

Health expenditure by financing scheme

Individuals or groups of the population obtain health care through a variety of financing arrangements. These involve a range of third-party schemes but also, by convention, payments made directly by households. Government financing schemes, on a national or subnational basis or for specific population groups, entitle individuals to health care based on residency, and form the principal mechanism to cover health care costs in close to half of OECD countries. The other main method of financing is some form of compulsory health insurance (managed through public or private entities). Spending by households (out-of-pocket spending), both on a fully discretionary basis and as part of some co-payment arrangement, can constitute a significant part of overall health spending. Finally, voluntary health insurance, in its various forms, can also play an important funding role in some countries.

Compulsory or automatic coverage, through government schemes or health insurance, forms the bulk of health care financing in OECD countries (Figure 7.9). Taken together, three-quarters of all health care spending in 2019 was covered through these types of mandatory financing schemes. Central, regional or local government schemes in Norway, Denmark, Sweden, Iceland and the United Kingdom accounted for 80% or more of national health spending. In Germany, Japan, France and the Netherlands, more than 75% of spending was covered through a type of compulsory health insurance scheme. While Germany and Japan rely on a comprehensive social health insurance, France supplements the public health insurance coverage with a system of private health insurance arrangements, which became compulsory under certain employment conditions in 2016.

In the United States, federal and state programmes, such as Medicaid, covered around one-quarter of all US health care spending in 2019. Although almost 60% of expenditure was classified under compulsory insurance schemes, this covers very different arrangements. Federal health insurance schemes, such as Medicare, covered a quarter of all spending but most spending in this category related to private health insurance. The latter accounted for a further third of all health spending and is considered compulsory under the Affordable Care Act due to the individual mandate for individuals to buy coverage.

Out-of-pocket payments financed one-fifth of all health spending in 2019 in OECD countries, with the share broadly decreasing as GDP increases. Households accounted for one-third or more of all spending in Mexico (42%), Latvia (37%), Greece (36%) and Chile (33%), while in France out-of-pocket spending was below 10%. Out-of-pocket spending on health care was also greater than 35% in the Russian Federation (Russia) and China, and above 60% in India.

With moves towards universal health coverage, a number of OECD countries have increased spending by government or

compulsory insurance schemes in recent decades. As a result, there have been some significant decreases in the share of health care costs payable by individuals and voluntary insurance schemes in some countries. So while the proportion of health spending covered by those two schemes across OECD countries slightly decreased from around 28% in 2003 to 25% in 2019, there is notable variability within countries. In Slovenia and Canada, where voluntary health insurance plays an important role, the share remained relatively flat, while it grew in Korea and Mexico (Figure 7.10).

In the years following the global financial and economic crisis, the share of health spending covered by out-of-pocket payments rose in several European countries, such as Greece (6 percentage points), Portugal (5 percentage points) and Spain (3 percentage points) (Figure 7.11). This may have been the result of policies introduced to balance public budgets, such as introducing or increasing co-payments or raising reimbursement thresholds. In Chile and Korea, on the other hand, the share of out-of-pocket spending has gradually declined over the last 15 years. Preliminary estimates of health spending in 2020 suggest that spending from private financing may have decreased as the impact of COVID-19 reduced health care activities in areas of the sector where private spending plays a greater role, such as dental care and over-the-counter pharmaceuticals. At the same time, many OECD governments increased budget commitments for health, to cover the additional costs associated with COVID-19 (OECD, 2021[4]).

