

Financial protection through public or private health insurance substantially reduces the amount that people pay directly for medical care, yet in some countries the burden of out-of-pocket spending can still create barriers to health care access and use. Households that have difficulties paying medical bills may delay or forgo needed health care (Hoffman *et al.*, 2005; May and Cunningham, in Banthin *et al.*, 2008). On average across OECD countries, 18% of health spending is paid directly by patients (see Indicator 7.6 “Financing of health care”).

In contrast to publicly-funded care, out-of-pocket payments rely on the ability to pay. If the financing of health care becomes more dependent on out-of-pocket payments, its burden is, in theory, shifted towards those who use services more, possibly from high to low income earners, where health care needs are higher. In practice, many countries have exemptions and caps to out-of-pocket payments for lower income groups to protect health care access. Switzerland, for example, has a high proportion of out-of-pocket expenditure, but it has cost-sharing exemptions for large families, social-assistance beneficiaries and others. There is an annual cap on deductibles and co-insurance payments (OECD and WHO, 2006).

The burden of out-of-pocket health spending can be measured either by its share of total household income or its share of total household consumption. The average share varied considerably across OECD countries in 2007, representing less than 2% of total household consumption in countries such as the Netherlands and France, but almost 6% in Switzerland and Greece (Figure 6.3.1). The United States, with almost 3% of consumption being spent on out-of-pocket health services, is close to the average. In 2007, 30% of US adults paid more than USD 1 000 in out-of-pocket medical costs over the past year, while only 4% of UK adults paid similar amounts (Figure 6.3.2). In some central and eastern European countries, the practice of unofficial supplementary payments means that the level of out-of-pocket spending may be underestimated.

The distribution of spending across the population can vary markedly, although data is only available for a small number of countries. The US Medical Expenditure Panel Survey found that 28% of Americans living in a poor family (defined as a family income below the Federal poverty level) were spending more than 10% of their after-tax family income for health services and health insurance premiums in 2004, compared with 10% of Americans in a high income family (Banthin *et al.*, 2008). Similarly, 5% of Belgian households in the lowest

income decile spent more than 10% of their gross income on out-of-pocket payments in 1997, compared to less than 1% of households in the highest decile (De Graeve and Van Ourti, 2003). In 2004, households in the lowest income quartile in the Netherlands spent 3.4% of their disposable income on out-of-pocket payments; in the highest quartile this was 2% (Westert *et al.*, 2008).

A small proportion of households in OECD countries face “catastrophic” health expenditure each year, perhaps as a result of severe illness or major injury. Catastrophic health expenditure is commonly defined as payments for health services exceeding 40% of household disposable income after subsistence needs are met (Xu *et al.*, 2007). Countries that have a greater reliance on out-of-pocket health care expenditure tend also to have a higher proportion of households with catastrophic expenditure (Figure 6.3.3). In Portugal, Spain, Switzerland and the United States, rates of catastrophic spending exceed five per 1 000 people (Xu *et al.*, 2007). In Mexico, the high level of out-of-pocket spending resulted in 3.4% of households having catastrophic health expenditure in 2003; among the lowest income quintile this rose to 4.7%, and among uninsured persons it was 5.1% (OECD, 2005c). In some countries, the imposition of user fees may mean that lower income households forgo health care altogether, and thus not use enough services to incur catastrophic expenditures.

