Health system financing arrangements can be broadly classified according to their compulsory or voluntary nature, providing coverage against the cost of health care by purchasing health care services. In some countries, health care might be predominantly financed through government schemes by which individuals are automatically entitled to care based on their residency. In other cases, compulsory health insurance schemes (either through public or private entities) linked to the payment of social contributions or health insurance premiums finance the bulk of health spending. In addition to these, a varying proportion of health care spending consists households' out-of-pocket payments – either as standalone payments or as part of co-payment arrangements – as well as various forms of voluntary payment schemes such as voluntary health insurance. In the LAC region, substantial fragmentation in health systems often leads to coexisting financing schemes and in some cases, overlap (see Chapter 2). Most standard models of public financing exist in the region (Lorenzoni et al., 2019[1]).

Figure 6.5 reports the expenditure financed by general government health expenditure (which includes government expenditure and funds linked to compulsory health insurance) as a share of GDP in 2017 and its trend in the 2010-17 period. The countries with the highest share are Cuba (10.5%), Argentina (6.6%), Uruguay (6.6%) and Costa Rica (5.7%). The countries with the lowest share are Venezuela and Haiti, with 0.2 and 1% the only two below a share of 2% in the region and well below the LAC average of 3.7%. On average, the LAC region increased its share of public expenditure as percentage of GDP by around 0.38 percentage points. Nicaragua was the only country reporting an increase of more than 2 percentage points in the period, whereas ten countries saw a decrease: Mexico (-0.1), Costa Rica (-0.2), Bahamas (-0.3), Panama (-0.39), Haiti (-0.50), Grenada (-0.51), Honduras (-0.55), Barbados (-0.62), Antigua and Barbuda (-0.82) and Venezuela (-2.40).

In the majority of LAC countries, general government health expenditure constituted the main source of funding in 2017 (regional average of 54.3%) (Figure 6.6). Cuba has the largest share with 89.4%, followed by Costa Rica with 75.1%, the only two countries over 75%. On the other side, the lowest share were observed in Honduras (11.9%), Haiti (15.9%) and Guatemala (35.8%). In average, general government health expenditure as share of current health expenditure grew by 2.1 percentage points in the LAC region between 2010 and 2017. The largest increase occurred in Venezuela (40.2 percentage points) and Suriname (25.9), while reductions happened in 13 countries, led by Antigua and Barbuda (-23) and Saint Vincent and the Grenadines (-23.1).

Healthcare is one of multiple governmental public services for which they devote their overall budgets. A number of factors including, among others, the type of system in place, the fiscal space and the policy and political priority of the health sector determines the size of public funds allocated to health. Relative budget priorities may also shift from year to year as a result of political decision-making and economic effects. In 2017, general government health expenditure as a share of total government expenditure stood at 12.75% in LAC, well below the 24.5% in OECD countries (Figure 6.7). In Costa Rica and Panama more than 20% of public spending was dedicated to health care. On the other hand, less than 6% of government expenditure was allocated to health care in Haiti and Venezuela. In the 2010-17 period, public health expenditure as a share of government expenditure increased the most in Panama, similar to the 8 percentage points increase in OECD countries, while it decreased the most in Antigua and Barbuda (-6 percentage points) and Venezuela (-4.8).

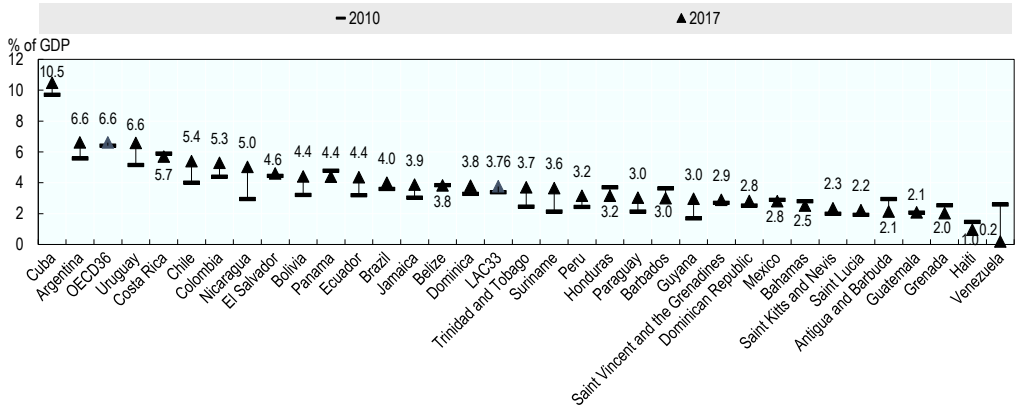
Definition and comparability

The financing classification used in the System of Health Accounts provides a complete breakdown of health expenditure into public and private units incurring expenditure on health. General government health expenditure includes government expenditure and social security funds. Relating spending from government and compulsory insurance schemes to total government expenditure can lead to an overestimation in countries where private insurers provide compulsory insurance.

