

Financial hardship and out-of-pocket expenditure

Health systems provide adequate financial protection when payments for healthcare do not expose people to financial hardship. A lack of financial protection can reduce access to healthcare, undermine health status, deepen poverty, and exacerbate health and socio-economic inequalities. Exposure to financial hardship for people using health services can also lead to catastrophic health spending, with poorer households and those who must pay for long-term treatment – such as medicines for chronic illness – particularly vulnerable. Financial protection is weakened by a health system's reliance on out-of-pocket (OOP) payments for healthcare. On average across OECD countries, just under one-fifth of all spending on healthcare comes directly from patients through OOP payments (see section on “Health expenditure by type of financing” in Chapter 7).

The share of household consumption spent on healthcare provides an aggregate assessment of the financial burden of OOP expenditure. Across OECD countries in 2021, around 3% of total household spending was on healthcare goods and services. The share was 2% or less in Luxembourg, Colombia and Türkiye, but stood above 5% in Portugal, Switzerland and Korea (Figure 5.8).

Health systems in OECD countries differ in the degree of coverage for different health goods and services (see section on “Extent of healthcare coverage”). Pharmaceuticals and other medical goods are the main driver of household spending, accounting for 43% of OOP spending on health on average in 2021 (Figure 5.9). In Mexico, the Slovak Republic and Poland, pharmaceuticals accounted for over 60% of OOP spending. Outpatient care accounted for 22% of household spending on healthcare on average, but was especially high in Ireland (40%), Italy (45%) and Portugal (50%) where cost-sharing arrangements for outpatient care are common. Dental care represented 14% of OOP spending on health, and long-term care made up 13% in 2021. Inpatient care played only a minor role (8%) in the composition of OOP spending in OECD countries, with the exception of Greece (32%), which reflects outlays for privately provided hospital services.

The indicator most widely used to measure financial hardship associated with OOP payments for households is incidence of catastrophic spending on health (Cylus, J., Thomson and Evetovits, 2018^[1]). This varies considerably across OECD countries, from fewer than 2% of households experiencing catastrophic health spending in Sweden, Spain, the United Kingdom, Ireland and Slovenia, to over 10% of households in Lithuania, Latvia, Hungary and Portugal (Figure 5.10). Across all countries, the poorest households (those in the lowest consumption quintile) are most likely to experience catastrophic health spending, even though many countries have put in place policies to safeguard financial protection.

The incidence of catastrophic spending is closely connected to a health system's reliance on OOP payments. Countries can reduce their reliance on OOP payments by increasing public spending on health; however, policy choices around coverage are also important. Population entitlement to publicly financed healthcare is a prerequisite for financial protection, but not a guarantee of it. Countries with a low incidence of catastrophic spending on healthcare mitigate the negative impact of user charges through better copayment policies (notably via exemptions for people on low incomes and annual caps on payments). Moreover, ensuring that primary care treatment is part of the benefits package (not just primary care consultations and diagnoses) is also likely to reduce financial hardship (WHO Regional Office for Europe, 2023^[2]).

Definition and comparability

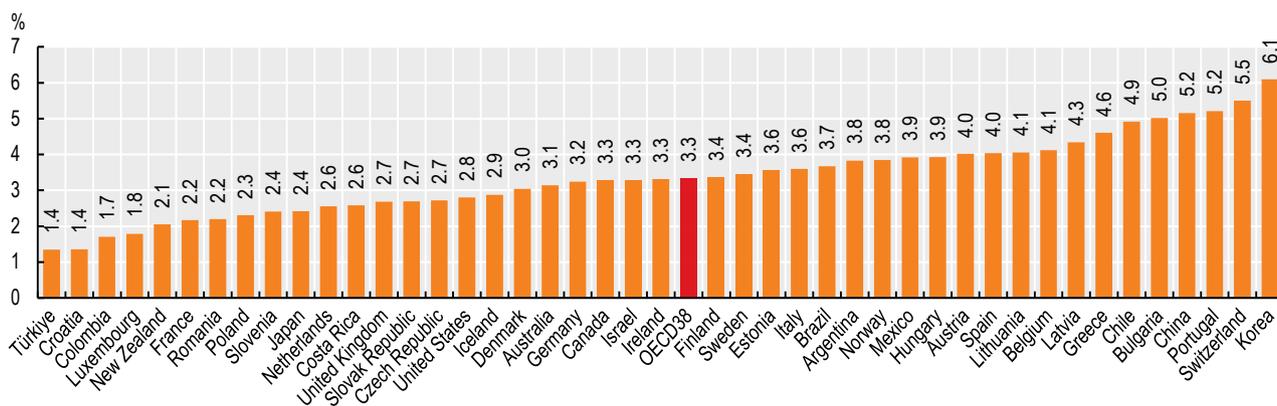
OOP payments are expenditures borne directly by a patient where neither public nor private insurance cover the full cost of the health good or service. They include cost-sharing and other expenditure paid directly by private households, and should also ideally include estimations of informal payments to health providers. For countries that do not report spending on dental care, this is typically reported under outpatient care which can affect the coverage rate.

