

## Public funding of health spending

While health care goods and services are purchased through different financing schemes (see indicator “Health expenditure by financing scheme”), these in turn need to mobilise revenues to fund the spending, often relying on a number of different sources. Analysing the financial flows from sources through to the schemes gives a more comprehensive understanding of how health services are ultimately funded and the overall burden on different sectors of the economy.

Funding of government schemes comes mainly from general revenues, primarily through taxation, which are then allocated through a budgetary process across the various levels of government. However, governments might also contribute towards other schemes, such as social health insurance, by covering the contributions of particular population groups or providing general budget support to the insurance fund. Individuals can purchase private health insurance, which means paying regular premiums into a pool, which then pays their medical needs. A proportion of the premium may be paid by their employer or 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. Other health financing schemes (e.g. non-profit or enterprise schemes) can receive donations, or income from investments or other commercial operations. Finally, funds can be received from international sources through bilateral agreements between foreign governments or development partners, though this is limited in most OECD countries.

Government transfers and social contributions paid by employers, employees and others constitute public revenues. Private sources comprise the premiums for voluntary and compulsory insurance policies, as well as any other funds from households or corporations. On average, public sources fund around 71% of health care spending across OECD countries (Figure 7.11). Where government financing schemes are the principal mechanism, such as in Denmark, public funding is the major source for health care expenditure (84%). In other countries, governments do not directly pay for the majority of health services but provide transfers and subsidies to other schemes (Mueller and Morgan, 2017[1]). In Japan, only about 9% of spending on health was directly from government schemes, but transfers and social insurance contributions means that a large proportion of expenditure is still publicly funded (84% of the total).

Governments are responsible for funding a range of public services, and health care is competing with other sectors such as education, defence and housing. The level of public funding of health is determined by factors such as the type of health system in place, the demographic composition of the population, and government policy. Budget priorities can also shift from year to year due to political decision-making and economic effects. Public funding of health spending (via government transfers and social insurance contributions) accounted for an average of 15% of total government expenditure across the OECD (Figure 7.12).

Around 20% or more of public spending was linked to health care spending in Japan, the United States, New Zealand, Ireland and Germany. On the other hand, Greece and Hungary allocated around 10% of government spending to health care, a level similar to that in Russia and Brazil.

Many countries have a system of compulsory health insurance – either social health insurance or through private coverage. There is more diversity in the composition of revenues for these type of schemes (Figure 7.13). The importance of government transfers as a source of revenue can differ significantly. On average, around three-quarters 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 Hungary, governmental transfers funded 68% of the health spending of the social health insurance. In Poland, Slovenia and Estonia the share was less than 5%, with social insurance contributions being the main funding source.

### Definition and comparability

Health financing schemes raise revenues to pay for health care 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).

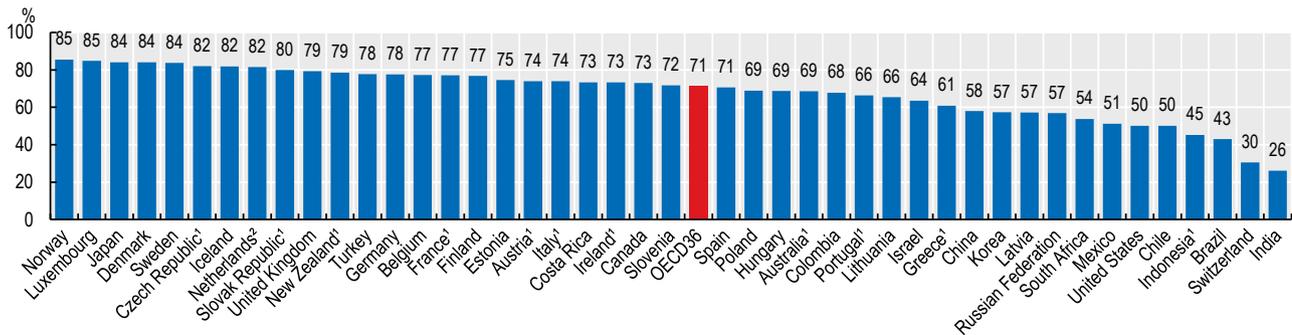
Revenues of a financing scheme are rarely equal to expenses in any given year leading to a surplus or deficit of funds. In practice, most countries use the composition of revenues per scheme to apply on a pro-rata basis to the scheme’s expenditure thus providing a picture of how spending was financed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

Total government expenditure is as defined in the System of National Accounts. Public spending on health from the System of Health Accounts is equal to the sum of FS.1 Transfers from government (domestic), FS.2 Transfers from government (foreign) and FS.3 Social insurance contributions. In the absence of information from the revenue side, the sum of HF.1.1 Government financing schemes and HF1.2.1 Social health insurance is taken as a proxy.

