

Health expenditure in relation to GDP

The resources that a country allocates to healthcare compared to the size of the overall economy vary over time due to differences in both the growth of health spending and overall economic growth. During the 1990s and 2000s, OECD countries generally saw health spending outpace the rest of the economy, leading to an almost continual rise in the health expenditure to GDP ratio. After the volatility of the 2008 economic and financial crisis, the share remained relatively stable, as growth in health spending broadly matched overall economic performance across the OECD. The arrival of the COVID-19 pandemic in 2020 with a severe slowdown in economic activity and rapidly increasing health spending led to a significant adjustment in the health expenditure to GDP ratio.

In 2019, prior to the pandemic, OECD countries were spending, on average, around 8.8% of their GDP on healthcare, a figure relatively unchanged since 2013. By 2021, this proportion had jumped to 9.7%. However, preliminary estimates for 2022 point to a significant fall in the ratio to 9.2%, reflecting both a reduced need for spending to tackle the pandemic as well as the impact of inflation reducing the value of health spending (OECD, 2023^[1]). The United States still spent by far the most, equivalent to 16.6% of its GDP – well above Germany, the next highest spending country, at 12.7% (Figure 7.1). After the United States and Germany, a group of 15 high-income countries, including Canada, France and Japan, all spent more than 10% of their GDP on healthcare. In many of the Central and Eastern European OECD countries, as well as in the newer OECD member countries from Latin America, spending on health accounted for between 6-9% of their GDP. Finally, Luxembourg and Türkiye spent less than 6% of their GDP on healthcare.

An analysis of the trends in per capita health spending and GDP over the last 15 years shows two shocks: the economic and financial crisis in 2008 and the recent impact of COVID-19 in 2020 (Figure 7.2). While OECD economies sharply contracted in 2008 and 2009, health spending growth was maintained in the short term before hovering just above zero as a range of different policy measures to rein in public spending on health were put in place between 2010 and 2012. This was followed by a return to somewhat stronger growth, both in health spending and GDP up until the pandemic. In 2020, widespread lockdowns and other public health measures severely restricting economic activity and consumer spending sent many OECD economies into freefall. There was a rebound in 2021 with per capita GDP increasing by 5.8% on average. At the same time, real per capita spending on health accelerated from just over 4% in 2020 to 8% in 2021 as countries allocated additional funding to tackle the pandemic. With countries emerging from the acute stage of the pandemic, health spending per capita is likely to have fallen on average by close to 1.5% in real terms in 2022.

Trends in the health-to-GDP ratio over this period translate into a distinct pattern with significant step increases in 2009 and 2020, and a period of stability in between (Figure 7.3). Italy and

the United Kingdom, for example, have closely followed this trend, with the latter showing an even more pronounced jump in 2021. Germany has seen a rather continual increase in the share of GDP over time. Despite the shocks, health spending as a share of GDP in Korea has seen a continual and steady increase throughout the last 15 years, from 4.8% in 2006 and reaching 9.7% in 2022.

Definition and comparability

Expenditure on health gives a measure of the final consumption of health goods and services (i.e. current health expenditure) (OECD/Eurostat/WHO, 2017^[2]). This includes spending by all types of financing arrangements on medical services and goods, population health and prevention programmes, as well as administration of the health system. The split of spending combines government and compulsory financing schemes, the latter including private insurance of a mandatory nature. Due to data limitations, private voluntary insurance in the United States is included with employer-based private insurance, which is currently mandated under the Affordable Care Act.

Gross Domestic Product (GDP) is the sum of final consumption, gross capital formation and net exports. Final consumption includes goods and services used by households or the community to satisfy their individual needs. It includes final consumption expenditure of households, general government and non-profit institutions serving households.

