A variety of factors, from disease burden and system priorities to organisational aspects and costs, help determine the allocation of resources across the various types of health care goods and services. In 2018, EU member states spent on average around 60% of their health budgets on curative and rehabilitative care, just over 20% on retail medical goods (mainly pharmaceuticals), and 12% on health-related long-term care. The remaining 5% was spent on collective services, such as prevention and public health (3%) as well as the administration of health care systems (Figure 5.9).

In 2018, the share of current health expenditure going to curative and rehabilitative care ranged from just over half of all health spending in Germany and the Netherlands to nearly three-quarters in Cyprus and Portugal. Breaking it down further, Romania had the highest proportion of spending on inpatient care (including day care in hospitals), accounting for 45% of health spending. For most EU countries (17), spending on outpatient care (including home-based curative and rehabilitative care and ancillary services) exceeded that on inpatient care, notably in Portugal, where outpatient care (in both ambulatory settings and hospitals) accounted for just under half of all health spending (47%).

The other major category of health spending is retail medical goods (which mainly refers to pharmaceuticals) consumed in outpatient settings. A range of factors can influence spending on pharmaceuticals including differences in distribution channels, the prevalence of generic drugs, as well as relative prices in different countries. The share of medical goods spending tends to be highest in Central and Eastern European countries – in the Slovak Republic, it represented the largest component of health spending (33%). In contrast, the relative weight of medical goods on some Western European and Nordic countries' health budgets tends to be smaller (<15%). The variation between countries in price levels of medical goods is generally smaller than that for health services. Hence, because of the influence of international pricing, spending on medical goods will tend to make up a larger share of health spending in lower-income countries.

Countries' spending on health-related long-term care also varies considerably across the EU. Countries such as the Netherlands, Sweden and Denmark, with established formal arrangements for the elderly and the dependent population, allocated more than a quarter of their health spending to long-term care in 2018. In many Southern as well as Central and Eastern European countries, with more informal arrangements, expenditure on formal long-term care services accounts for a much smaller share of total spending.

Figure 5.10 presents the spending growth rates for key health goods and services for two time periods: at the start and in the aftermath of the financial crisis (2008-13) and in the most recent five-year period for which comprehensive data are available (2013-18). In the years following the financial crisis, annual spending growth rates for most parts of the health sector witnessed either a slowdown or even a reversal. Since 2013, average annual health spending growth rates have bounced back for most key health system functions, however still falling short of pre-crisis levels.

Between 2008 and 2013, retail pharmaceutical expenditure across the EU fell by an annual average rate of 1.2% following the implementation of various cost-containment policies in many EU countries. Between 2013 and 2018, spending on pharmaceuticals recovered, having risen by an average of 1.4% per year. Spending on inpatient care and administrative activities followed a similar pattern over these two time periods.

Spending for preventive services stagnated between 2008 and 2013 before returning to moderate growth in the second period. For outpatient care, while the average annual spending growth rate declined over the five years from the start of the financial crisis compared to the previous five-year period, it nevertheless remained positive at 0.7%, suggesting that these services were better protected from cuts relative to other health care functions. The same is true for long-term care (health), the only major health care function that reported strong spending growth throughout the 2008-13 period (4.3%). Since then, long-term care spending continued to grow strongly.

Definition and comparability

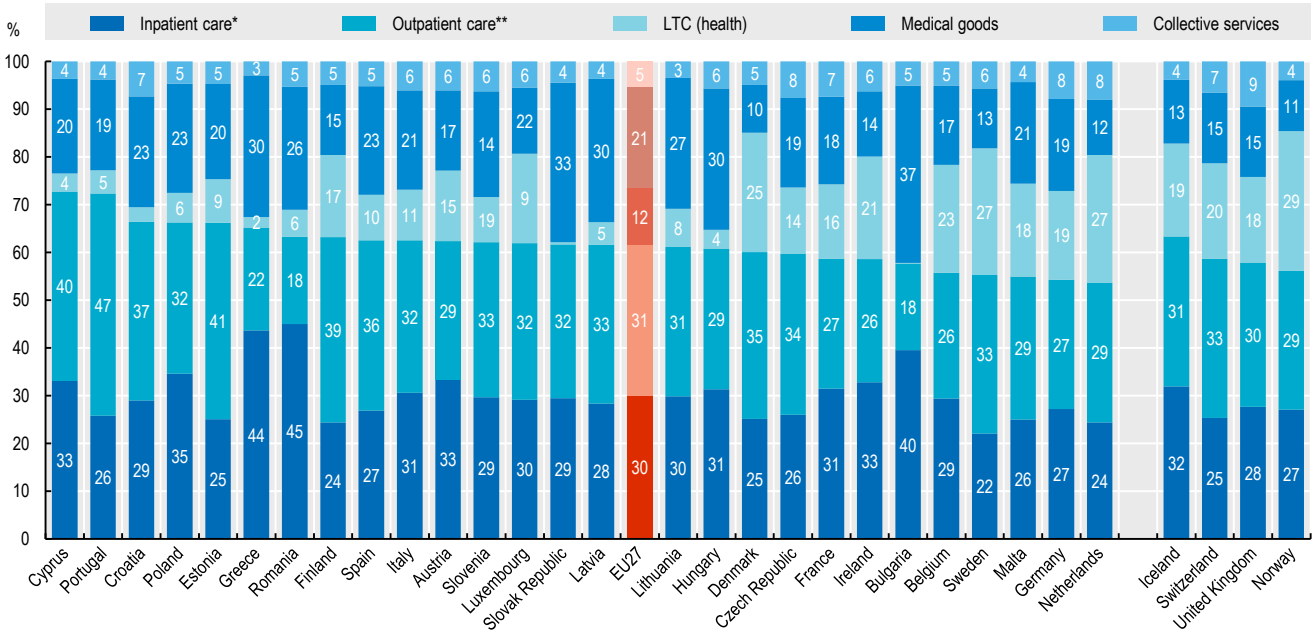
The System of Health Accounts (OECD, Eurostat and WHO, 2017) defines the boundaries of the health care system. Current health expenditure comprises personal health care (curative and rehabilitative care, long-term care, ancillary services and medical goods) and collective services (prevention and public health services as well as health administration). Curative, rehabilitative and long-term care can also be classified by mode of provision (inpatient, day care, outpatient and home care). Concerning long-term care, only care that relates to the management of the deterioration in a person's health is reported as health expenditure, although it is difficult in certain countries to clearly separate out the health and social aspects of long-term care.

