

Health expenditure by financing scheme

A variety of financing arrangements, broadly classified according to their compulsory or voluntary nature, provide coverage against the cost of health care by purchasing health care services. Government financing schemes, organised at a national or regional level or for specific population groups, automatically entitle individuals to care based on residency, and form the principle mechanism by which health care expenses are covered in a number of OECD countries. The main alternative is for residents to be enrolled in a compulsory health insurance scheme (through public or private entities) which then covers the bulk of their health care use. Despite near universal health care coverage in many OECD countries, direct expenditure by households (out-of-pocket spending) in the form of standalone payments or as part of some co-payment arrangement remain an important element of health financing but the extent can vary considerably. Finally, among the other types of discretionary health care financing, voluntary health insurance, in its various forms, can play an important funding role in some countries.

Taken together, government schemes and compulsory health insurance form the principal financing arrangement in all OECD countries (Figure 7.8). On average, around three-quarters of all health care spending across the OECD is currently covered through these types of mandatory financing schemes. In Norway, Denmark, Sweden and the United Kingdom, central, regional or local government schemes account for around 80% or more of all health spending, with out-of-pocket payments making up most of the remainder. Compulsory health insurance schemes are the dominant source of health care financing in Germany, Japan, France, Luxembourg and the Netherlands, typically covering about three-quarters of all health spending. While Germany and Japan rely on a system of social health insurance, France supplements the public health insurance coverage (*“assurance maladie”*) with a system of different private health insurance arrangements (e.g. *“mutuelles”*), which have become compulsory under certain employment conditions in 2016.

In the United States, federal and state programmes, such as Medicaid, make up around a quarter of all US health care spending. Another 22% is covered by social health insurance schemes (e.g. Medicare). Most private health insurance, which, since the introduction of the Affordable Care Act (ACA) in 2014, is considered compulsory due to the current existence of an individual mandate for individuals to buy health insurance or pay a penalty, covers more than a third of total health spending.

Out-of-pocket payments generally constitute the next important source of funding. On average private households directly financed more than a fifth of all health spending in 2017, but with substantial variation across the OECD.

Whereas this share is above 30% in Latvia (42%), Mexico (41%), Greece (35%), Korea (34%) and Chile (34%) it is below 10% in France. Out-of-pocket spending on health care was greater than 30% in India, Russia and China.

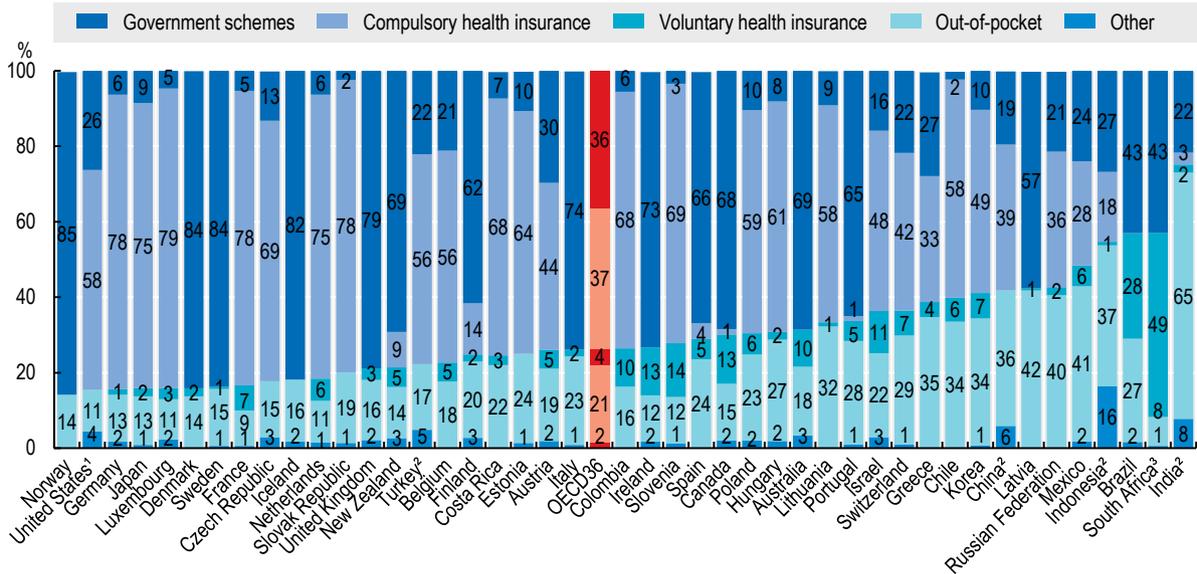
With the aim to move towards universal health coverage, a number of OECD countries have increased spending by government or compulsory insurance schemes in recent decades. As a result, there have been some significant decreases in the share of health care costs payable by individuals and voluntary insurance schemes in some countries. Yet, while the proportion of health spending covered by those two schemes across the OECD has slightly decreased from around 28% in 2003 to 26% in 2017, there is notable variability within countries.