Catastrophic health spending is an indicator of financial protection used to monitor progress towards universal health coverage. It is defined as OOP payments that exceed a predefined percentage of the resources available to a household to pay for healthcare. Household resources available can be defined in different ways, leading to measurement differences. In the data presented here, these resources are defined as household consumption minus a standard amount representing basic spending on food, rent and utilities (water, electricity, gas and other fuels). The threshold used to define households with catastrophic spending is 40%. Microdata from national household budget surveys are used to calculate this indicator.

References

- Cylus, J., S. Thomson and T. Evetovits (2018), [1]
 “Catastrophic health spending in Europe: equity and policy implications of different calculation methods”, *Bulletin of the World Health Organization*, Vol. 96/9, <https://doi.org/10.2471/BLT.18.209031>.
- WHO Regional Office for Europe (2023), [2]
Can people afford to pay for health care? New evidence on financial protection in Europe, WHO Regional Office for Europe, Copenhagen.

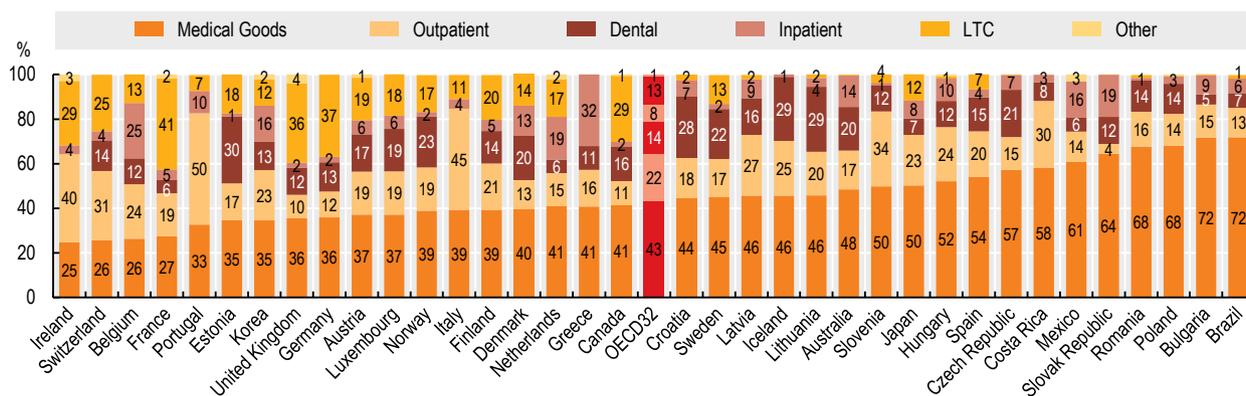
Figure 5.8. Out-of-pocket spending as share of final household consumption, 2021 (or nearest year)



Source: OECD Health Statistics 2023, OECD National Accounts Database.

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

Figure 5.9. Composition of out-of-pocket spending on health, by type of service, 2021 (or nearest year)

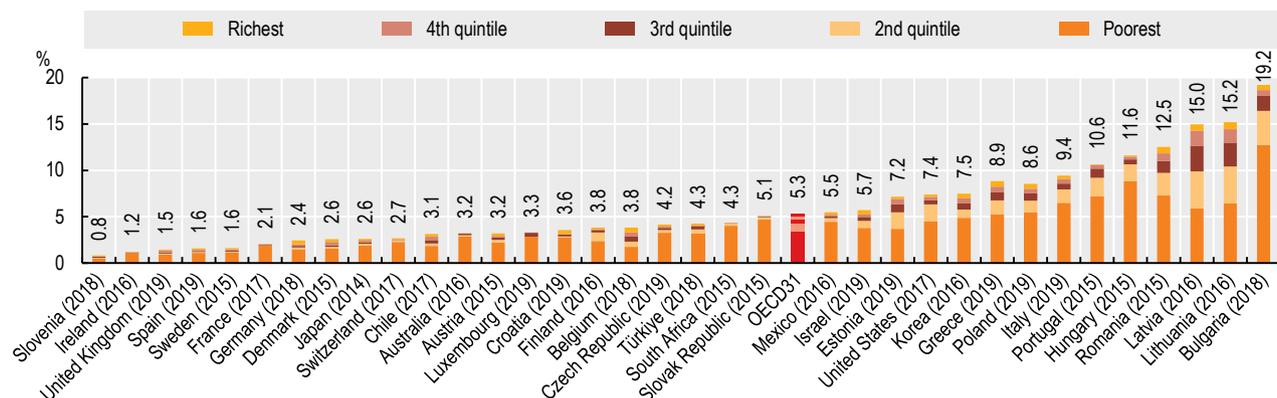


Note: The "Medical goods" category includes pharmaceuticals and therapeutic appliances. LTC refers to long-term care. The "Other" category includes preventive care, administrative services and services unknown.

Source: OECD Health Statistics 2023.

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

Figure 5.10. Share of households with catastrophic health spending by consumption quintile, latest year available



Sources: WHO Regional Office for Europe, 2023 (countries in Europe); European Observatory on Health Systems and Policies, 2021 (countries outside Europe).

StatLink <https://stat.link/gs67wo>



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