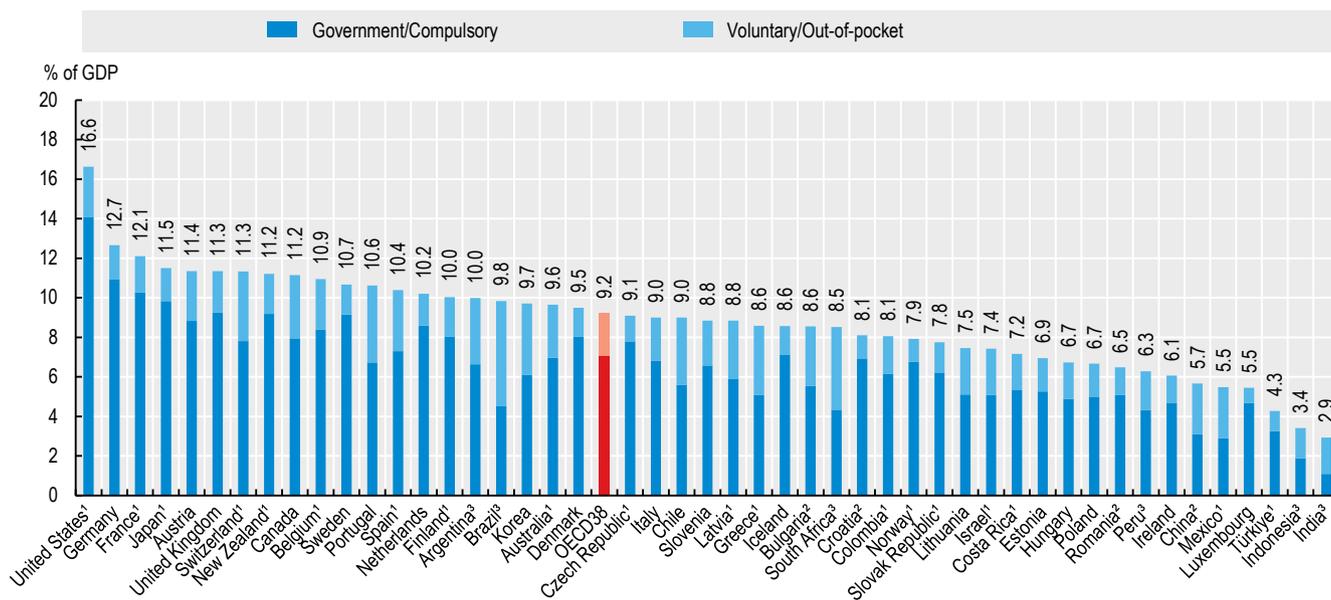
In countries such as Ireland and Luxembourg, where a significant proportion of GDP refers to repatriated profits and thus not available for national consumption, Gross National Income (GNI) may be a more meaningful measure than GDP. However, for consistency, GDP is maintained as the denominator for all countries.

Note that data for 2022 are based on provisional figures provided by countries or preliminary estimates made by the OECD Secretariat.

References

- OECD (2023), "Health care financing in times of high inflation", OECD, Paris, <https://www.oecd.org/health/Health-care-financing-in-times-of-high-inflation.pdf>. [1]
- OECD/Eurostat/WHO (2017), *A System of Health Accounts 2011: Revised edition*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264270985-en>. [2]

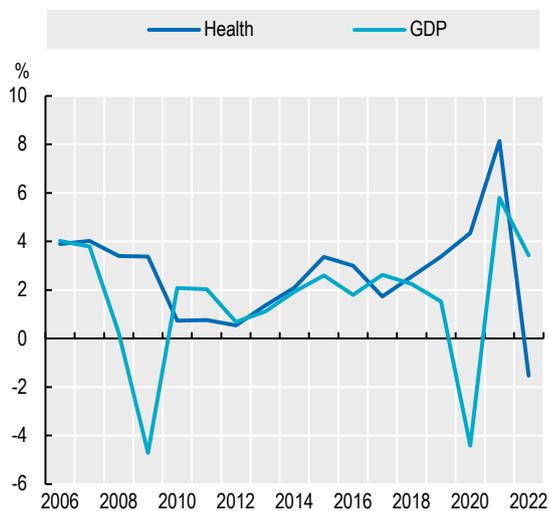
Figure 7.1. Health expenditure as a share of GDP, 2022 (or nearest year)



1. OECD estimate for 2022. 2. 2021 data. 3. 2020 data.
Source: OECD Health Statistics 2023; WHO Global Health Expenditure Database.

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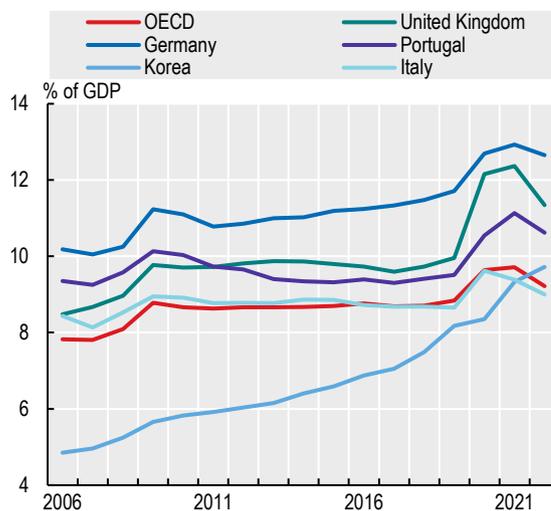
Figure 7.2. Annual real growth in per capita health expenditure and GDP, OECD, 2006-22



Source: OECD Health Statistics 2023.

StatLink <https://stat.link/14cu3w>

Figure 7.3. Health expenditure as a share of GDP, selected countries, 2006-22



Source: OECD Health Statistics 2023.

StatLink <https://stat.link/b3mj1j>



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