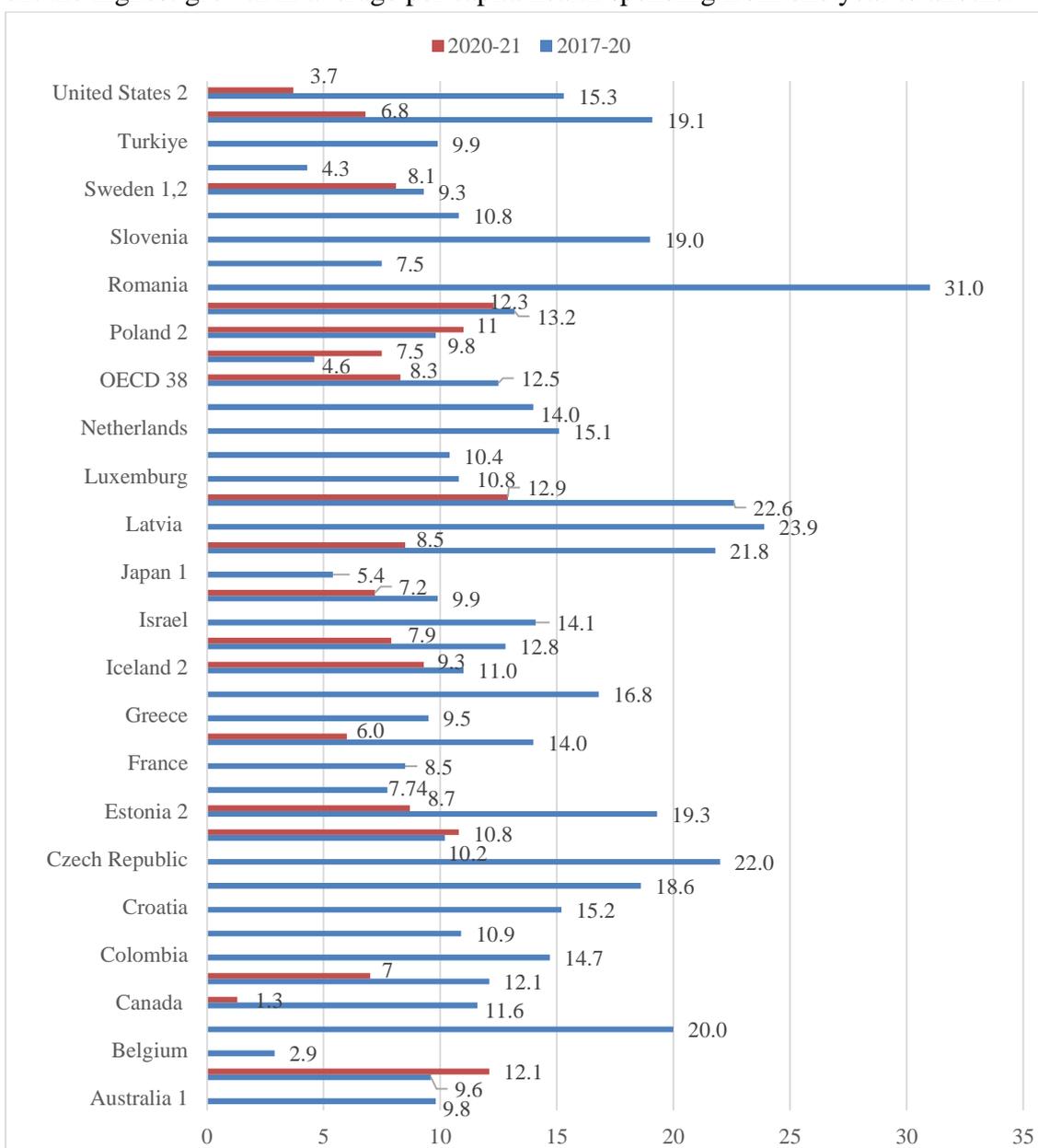


Figure 5. Annual growth in per capita health expenditure (real terms), 2017-20 (or nearest year) and 2020-21<sup>17</sup>

Source: OECD Health Statistics 2022

<sup>17</sup> Note: OECD average growth rate for 2020-21 is based on the preliminary estimates for 17 countries. 1. Estimates for 2018-20. 2. Estimates for 2020-21.

However, there are diverging trends in the pattern of health spending across countries in 2020, varying according to the extent to which a country was affected by the crisis, and reflecting the differing ways that health care is financed in countries. Upward pressure on spending can be observed in a number of countries in line with increased testing and treatment of COVID-19 patients, while widespread containment policies and the reduction in non-COVID-19 care services may have led to lower spending on health, particularly where activity-based financing plays a role. Initial estimates for Austria, Denmark suggest that per capita health spending grew by more than 10% in 2021. A number of other – mainly European – countries able to provide initial estimates also reported significant increases in health spending compared to the previous period.

## **CONCLUSION**

COVID-19 has generated enormous human, social and economic costs, and revealed the underlying fragilities of many health systems to withstand shocks. It has placed immense pressure on health care services that were often already overstretched before the pandemic. The pandemic has also shown that effective health spending is an investment, not a cost to be contained: stronger, more resilient health systems protect both populations and economies [2, 5].

At the same time, additional health spending and COVID-related debt will weigh heavily on budgets, and require careful scrutiny to maximise value for money [2]. Moving forward, it is imperative to strengthen the resilience and preparedness of health systems. The encouraging signs point to the potential for systemic change, with advances in digital health and better integrated care.

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