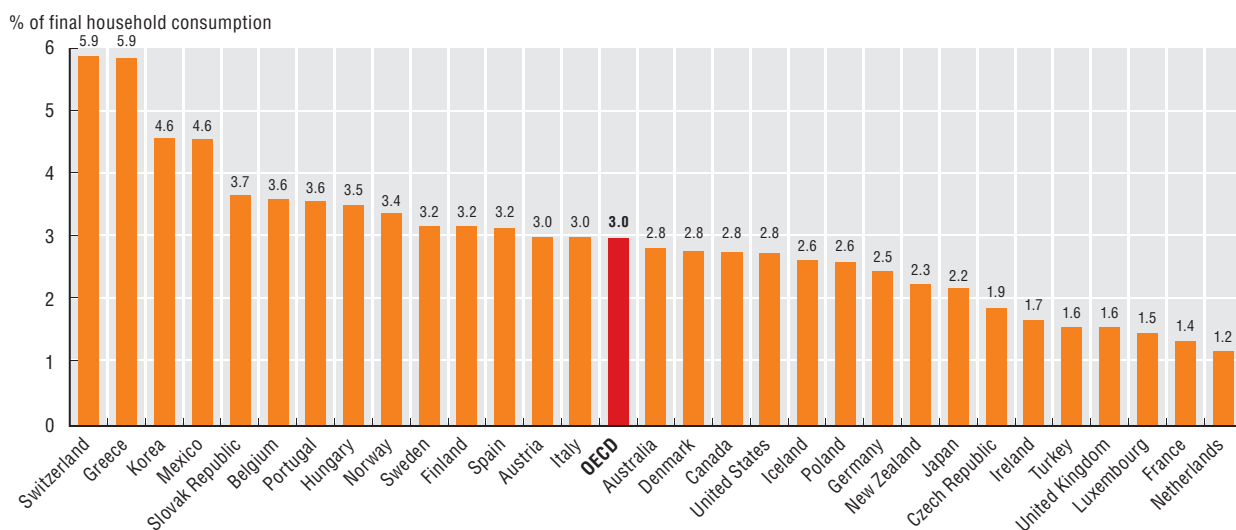
#### Definition and deviations

Out-of-pocket payments are expenditures borne directly by a patient where insurance does not cover the full cost of the health good or service. They include cost-sharing, self-medication and other expenditure paid directly by private households. In some countries they also include estimations of informal payments to health care providers. Some households face very high out-of-pocket payments. Catastrophic health expenditure is commonly defined as payments for health services exceeding 40% of household disposable income after subsistence needs are met.

Information on out-of-pocket expenditure is collected through household expenditure surveys in a number of OECD countries.

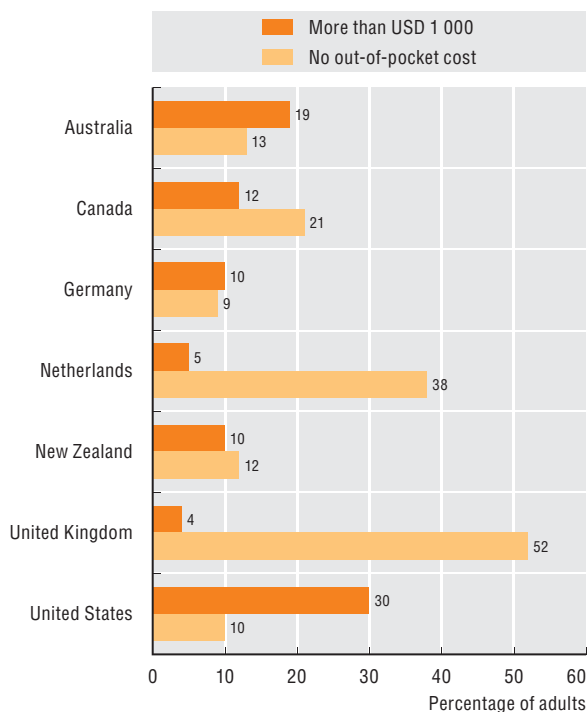
## 6.3. Burden of out-of-pocket health expenditure

## 6.3.1 Out-of-pocket expenditure as a share of final household consumption, 2007 (or nearest available year)



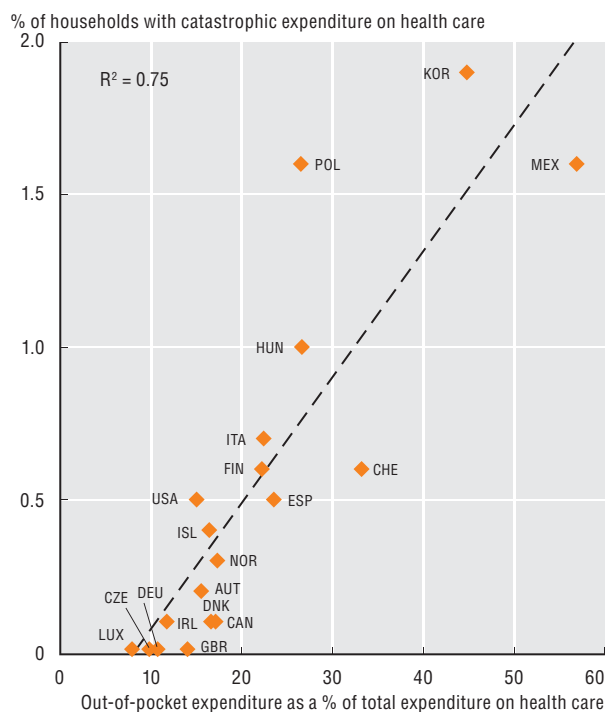
Source: OECD Health Data 2009.

## 6.3.2 Out-of-pocket medical costs in the past year, seven OECD countries, 2007



Source: 2007 Commonwealth Fund International Health Policy Survey.

## 6.3.3 Catastrophic expenditure and out-of-pocket payments for health care, late 1990s



Source: Xu et al. (2007); OECD Health Data 2009.



**From:**  
**Health at a Glance 2009**  
OECD Indicators

**Access the complete publication at:**  
[https://doi.org/10.1787/health\\_glance-2009-en](https://doi.org/10.1787/health_glance-2009-en)

**Please cite this chapter as:**

OECD (2009), "Burden of out-of-pocket health expenditure", in *Health at a Glance 2009: OECD Indicators*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/health\\_glance-2009-62-en](https://doi.org/10.1787/health_glance-2009-62-en)

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).