Financing of health expenditure

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 2020, 81% of total health spending in the EU was financed through governments and compulsory insurance (Figure 5.6). In Sweden and Denmark, government schemes covered around 85% of all health spending. In Luxembourg, Croatia, Germany, France, the Slovak Republic and the Netherlands, compulsory health insurance financed more than three-quarters of all health expenditure.

The share of health spending financed through households' out-of-pocket payments was 15% across EU countries. In three EU countries – Bulgaria, Greece and Malta – households' out-of-pocket payments accounted for at least one-third of all health spending in 2020. Only in Slovenia did voluntary health insurance finance more than 10% of health spending, compared to the EU weighted average of 3%.

Collectively, the health crisis caused a rise in the share of health spending financed through government and compulsory insurance, with significant additional public spending made available to increase health system capacity. Meanwhile, spending through households' out-of-pocket payments and voluntary insurance generally decreased as a result of postponement and reduced demand for elective health care services and hesitancy of patients to seek care out of fear of infection.

To purchase health care goods and services, financing schemes rely on different types of revenues. In 2020, public sources (which includes government transfers and social insurance contributions) funded 77% of all health spending on average across EU countries (Figure 5.7). While this share is comparable to that 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.

Public budgets finance many different services and health care is competing for funds with other sectors such as education, defence and housing. The COVID-19 pandemic caused major upward pressure on health budgets during 2020 but similar pressures were felt across many other public spending priorities, with governments providing substantial support to firms and households. As a result, the share of total government expenditure allocated to health remained at 14% on average across EU countries (Figure 5.8) compared to 2019. In Ireland and Germany, the share of public spending dedicated to health care was around 20%, while in Hungary, Greece and Poland, it was around 10%. Since 2015, these shares have risen in most EU countries, but the increases have been mainly moderate.

Definition and comparability

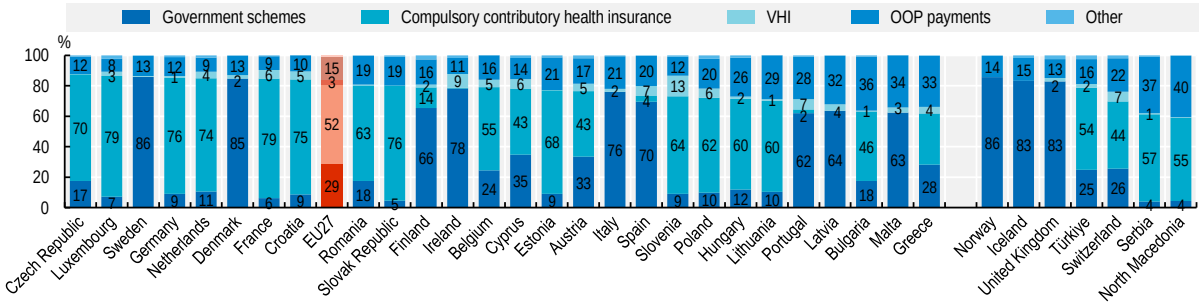
The financing of health care can be analysed from the point of view of financing schemes (financing arrangements through which health services are paid for and obtained by people, e.g. social health insurance) and types of revenues of financing schemes (e.g. social insurance contributions) (OECD/Eurostat/WHO, 2017[1]).

Total government expenditure is 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.

References

OECD/Eurostat/WHO (2017), *A System of Health Accounts 2011: Revised edition*, OECD Publishing, Paris, https://doi.org/10.1787/9789264270985-en. [1]

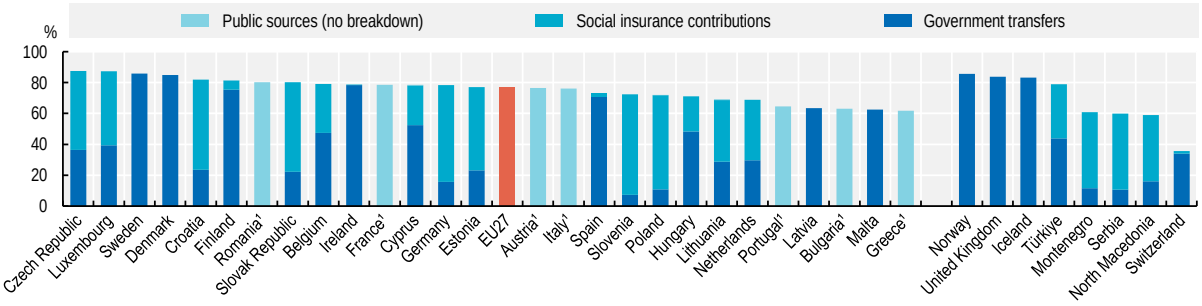
Figure 5.6. Health expenditure by type of financing, 2020 (or nearest year)



Note: Countries are ranked by government schemes and compulsory health insurance as a share of health expenditure. The EU average is weighted. The "Other" category refers to charities, employers, foreign and undefined schemes. OOP refers to out-of-pocket payments.
Source: OECD Health Statistics 2022; Eurostat Database; WHO Global Health Expenditure Database.

StatLink https://stat.link/xszdnl

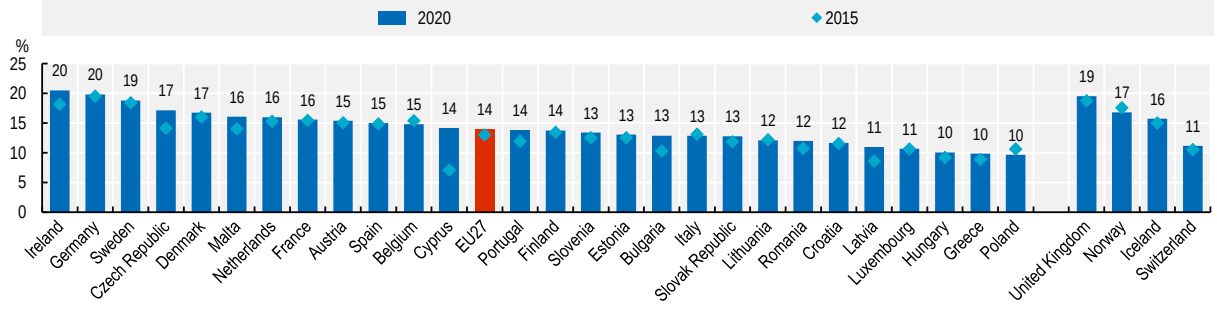
Figure 5.7. Health expenditure from public sources as share of total health spending, 2020 (or nearest year)



Note: The EU average is weighted. 1. Public sources include spending by government schemes and social health insurance schemes.
Source: OECD Health Statistics 2022; WHO Global Health Expenditure Database.

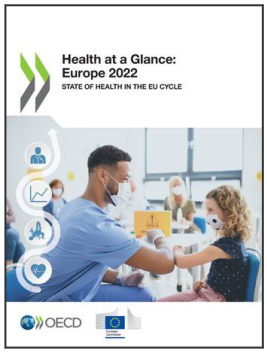
StatLink https://stat.link/rw39pj

Figure 5.8. Health expenditure from public sources as a share of total government expenditure, 2015 and 2020 (or nearest year)



Note: For those countries without information on sources of revenues, data from financing schemes are used. The EU average is unweighted.
Source: OECD Health Statistics 2022; OECD National Accounts Database; Eurostat database.

StatLink https://stat.link/e3y7k6



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