

Capital expenditure in the health sector

Knowing how much a health system is investing in hospitals, medical technology and other equipment is very relevant for policy making and analysis. Although health systems remain a highly labour-intensive sector, capital has been increasingly important as a factor of production of health services over recent decades. This is illustrated, for example, by the growing importance of diagnostic and therapeutic equipment or the expansion of information, computer and telecommunications technology in health care over the last few years. The availability of statistics on capital expenditure is essential to the analysis of the health system's production capacity (that is, whether capacity is appropriate, deficient or excessive), which is needed in turn to inform policy implementation (for example, if excess capacity exists, the marginal cost of expanding coverage will be lower than if the health care system is already straining to fill current demand).

On average, OECD countries invested around 0.45% of their GDP in 2013 in terms of *capital* spending in the health sector. This compares with 8.9% of GDP on average across the OECD for *current* spending on health care services and medical goods (see the indicator on "Health expenditure in relation to GDP"). As with current spending, there are both differences in the current levels of investment expenditure between countries and in the recent trends observed.

At the higher end of the scale, Belgium spent more than 0.8% of GDP on capital investment in 2013, followed by a group of countries, including France, Germany and the United States, all spending more than 0.6% of GDP. Around half the OECD countries are in a relatively narrow band of plus or minus 25% of the average ranging from the United Kingdom to Australia. At the lower end, Turkey, Chile and Hungary spent around half the OECD average, while Greece, Iceland and Mexico spent around 0.1% of GDP on capital infrastructure and equipment in the health care sector.

Data from National Accounts provides an idea of the type of assets and capital spending. While capital spending can fluctuate from year to year, overall in the health sector there is an even split between spending on construction (i.e. building of hospitals and other health care facilities) and spending on equipment (medical machinery, ambulances, as well as ICT equipment). Together they account for 85% of capital expenditure. The remaining 15% is accounted for by intellectual property products – the result of research, development or innovation. This can vary significantly between countries.

In parallel with current health spending, capital spending has been affected by the global economic crisis with outlays on health system infrastructure and equipment often being a prime target for reduction or postponement. Overall, capital spending grew strongly in the period up to 2008 – annual capital expenditure was 22% higher than in 2005 in real terms on average. During the next three years, the annual outlay fell back by almost 15%. Since 2011, there has been a return to growth in capital spending (Figures 9.15 and 9.16).

The country differences also mirror the trends in current spending. Outside of Europe, investment in the health sector has been generally less affected by the economic downturn. Australia and Korea, for example, report capital spending more than 40% higher in 2013 compared with 2005.

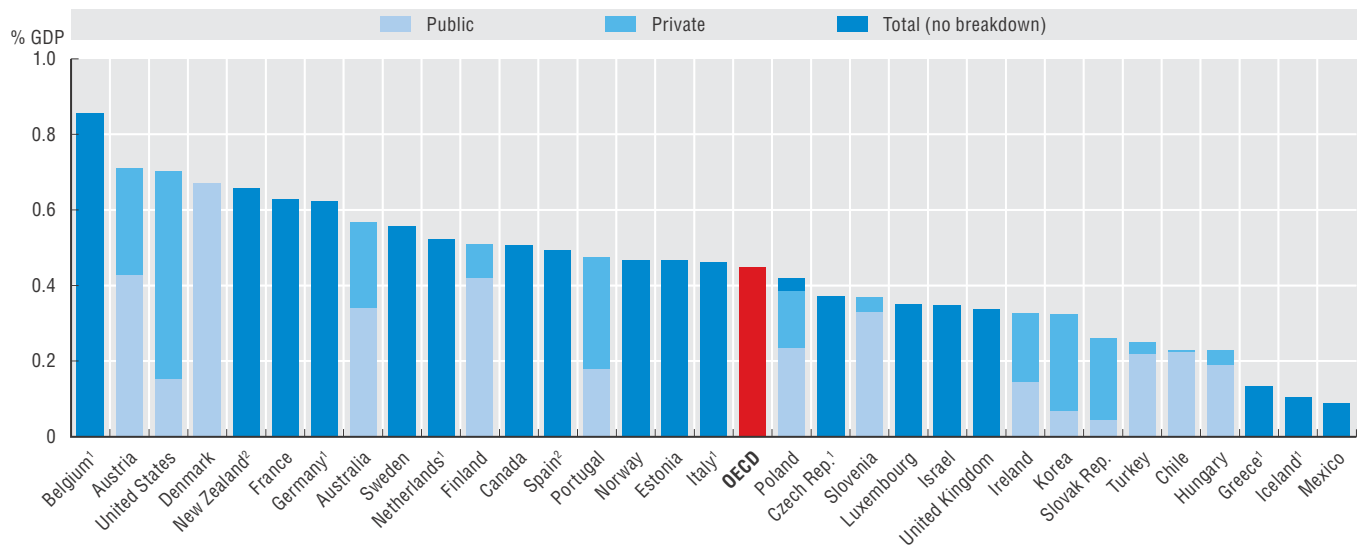
A number of European countries have seen severe reductions in capital spending. Figures for Greece show that the outlay was less than 40% of the 2005 level in 2013, with an acceleration of the fall in 2010. Similarly, Spain experienced a sharp reversal after 2008, with capital spending in 2012 at half the level of 2005.

