All European countries use a mix of public and private financing to pay for health care. In some countries, public purchasing of health care is generally confined to the use of government revenues. In others where there is social insurance, public financing uses these social contributions, in addition to any general government revenues. Private financing of health care consists of payments by households (either as stand-alone payments or co-payments) as well as various forms of private health insurance intended to replace, complement or supplement publicly financed coverage. In addition, occupational health care may be directly provided by employers, and other health care benefits may be provided by charities and other non-government organisations.

The public sector is the main source of health care financing in all European countries, except Cyprus (Figure 5.6.1). In 2010, on average in the European Union, 73% of health care was publicly financed. Public financing accounted for over 80% in the Netherlands, the Nordic countries (except Finland), Luxembourg, the Czech Republic, the United Kingdom and Romania. The share was the lowest in Cyprus (43%), and Bulgaria, Greece and Latvia (55-60%).

The economic crisis has had an effect on the mix of public and private health financing as public spending has been contained or cut in many countries severely affected by the recession. In Ireland, the share of public spending decreased by nearly 6 percentage points between 2008 and 2010 and stands now at 70%. Substantial falls have also been observed in the Slovak Republic and Bulgaria. On the other hand, some countries saw their public spending share rise since 2008, including Cyprus and Norway.

Although public funding is the main source of funds for health spending in nearly all European countries, this does not imply that the public sector plays the dominant financing role for all health services and goods. Figure 5.6.2 shows the shares of financing for medical services and medical goods separately. On average across the European Union, the public sector covers a much higher proportion of the costs of medical services compared with medical goods (comprising mainly pharmaceutical products). Over 80% of the costs of health care services are covered by public funds compared with just over 50% for medical goods. In Romania, public funding covers more than 90% of expenditure on medical services, but only about 40% of spending on medical goods. Germany, Luxembourg and the Netherlands are the only countries where public spending coverage for medical goods exceeds 70%.

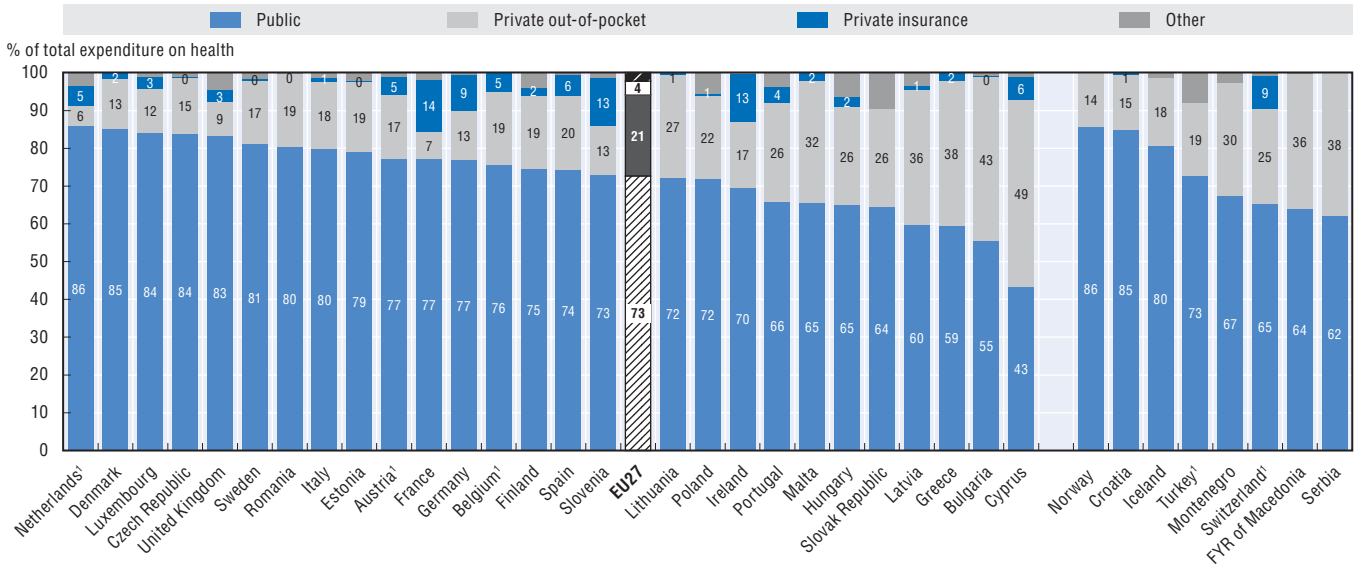
After public financing, the main source of funding for health expenditure is out-of-pocket payments. In 2010, the share of out-of-pocket payments was highest in Cyprus, Bulgaria and Greece. It was the lowest in the Netherlands (6%), France (7%) and the United Kingdom (9%). The share of out-of-pocket spending has increased over the past decade in about half of EU member states while it has decreased in the other half. The Slovak Republic has seen the biggest increase in the share of health spending paid directly by households, with a rise of over 15 percentage points between 2000 and 2010. This increase is due to a rise in co-payments on prescribed pharmaceuticals, higher spending by households on non-prescribed medicines, increased use of private providers and informal payments to public providers (Szalay *et al.*, 2011). The share of out-of-pocket payments has also increased substantially in Bulgaria, Cyprus and Malta. In some countries hard hit by the economic crisis, the public coverage for certain services has been reduced in recent years, with a growing share of payments being transferred to households. In Iceland, the share of out-of-pocket spending has increased by 2.2 percentage points between 2008 and 2010, although this has not totally offset the previous reduction in this share between 2000 and 2008. In Ireland, the share of out-of-pocket spending increased by 1.7 percentage points between 2008 and 2010, and is now 2.1 percentage points greater than in 2000.

