

Capital expenditure in the health sector

Investments in health care facilities, diagnostic and therapeutic equipment, and information and communications technology, affect the capacity to respond to population needs. There are no guidelines or international benchmarks regarding the optimal level of capital investment in the health sector. Nonetheless, it is of critical importance for countries to maintain spare capacity to deal with surges – too little investment will over-stretch service provision, undermining health system resilience.

In 2020, the EU allocated around 0.45% of its total GDP to capital spending in the health sector (Figure 8.11). This equated to 5% of health expenditure in 2020. However, as with current spending, there are differences in levels of investment between countries and variations over time.

As a proportion of GDP, Germany was the biggest spender on capital investment in the health sector in 2020, allocating 1.1% of its GDP. At the lower end, the Czech Republic, Luxembourg, Greece and Poland all invested less than 0.2% of their GDP on capital infrastructure and equipment across the health sector.

Capital investment in buildings, machinery and technology fluctuates, responding not only to acute needs but also to the economic climate. A lack of investment spending now can lead to accumulating problems and higher future costs, as equipment and facilities deteriorate.

After decreasing significantly in the wake of the 2008-09 economic crisis, capital spending in the health sector picked up across Europe between 2013 and 2015, before dropping back somewhat. Recent years have seen investment pick up again, on average, accelerating between 2019 and 2020, with the COVID-19 pandemic a likely driver of this trend in some countries (Figure 8.12).

While Germany maintained a steady yet elevated level of capital investment over the last eight years, other countries displayed a more volatile pattern of spending. Spain, and outside of the EU, the United Kingdom, showed a significant increase in investment over 2019-20. However, both countries reduced markedly their capital spending after the 2008-09 economic crisis, such that their respective 2020 spending was still below the levels reported in 2008. While capital spending in Italy and France may have rebounded to an extent after the economic crisis, since 2013 it has not increased further (and has fallen in France), such that pre-pandemic levels were below those of the previous 10-15 years.

The European Union supports capital investment in national health systems via the European Structural and Investment Funds. The key objectives of the Funds are to reduce health inequalities between regions and social groups, and to increase the effectiveness and accessibility of national health care systems (European Commission, 2020^[1]). Following the pandemic, investment support by the EU Funds in health is expected to increase significantly as part of the EUR 800 billion “Next Generation EU” recovery package.

Definition and comparability

Capital expenditure (or gross fixed capital formation) in the health sector is measured by the total value of the fixed assets that health providers have acquired during the accounting period (less the value of the disposals of assets) and that are used for more than one year in the production of health services. The breakdown by assets includes infrastructure and equipment, as well as software and databases.

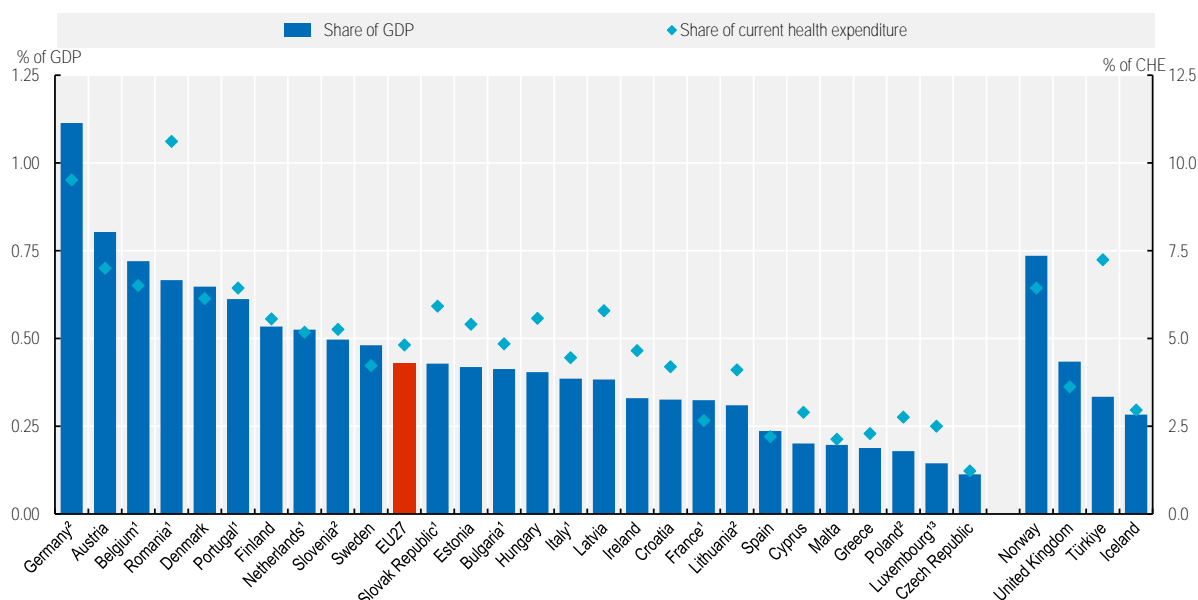
Gross fixed capital formation in health is reported by many countries under the System of Health Accounts (SHA). It is also included in National Accounts data where it is broken down by industrial sector according to the International Standard Industrial Classification Rev. 4. To estimate investment in health, section Q: Human health and social work activities or Division 86: Human health activities can be used. The former is normally broader than the SHA boundary while the latter is narrower.