Some countries can have difficulties separating spending on pharmaceuticals used as an integral part of hospital care from those intended for use outside of the hospital, potentially leading to an underestimate of pharmaceutical spending and an overestimate of inpatient and/or outpatient care.

Reference

OECD/Eurostat/WHO (2017), *A System of Health Accounts 2011: Revised edition*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264270985-en*.

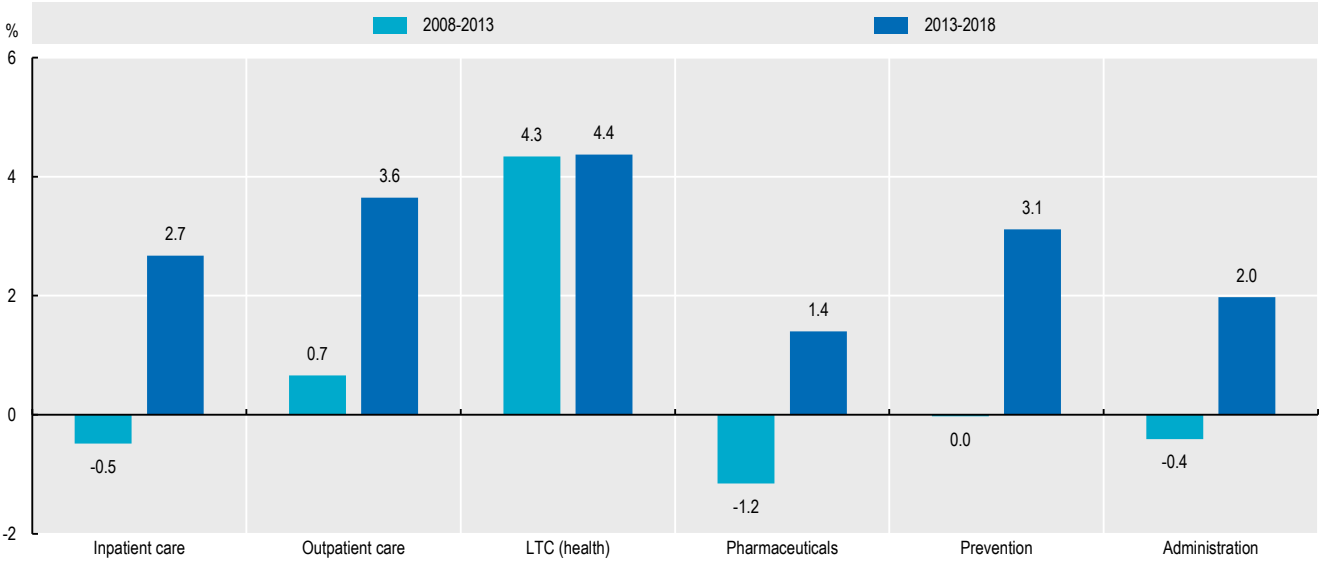
Figure 5.9. **Health expenditure by function, 2018**



Note: Countries are ranked by curative-rehabilitative care as a share of health expenditure. The EU average is unweighted. * Refers to curative-rehabilitative care in inpatient and day care settings. ** Includes home care and ancillary services and can be provided in ambulatory care settings or hospitals.
Source: OECD Health Statistics 2020; Eurostat Database.

StatLink https://stat.link/aruk46

Figure 5.10. **Growth rates of health expenditure per capita for selected functions, EU average, in real terms, 2008-18**



Note: The EU average is unweighted.
Source: OECD Health Statistics 2020; Eurostat Database.

StatLink https://stat.link/g3bhjz

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