

While the health sector remains highly labour-intensive, capital investment in infrastructure and medical equipment has been an increasingly important factor of production of health services in recent decades, as reflected, for example, by the growing importance of diagnostic and therapeutic devices, or the expansion of information and communications technology (ICT) in health care. However, the level of investment in buildings, machinery and technology tends to fluctuate more than current spending on health services over time, often responding to the economic climate whereby investment decisions may be postponed or brought forward.

In 2018, it is estimated that, on average, EU member states allocated around 0.4% of their GDP on capital investment in the health sector (Figure 5.18). This compares to an average of 8.3% of GDP allocated across EU health systems to health services and medical goods. Levels of capital investment on health vary significantly across EU countries and over time, even more so than overall health spending.

In relative terms, Belgium and Austria were the largest spenders on capital investment in the health sector in 2018, having allocated around 0.7% of their respective GDP. At the lower end, Cyprus and Hungary invested less than 0.2% of their GDP in 2018 on capital infrastructure and equipment in the health sector.

By its nature, capital spending fluctuates more than current spending from year to year, in line with capital projects on construction and investment programmes on new equipment. Capital investment decisions also tend to be more strongly determined by economic cycles, with spending on health system infrastructure and equipment often being a prime target for reduction or postponement during periods of economic uncertainty. While capital spending on health grew by more than 20% in real terms on average across the EU in the three years prior to the 2008 financial crisis, over the following two years it fell by almost 10%. Between 2010 and 2014, average levels of capital investment in health across the EU slightly increased before a jump in 2015. In 2016, average capital investment dropped again and remained flat in 2017. As a result, the investment level in 2017 is only around the 2008 level (Figure 5.19).

Despite the 2008-09 economic crisis, between 2005 and 2018 capital spending in health continued to increase fairly steadily in real terms in some European countries. Sweden and Austria, for example, managed to maintain generally stable annual growth rates of capital investment in health over this extended period. Conversely, capital spending in health was very volatile in Ireland over this period. After having decreased significantly from 2007 to 2012 as a result of measures to balance public budgets, investment spending in health infrastructure and equipment in Ireland rebounded strongly in 2013 and has followed a generally upward trend ever since. On the other hand, Italy and the United Kingdom witnessed a severe reduction in their capital spending in health. In Italy, levels have been on a negative trajectory between 2010 and 2016 with only

a small uptick in 2017. In the United Kingdom, capital spending in health dropped by almost 50% between 2009 and 2011 but has steadily increased since 2013. Nevertheless, in 2018, the investment level in health was still around 20% lower compared to its 2009 level.

The European Union has been supporting capital investment in national health systems across the EU via the European Structural and Investment Funds (ESIF) since 2014. The key objectives of these various funds in the area of health 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). Between 2014 and 2020, the European regional development fund (ERDF) and the European social fund (ESF) – two out of five funds subsumed under the ESIF – provided more than EUR 9 billion to member states for health-related investments. In the aftermath of the COVID-19 pandemic, investment support by the EU funds in the area of health systems will significantly increase in the coming years as part of the “Next Generation EU” recovery package.

### Definition and comparability

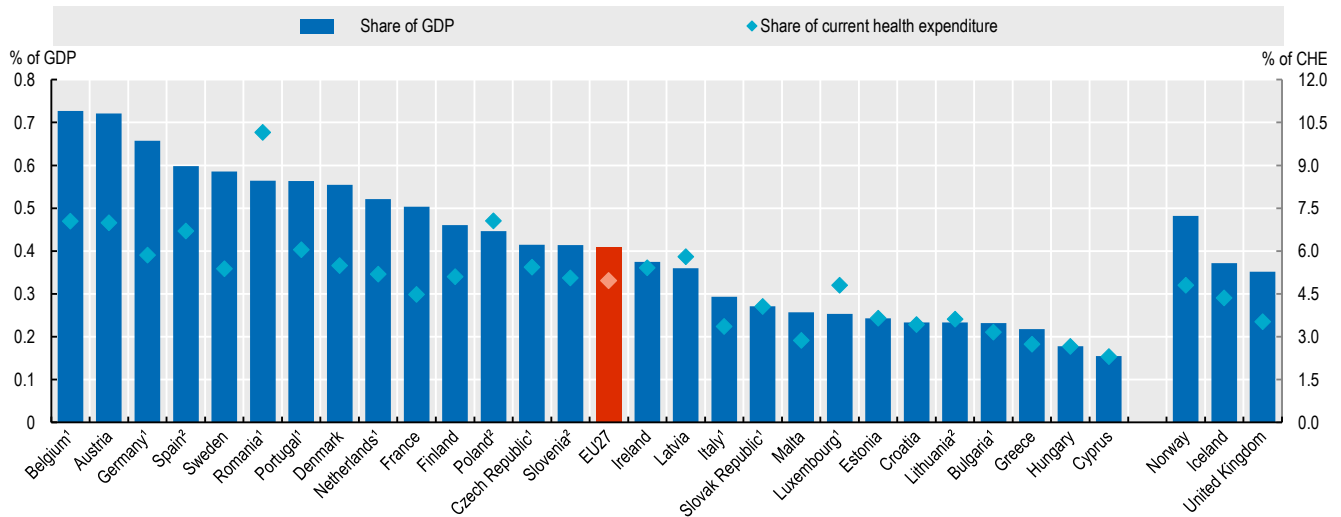
Gross fixed capital formation in the health sector is measured by the total value of the fixed assets that health providers have acquired during the accounting period (less the value of the disposals of assets) and that are used for more than one year in the production of health services. The breakdown by assets includes infrastructure (e.g. hospitals, clinics, etc.), machinery and equipment (including diagnostic and surgical machinery, ambulances, and ICT equipment), as well as software and databases.