References

European Commission (2020), *Health Investments by European Structural and Investment Funds: 2014-2020*, https://ec.europa.eu/health/sites/health/files/health_structural_funds/docs/esif_factsheet_en.pdf.

[1]

Figure 8.11. Capital expenditure on health as a share of GDP and in relation to current health expenditure, 2020 (or nearest year)

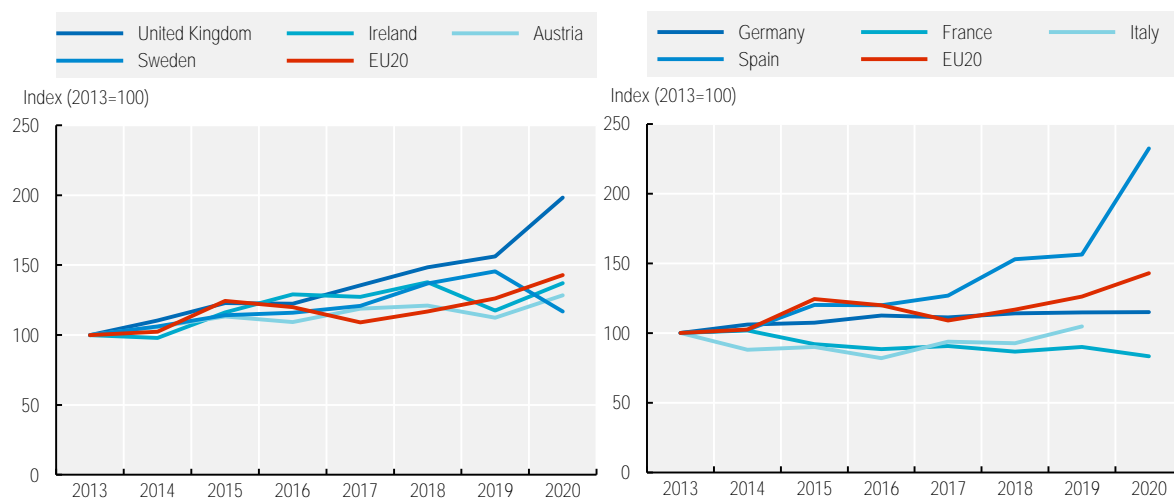


Note: The EU average is unweighted. 1. Refers to gross fixed capital formation in ISIC 86: Human health activities (ISIC Rev. 4). 2. Refers to gross fixed capital formation in ISIC Q: Human health and social work activities (ISIC Rev. 4). 3. A significant proportion of GDP in Luxembourg consists of profits from foreign-owned companies that are repatriated. Thus, it is not a true measure of the productive capacity of the domestic economy.

Source: OECD Health Statistics 2022; OECD National Accounts; Eurostat Database.

StatLink <https://stat.link/da3k1t>

Figure 8.12. Changes in capital expenditure, in real terms, selected countries, 2013-20



Note: The EU average is unweighted. The value in 2013 is set as 100.

Source: OECD Health Statistics 2022; OECD National Accounts; Eurostat Database.

StatLink <https://stat.link/od5jg8>



From:

Health at a Glance: Europe 2022

State of Health in the EU Cycle

Access the complete publication at:

<https://doi.org/10.1787/507433b0-en>

Please cite this chapter as:

OECD/European Union (2022), “Capital expenditure in the health sector”, in *Health at a Glance: Europe 2022: State of Health in the EU Cycle*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/650ab2a6-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>.