Health care is purchased through a variety of financing arrangements. In countries where individuals are entitled to health care services based, for example, on their residency, government schemes are the predominant arrangement. In others, some form of compulsory health insurance (either social health insurance or one organised through private insurers) usually covers the bulk of health expenditure. In addition, out-of-pocket payments by households as well as various forms of voluntary health insurance intended to replace, complement or supplement automatic or compulsory coverage make up the rest of health spending.

In 2018, around 73% of health spending was financed through governments and compulsory insurance on average across EU countries (Figure 5.6). In Sweden and Denmark, central, regional or local governments covered around 85% of all health spending. In Luxembourg, Croatia, Germany, France, Slovak Republic and the Netherlands, compulsory health insurance financed more than three-quarters of all health expenditure. Cyprus was the only EU country where less than half of all health spending was financed through government or compulsory insurance schemes. The introduction of the National Health Insurance System starting in 2019 is expected to increase this share substantially.

In five EU countries – Cyprus, Latvia, Bulgaria, Greece and Malta – households' out-of-pocket payments accounted for more than one-third of health spending in 2018 (compared with an EU average of 22%), while only in Slovenia, Ireland and Cyprus did voluntary health insurance finance more than 10% of health spending (EU average: 5%).

To purchase health care goods and services, financing schemes rely on different types of revenues. In 2018, public sources (which includes government transfers and social insurance contributions) funded 73% of all health spending on average across EU countries (Figure 5.7). While this share is identical to the one seen in Figure 5.6, there are differences for some countries. For example, compulsory private health insurance is generally financed from private revenues, which explains why the share of publicly sourced health spending in Germany, France and Switzerland is substantially lower than their respective share of health spending financed from government and compulsory schemes.

Generally, the types of revenues are closely related to the system of health care financing. In Sweden and Denmark, for example, where health care is predominantly purchased through local government schemes, this is almost entirely funded via government transfers. Other types of financing may rely on a mix of different revenue sources. For example, in countries where social health insurance schemes exist, insurance contributions will typically be a major revenue source, but this may be complemented with governmental transfers to cover non-working population groups. Analysing the structure of financing schemes together with the types of revenues that these schemes receive shows that the government's role in funding health care is typically more than being just a simple purchaser of health services.

Public budgets (including social security schemes) finance many different services. Hence, health is competing for public funds with many other sectors such as education, defence and housing. In 2018, around 14% of total government expenditure was allocated to health on average across EU countries (Figure 5.8). In Ireland and Germany, the share of public spending dedicated to health care was around 20%, while in Hungary, Greece, Latvia and Cyprus it was below 10%. Since 2013, with the exception of Finland, the Slovak Republic and Cyprus, these shares increased (slightly) in all EU countries, most notably in Ireland (by 2.1 percentage points) and Greece (by 1.4 percentage points) reflecting that a greater share of government spending is allocated to health. In Greece, however, the share in 2018 is still below the level of 2010.

Definition and comparability

The financing of health care can be analysed from the point of view of financing schemes (financing arrangements through which health services are paid for and obtained by people, e.g. social health insurance) and types of revenues of financing schemes (e.g. social insurance contributions) (OECD, Eurostat and WHO, 2017).

Financing schemes include government schemes, compulsory health insurance as well as voluntary health insurance and private funds such as households' out-of-pocket payments, NGOs and private corporations. Out-of-pocket payments are expenditures borne directly by patients, which can take the form of cost-sharing of services included in the publicly defined benefit package and also direct purchases of goods and services.

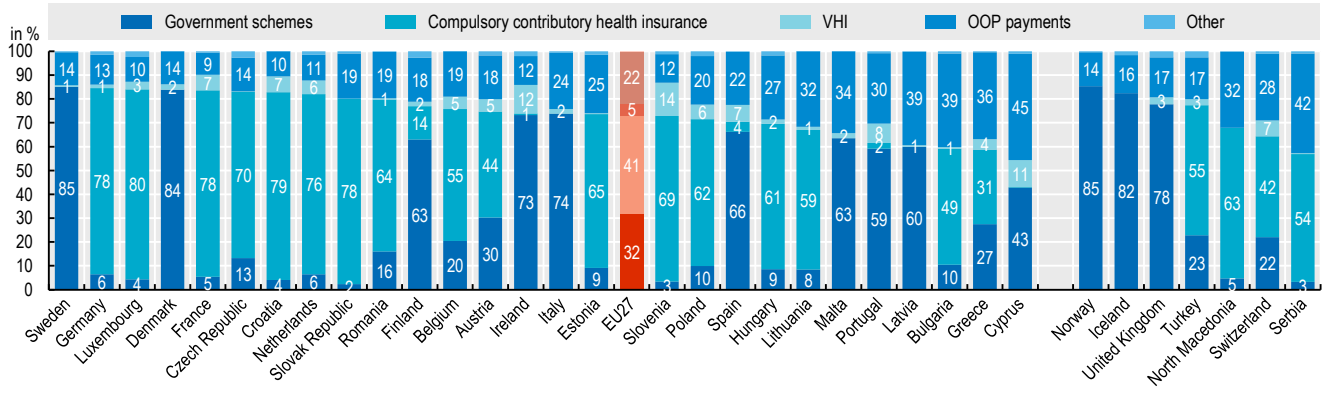
These financing schemes have to raise revenues in order to pay for health care goods and services for the population they are covering. Public revenue sources refer to transfers from the government and social insurance contributions, whereas private revenue sources comprise insurance premiums (for private voluntary or compulsory insurance) as well as other any other fund from households or corporations.