Gross fixed capital formation in health is reported by many countries under the System of Health Accounts. It is also included in National Accounts data where it is broken down by industrial sector according to the International Standard Industrial Classification (ISIC) 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

- OECD, Eurostat and WHO (2017), *A System of Health Accounts 2011: Revised edition*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264270985-en>.
- 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](https://ec.europa.eu/health/sites/health/files/health_structural_funds/docs/esif_factsheet_en.pdf).

Figure 5.18. Capital expenditure on health as a share of GDP and in relation to current health expenditure, 2018 (or nearest year)

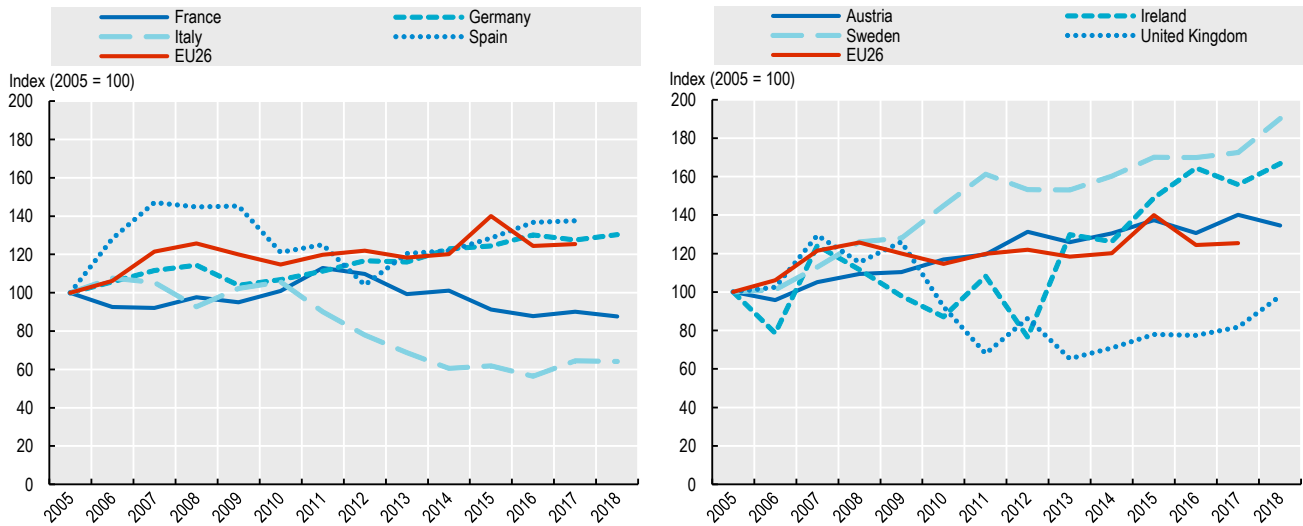


Note: The EU average is unweighted. 1. Refers to gross fixed capital formation in ISIC 86: Human health activities (ISIC Rev. 4). 2. Refers to gross fixed capital formation in ISIC Q: Human health and social work activities (ISIC Rev. 4).

Source: OECD Health Statistics 2020; OECD National Accounts; Eurostat Database.

StatLink <https://stat.link/m3rw75>

Figure 5.19. Changes in gross fixed capital formation, in real terms, selected countries, 2005-18



Note: The EU average is unweighted. Bulgaria not included due to break in series. The value in 2005 is set as 100.

Source: OECD Health Statistics 2020; OECD National Accounts; Eurostat Database.

StatLink <https://stat.link/26t8oc>



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