

Public funding of health spending

While financing schemes purchase healthcare on behalf of individuals and the population (see indicator “Health expenditure by financing scheme”), the revenues to fund this expenditure can originate from different sources. Most funding for government schemes comes from general government revenues (such as taxation), which are channelled through the budget process. However, governments might also contribute to social health insurance, for example, by covering the contributions of specific population groups or providing general budget support to insurance funds. Individuals purchase private health insurance through the payment of regular premiums. However, part of the premium may be paid by the employer, or it may be subsidised by government. Individuals also finance care directly, using household income to pay for services in their entirety or as part of a cost-sharing arrangement with a third-party financing scheme. Other health financing schemes (such as non-profit or enterprise schemes) can receive donations or generate income from investments or other commercial operations. Finally, although limited in most OECD countries, funds can come from non-domestic sources.

Public funding can be defined as the sum of government transfers and all social contributions. In 2021, public sources financed on average 73% of healthcare spending in OECD countries (Figure 7.12). Where government financing schemes are the principal financing mechanism, such as in Norway, Sweden and Denmark, government transfers fund 85% or more of healthcare expenditure. In other countries such as Slovenia or Germany, the majority of public funding refers to social insurance contributions payable by employers and employees. In many countries with social health insurance, government schemes do not purchase many health services directly but provide transfers and subsidies to other schemes. In the Czech Republic, government transfers to social health insurance on behalf of specific population groups are an important funding source, such that 87% of health expenditure overall was publicly financed in 2021.

Governments fund a range of public services, and healthcare is competing with many other sectors including education, defence, and housing for resources. The level of public funding on health is determined by factors such as the type of health system in place, the demographic of the population, shifting budget priorities, and economic conditions. Health spending accounted for an average of 15% of total government expenditure across the OECD in 2021, an increase of 1 percentage point compared to 2011 (Figure 7.13). While during the initial phase of the pandemic many OECD countries were able to substantially increase the public resources available to healthcare, the economic and geopolitical climate has brought new challenges in 2022 with Russia’s war in Ukraine adding to already rising energy costs with inflationary pressures across much of the OECD. These economic and geo-political developments will affect the resources available to finance both public and private health spending, as well as the costs of health service delivery (OECD, 2023^[1]).

Many OECD countries have a system of compulsory health insurance – either social health insurance or through private coverage – but there is substantial diversity in the composition of revenues for these types of schemes (Figure 7.14). The importance of government transfers as a source of revenue can vary significantly. On average, around two-thirds of financing comes from social contributions (or premiums) – primarily split between employees and employers – but around a quarter still comes from government transfers, either on behalf of certain groups (e.g. the poor or unemployed) or as general support. In Chile and Hungary, government transfers fund over 60% of the health spending of the social health insurance system. Meanwhile, in Poland, Slovenia and Costa Rica the share was 5% or less, with social insurance contributions as the main funding source.

Definition and comparability

Health financing schemes have to raise revenues to pay for healthcare for the population they are covering. In general, financing schemes can receive transfers from the government, social insurance contributions, voluntary or compulsory prepayments (e.g. insurance premiums), other domestic revenues, and revenues from abroad (e.g. as part of development aid).

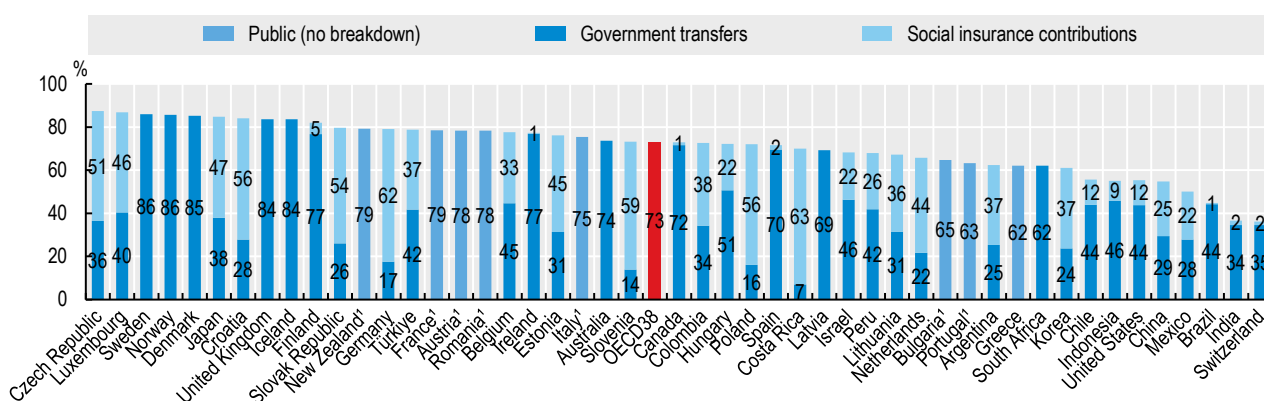
Revenues of a financing scheme are rarely equal to expenses in any given year leading to a surplus or deficit of funds. In practice, most countries use the composition of revenues per scheme to apply on a pro-rata basis to the scheme’s expenditure thus providing a picture of how spending was financed in the accounting period.