Among those countries where voluntary health insurance plays a more important role, this share has been growing in Korea and Australia in recent years while it remained more or less flat in Slovenia and Canada (Figure 7.9). The share of expenditure covered by out-of-pocket payments rose substantially between 2009 and 2017 in several European countries, such as Greece (5%), Spain (5%) and Portugal (3%), though this proportion has stabilised in recent years (Figure 7.10). This is the result of policies introduced in a number of countries to balance public budgets following the global financial and economic crisis, such as introducing or increasing co-payments for primary care and hospitals, raising reimbursement thresholds or reducing benefits for pharmaceuticals and dental care, or removing public coverage for particular groups.

Definition and comparability

The financing of health care can be analysed from the point of view of financing schemes (financing arrangements through which health services are paid for and obtained by people, e.g. social health insurance), financing agents (organisations managing the financing schemes, e.g. social insurance agencies, and types of revenues of financing schemes (e.g. social insurance contributions). Here “financing” is used in the sense of financing schemes as defined in the *System of Health Accounts* (OECD, Eurostat and WHO, 2011) and includes government schemes, compulsory health insurance as well as voluntary health insurance and private funds such as households’ out-of-pocket payments, NGOs and private corporations. Out-of-pocket payments are expenditures borne directly by patients. They include cost-sharing and, in certain countries, estimations of informal payments to health care providers.

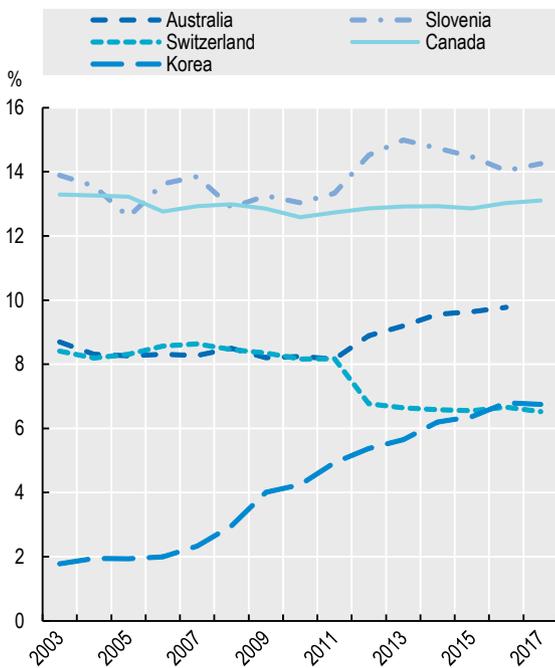
Figure 7.8. Health expenditure by type of financing, 2017 (or nearest year)



1. All spending by private health insurance companies in the United States is reported under compulsory health insurance. 2. Health payment schemes unable to be disaggregated into voluntary health insurance, NPISH and enterprise financing are reported under other. 3. Voluntary payment schemes unable to be disaggregated are reported under voluntary health insurance. Source: OECD Health Statistics 2019.

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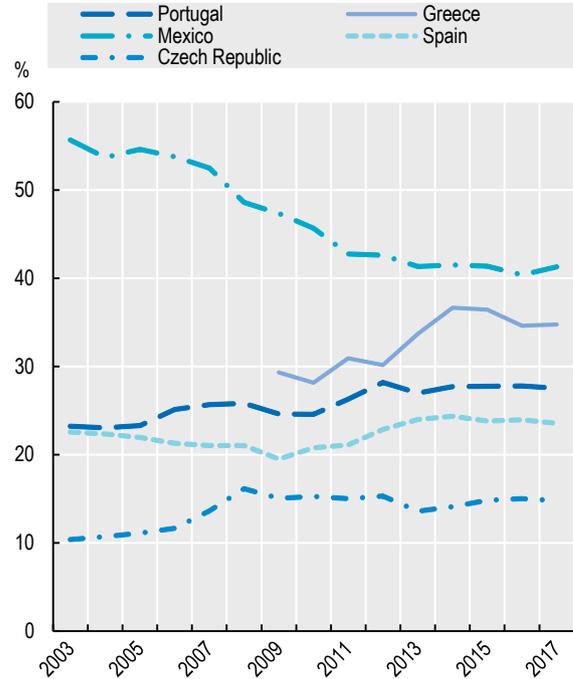
Figure 7.9. Voluntary health insurance expenditure as a proportion of total, selected countries, 2003-17



Source: OECD Health Statistics 2019.

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Figure 7.10. Out-of-pocket health expenditure as a proportion of total, selected countries, 2003-17



Source: OECD Health Statistics 2019.

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