# 7.6. Financing of health care

All OECD countries use a mix of public and private financing of health care, but to differing degrees. Public financing is confined to government revenues in countries where central and/or local governments are primarily responsible for financing health services directly (*e.g.* Spain and Norway). It comprises both general government revenues and social contributions in countries with social insurance based-funding (*e.g.* France and Germany). Private financing, on the other hand, covers households' out-of-pocket payments (either direct or as co-payments), third-party payment arrangements effected through various forms of private health insurance, health services such as occupational health care directly provided by employers, and other direct benefits provided by charities and the like.

Figure 7.6.1 shows the public share of health financing across OECD countries in 2007. The public sector is the main source of health financing in all OECD countries, apart from Mexico and the United States. On average, the public share of health spending was 73% in 2007, unchanged from 1990. In Luxembourg, the Czech Republic, the Nordic countries (except Finland), the United Kingdom, Japan, Ireland and New Zealand public financing accounted for more than 80% of all health expenditure. There has been a convergence of the public share of health spending among OECD countries over recent decades. Many of those countries with a relatively high public share in the early 1990s, such as Poland and Hungary, have decreased their share, while other countries which historically had a relatively low level (*e.g.* Portugal, Turkey) have increased their public share, reflecting health system reforms and the expansion of public coverage.

The fact that the health system is primarily public funded in most countries does not imply that the public sector plays the dominant role in every area of health care. Figure 7.6.2 shows the public share of financing separately for medical services and medical goods. The public sector plays a dominant role in paying for medical services in most countries (covering 78% on average), although a further sub-division of medical services shows an increasingly important role of private financing in the area of out-patient services (Orosz and Morgan, 2004), especially dental care, where around two-thirds of spending comes from private sources. In the financing of medical goods, private payments also play an important role, most clearly in Mexico, Canada, the United States and Poland.

The size and composition of private financing for all health services and goods differs considerably across countries. On average, more than two-thirds of private funding is accounted for by out-of-pocket payments (including any cost-sharing arrangements) (Colombo and Morgan, 2006). In some central and eastern European countries, the practice of unofficial supplementary payments means that the level of out-of-pocket spending is probably underestimated. Private health insurance is around 5-6% of total health expenditure on average across OECD countries (Figure 7.6.3). For some countries, it plays a significant financing role. It provides primary coverage for certain population groups in Germany, and for a large proportion of the non-elderly population in the United States, where private health insurance accounts for 35% of health expenditure. In France and Canada, private health insurance finances 13% of overall spending, but provides respectively complementary and supplementary coverage in a public system with universal reach (see Indicator 6.2).

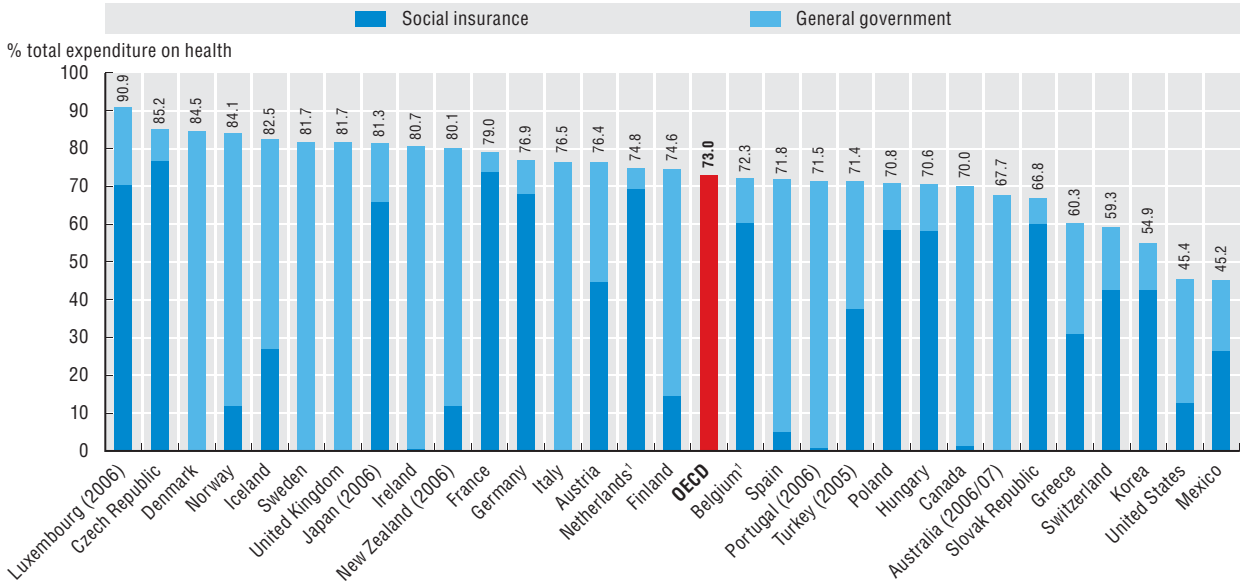
In several countries, including the Netherlands and France, less than 2% of the total consumption of households was spent on out-of-pocket health services in 2007, while in Switzerland such spending represented more than 6% of total household consumption. In Korea and Mexico, it was 4-5% and the United States, with almost 3% of consumption being spent on out-of-pocket health services, was close to the OECD average.