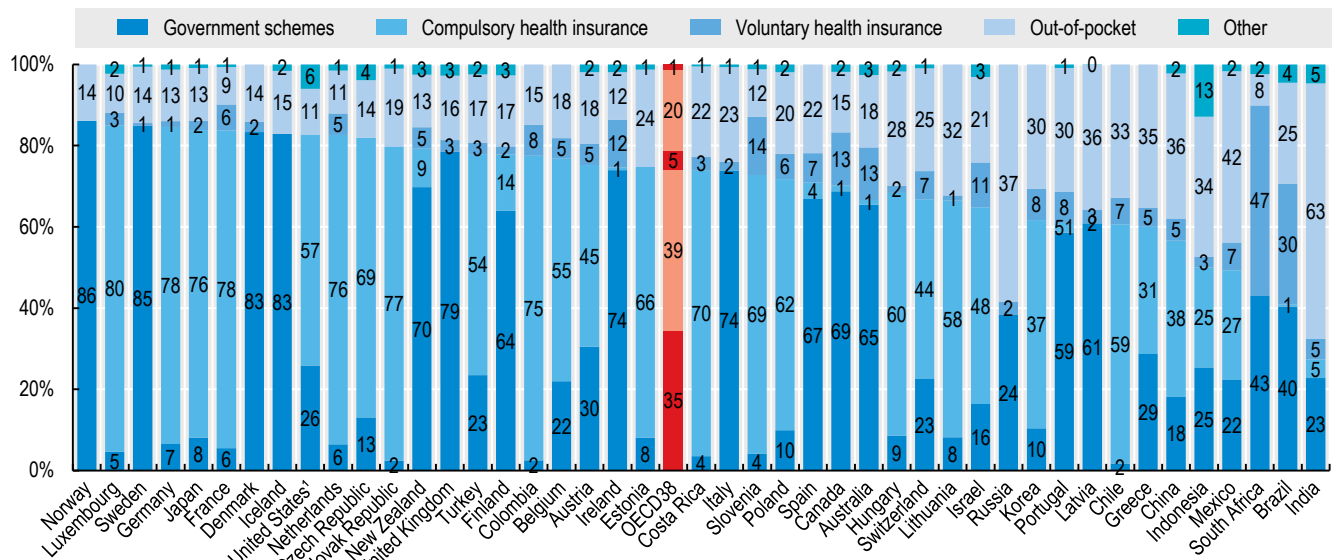
Definition and comparability

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, such as social health insurance), financing agents (organisations managing the financing schemes, such as social insurance agencies), and types of revenues of financing schemes (such as social insurance contributions). Here “financing” is used in the sense of financing schemes as defined in the System of Health Accounts (OECD/Eurostat/WHO, 2017[1]) and includes government schemes, compulsory health insurance, voluntary health insurance and private funds such as households’ out-of-pocket payments and financing from non-governmental organisation (NGO) and private corporation schemes. Out-of-pocket payments are expenditures borne directly by patients. The data include cost-sharing and, in certain countries, estimations of informal payments to health care providers.

7. HEALTH EXPENDITURE

Health expenditure by financing scheme

Figure 7.9. Health expenditure by type of financing, 2019 (or nearest year)

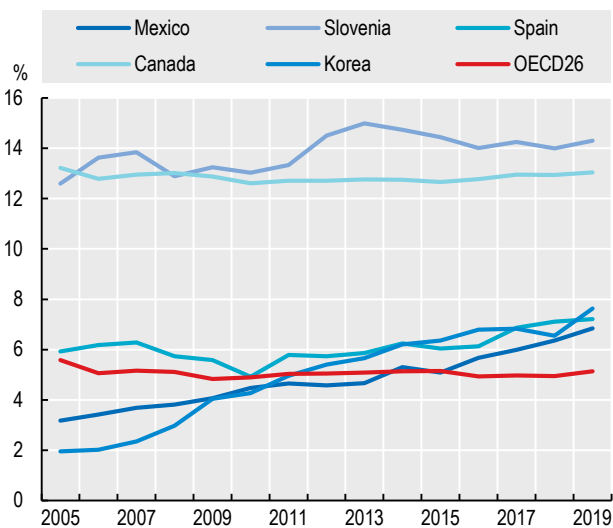


1. All spending by private health insurance companies reported under compulsory health insurance. Category "Other" refers to financing by NGOs, employers, non-resident schemes and unknown schemes.

Source: OECD Health Statistics 2021.

StatLink <https://stat.link/fnap0l>

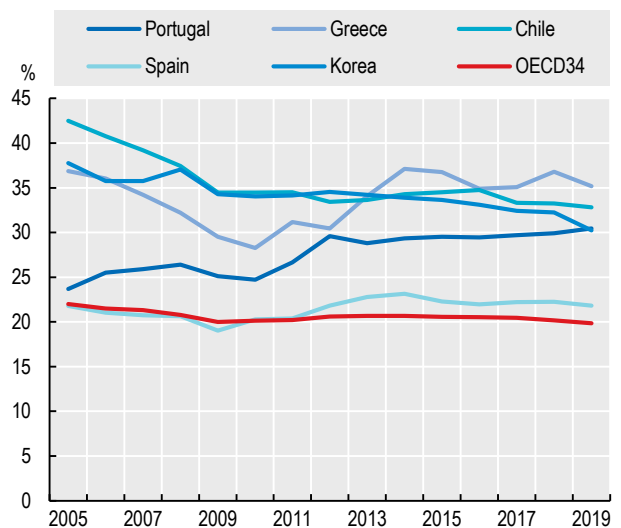
Figure 7.10. Voluntary health insurance expenditure as a proportion of total, selected countries, 2005-19



Source: OECD Health Statistics 2021.

StatLink <https://stat.link/rthb9l>

Figure 7.11. Out-of-pocket health expenditure as a proportion of total, selected countries, 2005-19



Source: OECD Health Statistics 2021.

StatLink <https://stat.link/y3bq27>



From:
Health at a Glance 2021
OECD Indicators

Access the complete publication at:
<https://doi.org/10.1787/ae3016b9-en>

Please cite this chapter as:

OECD (2021), "Health expenditure by financing scheme", in *Health at a Glance 2021: OECD Indicators*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/182444bf-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

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>.