References

[1] Lorenzoni, L. et al. (2019), "Health systems characteristics: A survey of 21 Latin American and Caribbean countries", *OECD Health Working Papers*, No. 111, OECD Publishing, Paris, *https://dx.doi.org/10.1787/0e8da4bd-en*.

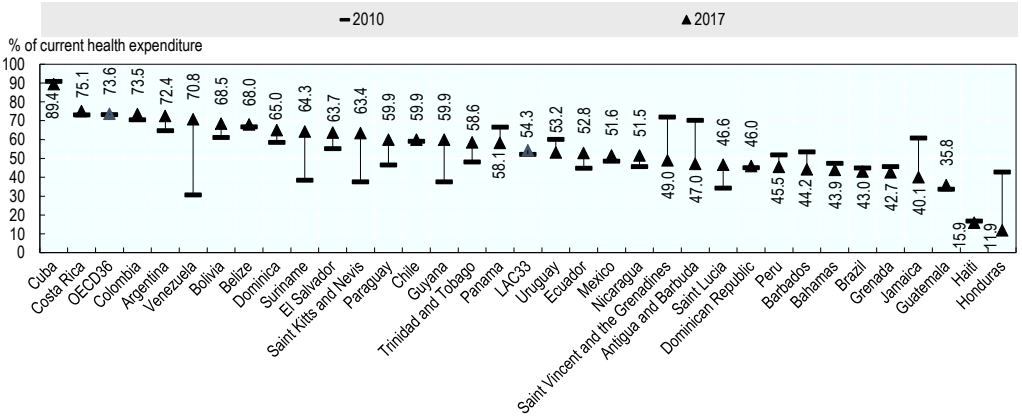
Figure 6.5. **Change in health expenditure by government scheme and compulsory insurance scheme as a share of GDP, 2010-17**



Source: WHO Global Health Expenditure Database (2020), OECD Health Statistics (2019).

StatLink https://stat.link/s49tcm

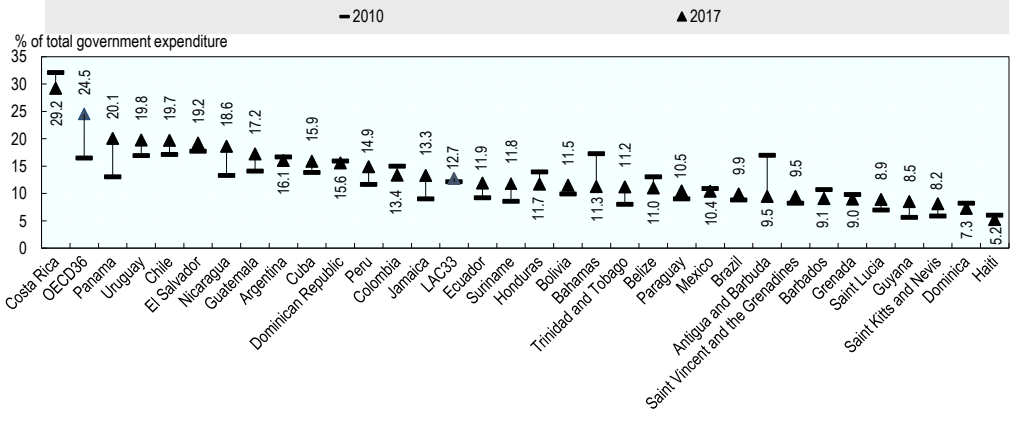
Figure 6.6. **Change in health expenditure by government scheme and compulsory insurance scheme share of current expenditure on health, 2010-17**



Source: WHO Global Health Expenditure Database (2020); OECD Health Statistics (2019).

StatLink https://stat.link/zfcgue

Figure 6.7. **Change in health expenditure by government and compulsory insurance scheme as a share of total government expenditure, 2010-17**



Source: WHO Global Health Expenditure Database (2020); OECD Health Statistics (2019).

StatLink https://stat.link/9ky3sl