### *Definition and deviations*

There are three elements of health care financing: sources of funding (households, employers and the state), financing schemes (*e.g.* compulsory or voluntary insurance), and financing agents (organisations managing the financing schemes). Here "financing" is used in the sense of financing schemes as defined in the *System of Health Accounts*. Public financing includes general government revenues and social security funds. Private financing covers households' out-of-pocket payments, private health insurance and other private funds (NGOs and private corporations).

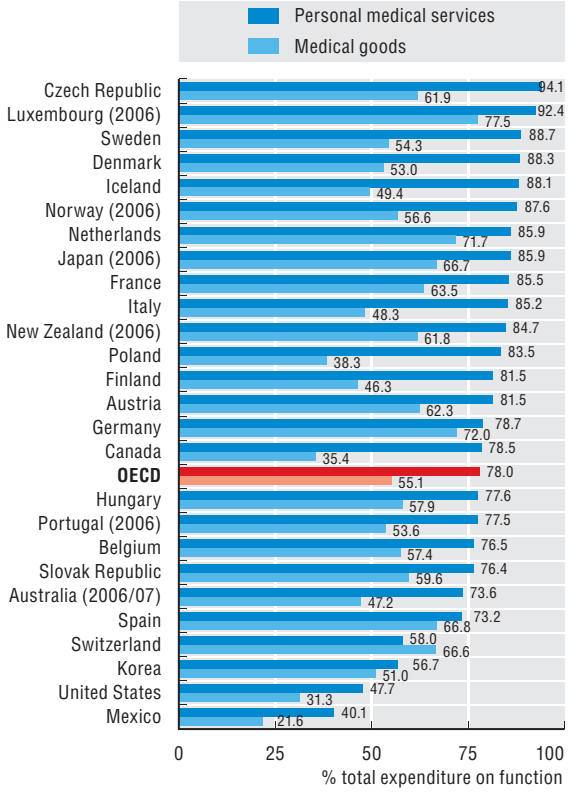
Out-of-pocket payments are expenditures borne directly by the patient. They include cost-sharing and, in certain countries, estimations of informal payments to health care providers.

### 7.6.1 Public share of total expenditure on health, 2007

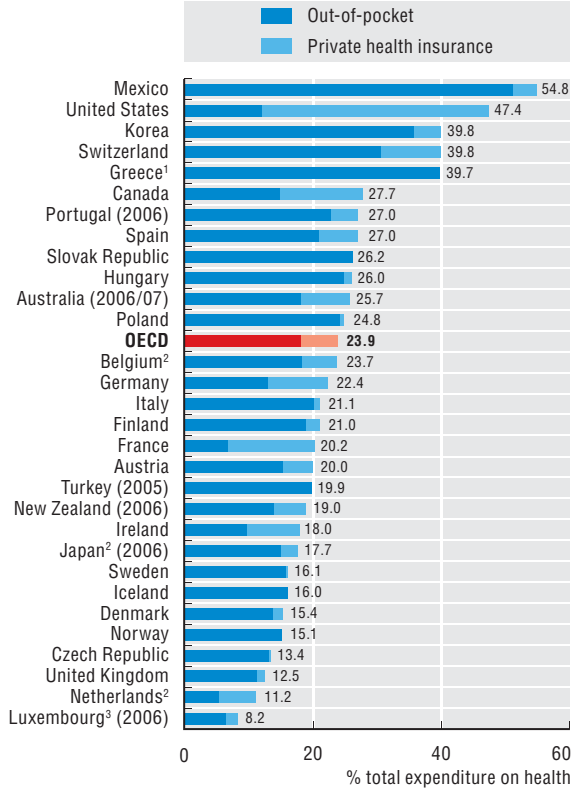



1. Share of current health expenditure.

### 7.6.2 Public share of expenditure on medical services and goods, 2007



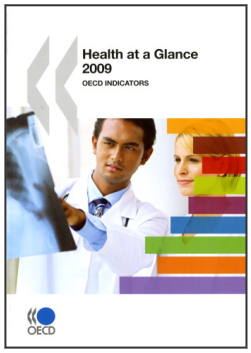

### 7.6.3 Out-of-pocket and private health insurance expenditure, 2007




1. Total private expenditure. 2. Current expenditure. 3. Cost-sharing only.

*Source: OECD Health Data 2009.*

StatLink http://dx.doi.org/10.1787/720482364801

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