### References

- [1] Mueller, M. and D. Morgan (2017), “New insights into health financing: First results of the international data collection under the System of Health Accounts 2011 framework”, *Health Policy*, Vol. 121/7, pp. 764-769, <http://dx.doi.org/10.1016/j.healthpol.2017.04.008>.

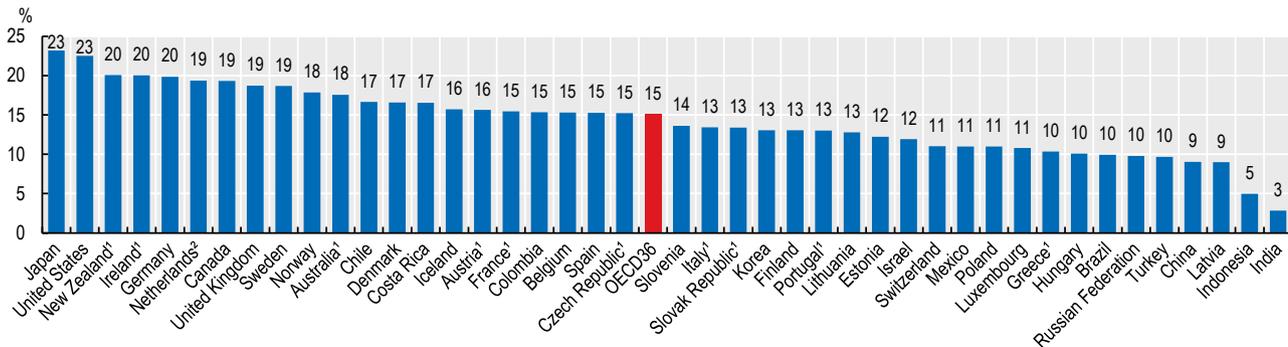
Figure 7.11. Health expenditure from public sources as share of total, 2017 (or nearest year)



1. Public is calculated using spending by government schemes and social health insurance.
  2. Public is calculated using spending by government schemes, social health insurance and compulsory private insurance.
- Source: OECD Health Statistics 2019.

StatLink <https://doi.org/10.1787/888934016968>

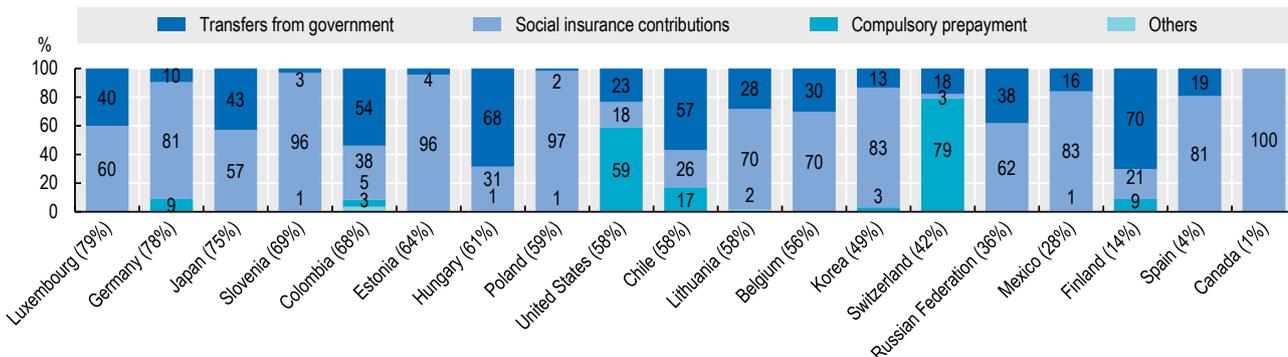
Figure 7.12. Health expenditure from public sources as a share of total government expenditure, 2017 (or nearest year)



1. Government expenditure includes expenditure by government schemes and social health insurance.
  2. Government expenditure includes expenditure by government schemes, social health insurance, and compulsory private insurance.
- Source: OECD Health Statistics 2019.

StatLink <https://doi.org/10.1787/888934016987>

Figure 7.13. Financing sources of compulsory health insurance, 2017 (or nearest year)



Note: Numbers in brackets indicate the contribution of compulsory health insurance to total expenditure. "Other" includes voluntary prepayments and other domestic revenues.  
Source: OECD Health Statistics 2019.

StatLink <https://doi.org/10.1787/888934017006>



**From:**  
**Health at a Glance 2019**  
OECD Indicators

**Access the complete publication at:**  
<https://doi.org/10.1787/4dd50c09-en>

**Please cite this chapter as:**

OECD (2019), “Public funding of health spending”, in *Health at a Glance 2019: OECD Indicators*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/7f66369c-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>.