Total government expenditure is as defined in the System of National Accounts. Using the methodology of the *System of Health Accounts* (OECD/Eurostat/WHO, 2017^[2]) public spending on health is equal to the sum of transfers from government (domestic), transfers from government (foreign), and social insurance contributions. In the absence of information from the revenue side, the sum of spending by government financing schemes and social health insurance is taken as a proxy.

References

- OECD (2023), “Health care financing in times of high inflation”, OECD, Paris, <https://www.oecd.org/health/Health-care-financing-in-times-of-high-inflation.pdf>. [1]
- OECD/Eurostat/WHO (2017), *A System of Health Accounts 2011: Revised edition*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264270985-en>. [2]

Figure 7.12. Health expenditure from public sources as share of total health expenditure, 2021 (or nearest year)

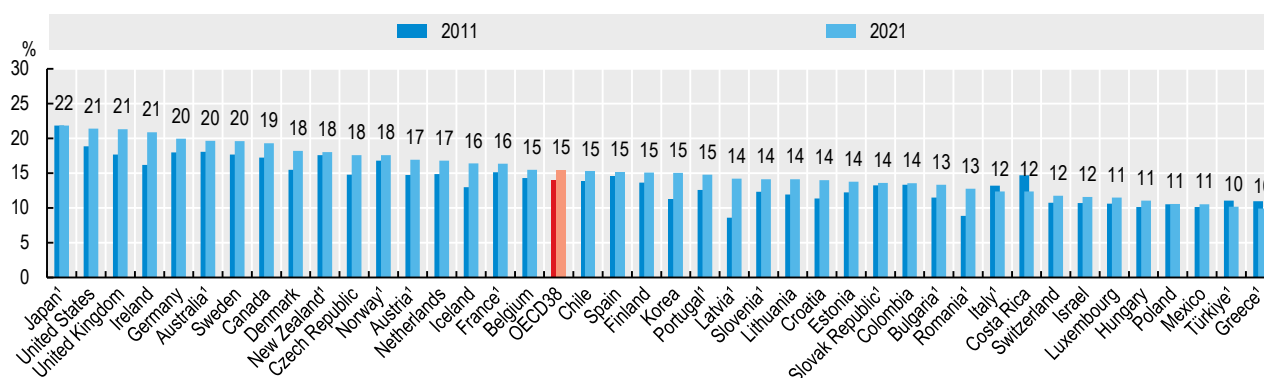


1. Public is calculated using spending by government schemes and social health insurance.

Source: OECD Health Statistics 2023.

StatLink <https://stat.link/sf7zlw>

Figure 7.13. Health expenditure from public sources as a share of total government expenditure, 2011 and 2021 (or nearest year)

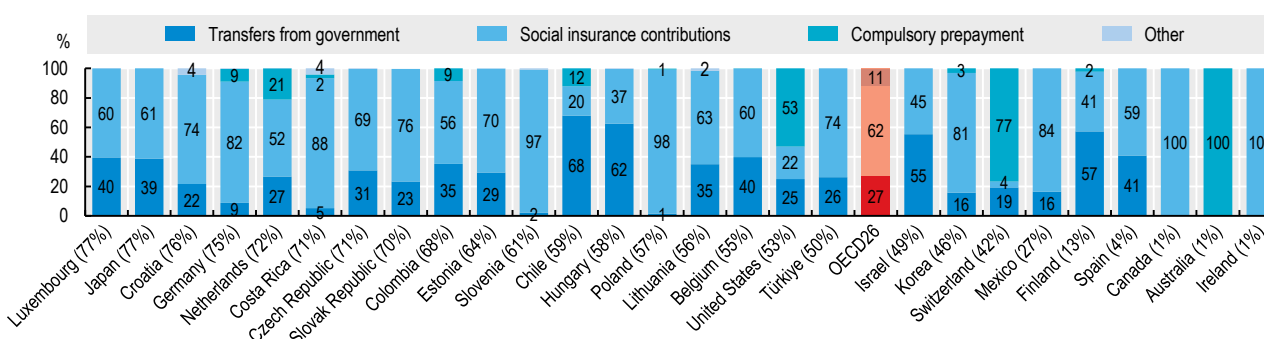


1. Public funding is calculated using spending by government schemes and social health insurance.

Source: OECD Health Statistics 2023. OECD National Accounts database.

StatLink <https://stat.link/lfa86e>

Figure 7.14. Financing sources of compulsory health insurance, 2021 (or nearest year)



Note: Numbers in brackets indicate the contribution of compulsory health insurance to total health expenditure. Category "Others" includes other domestic revenues and direct foreign transfers.

Source: OECD Health Statistics 2023.

StatLink <https://stat.link/6kuin5>



From:
Health at a Glance 2023
OECD Indicators

Access the complete publication at:
<https://doi.org/10.1787/7a7afb35-en>

Please cite this chapter as:

OECD (2023), “Public funding of health spending”, in *Health at a Glance 2023: OECD Indicators*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/13bdf54-en>

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.