Total government expenditure is used as defined in the System of National Accounts and includes as major components: intermediate consumption, compensation of employees, interest, social benefits, social transfers in kind, subsidies, other current expenditure and capital expenditure payable by central, regional and local governments as well as social security funds.

Reference

OECD/Eurostat/WHO (2017), *A System of Health Accounts 2011: Revised edition*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264270985-en*.

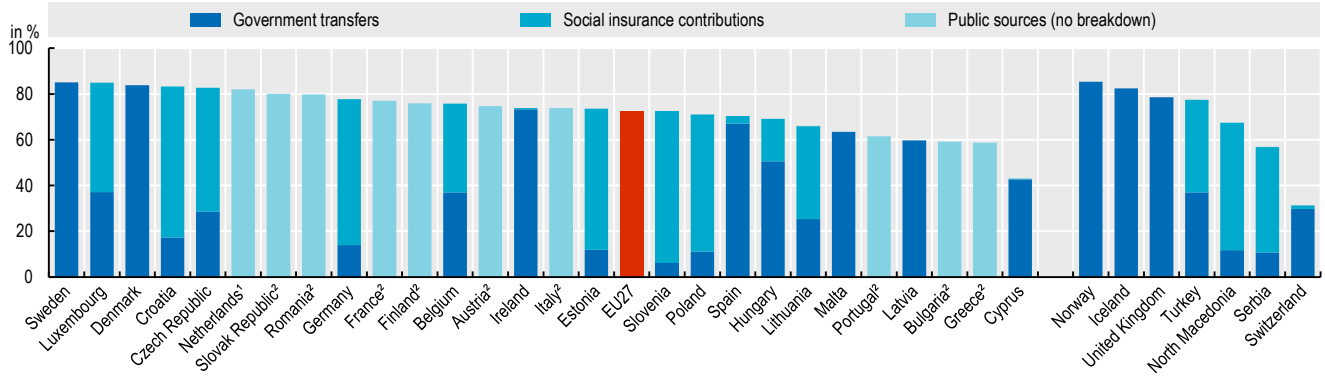
Figure 5.6. **Health expenditure by type of financing, 2018 (or nearest year)**



Note: Countries are ranked by government schemes and compulsory health insurance as a share of health expenditure. The EU average is unweighted. "VHI" stands for voluntary health insurance. The "Other" category refers to charities, corporations, foreign and undefined schemes.
Source: OECD Health Statistics 2020; Eurostat Database; WHO Global Health Expenditure Database.

StatLink https://stat.link/4rljp5

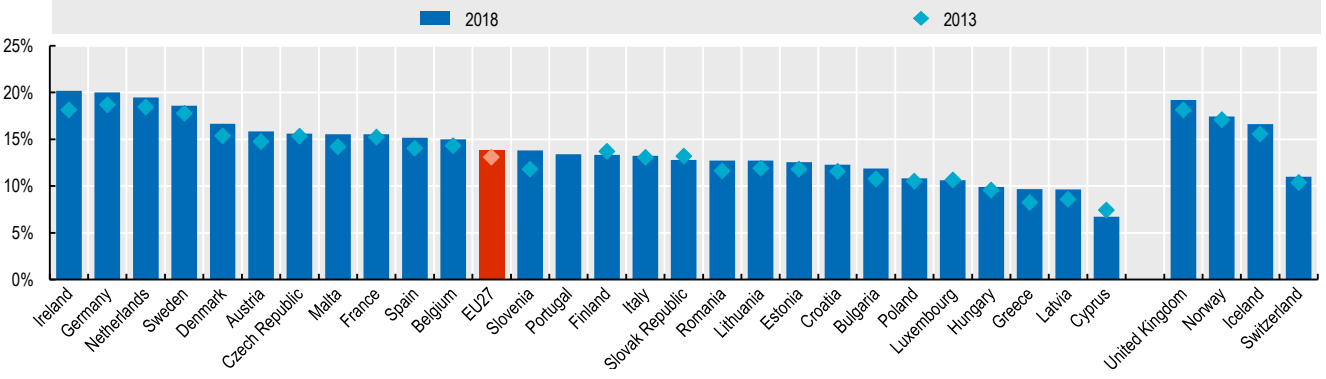
Figure 5.7. **Health expenditure from public sources as share of total health spending, 2018 (or nearest year)**



Note: The EU average is unweighted. 1. Public sources include spending by government schemes, social health insurance and compulsory private insurance. 2. Public sources include spending by government schemes and social health insurance schemes.
Source: OECD Health Statistics 2020; WHO Global Health Expenditure Database.

StatLink https://stat.link/4w2q7p

Figure 5.8. **Health expenditure from public sources as a share of total government expenditure, 2013 and 2018 (or nearest year)**



Note: For those countries without information on sources of revenues, data from financing schemes is used. No comparable data for Portugal for 2013. The EU average is unweighted.
Source: OECD Health Statistics 2020; OECD National Accounts Database; Eurostat database.

StatLink https://stat.link/shr2g1

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