Definition and comparability

Gross fixed capital formation in the health care system is measured by the total value of the fixed assets that health providers have acquired during the accounting period (less the value of the disposals of assets) and that are used repeatedly or continuously for more than one year in the production of health services. The breakdown by assets includes infrastructure (e.g. hospitals, clinics, etc.), machinery and equipment (including diagnostic and surgical machinery, ambulances, and ICT equipment), as well as software and databases.

Gross fixed capital formation is reported by many countries under the System of Health Accounts. It is also reported under the National Accounts broken down by industrial sector according to the International Standard Industrial Classification (ISIC) Rev. 4 using Section Q: Human health and social work activities or Division 86: Human health activities. The former is normally broader than the SHA boundary while the latter is narrower.

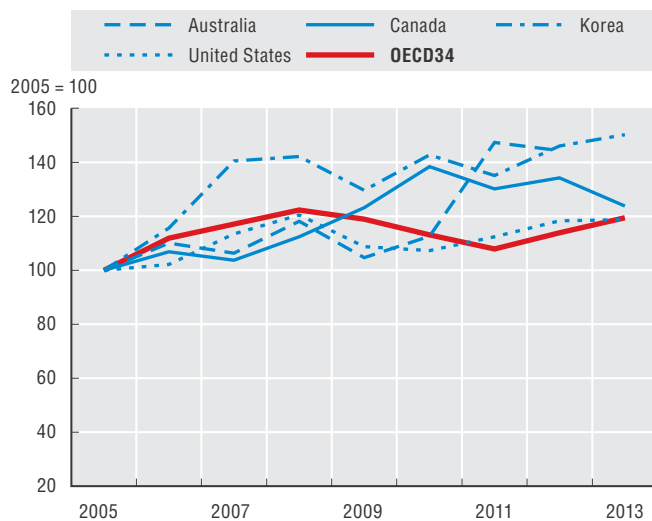
9.14. Gross fixed capital formation in the healthcare sector as a share of GDP, 2013 (or nearest year)



1. Refers to gross fixed capital formation in ISIC 86: Human health activities (ISIC Rev. 4).
 2. Refers to gross fixed capital formation in ISIC Q: Human health and social work activities (ISIC Rev. 4).
- Source: OECD Health Statistics 2015, <http://dx.doi.org/10.1787/health-data-en>; OECD National Accounts Database.

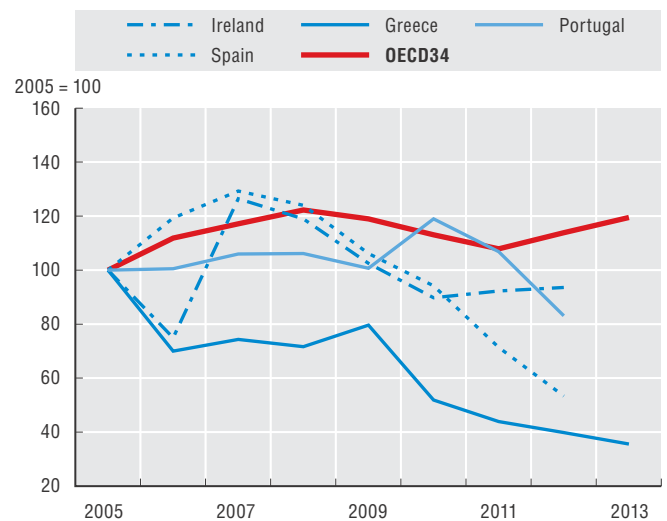
StatLink <http://dx.doi.org/10.1787/888933281305>

9.15. Gross fixed capital formation, selected non-European countries, 2005-13



Source: OECD Health Statistics 2015, <http://dx.doi.org/10.1787/health-data-en>.
StatLink <http://dx.doi.org/10.1787/888933281305>

9.16. Gross fixed capital formation, selected European countries, 2005-13



Source: OECD Health Statistics 2015, <http://dx.doi.org/10.1787/health-data-en>.
StatLink <http://dx.doi.org/10.1787/888933281305>

Information on data for Israel: <http://oe.cd/israel-disclaimer>



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