On the other hand, some other countries have extended public coverage for health services in recent years to improve access to care, resulting in a lower share of health spending paid directly by households. Turkey is the most striking example; it has moved since 2003 to extend public coverage for health services for a larger proportion of the population (see Indicator 5.1), with public funding now accounting for 73% of total health spending, equal to the EU average. This has led to a reduction of nearly 10 percentage points in the share of direct payments by households over the past decade. The share of out-of-pocket payments has also come down substantially in Poland and Switzerland, although it still remains slightly above the EU average.

Definition and comparability

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 financing schemes). Here "financing" is used in the sense of financing schemes as defined in the *System of Health Accounts* (OECD, 2000; OECD, Eurostat and WHO, 2011). 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.

5.6.1. Expenditure on health by type of financing, 2010 (or nearest year)

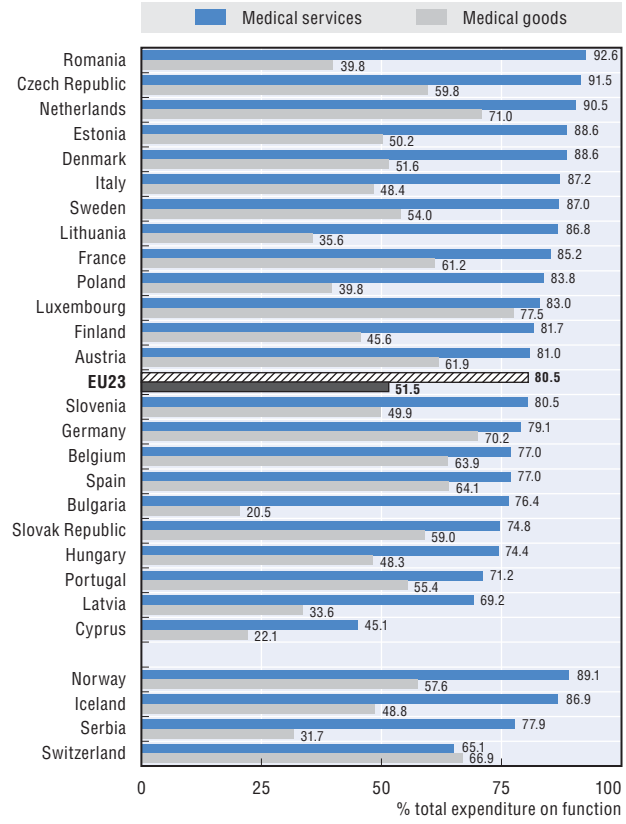


1. Data refer to current expenditure.

Source: OECD Health Data 2012; WHO Global Health Expenditure Database.

StatLink http://dx.doi.org/10.1787/888932705615

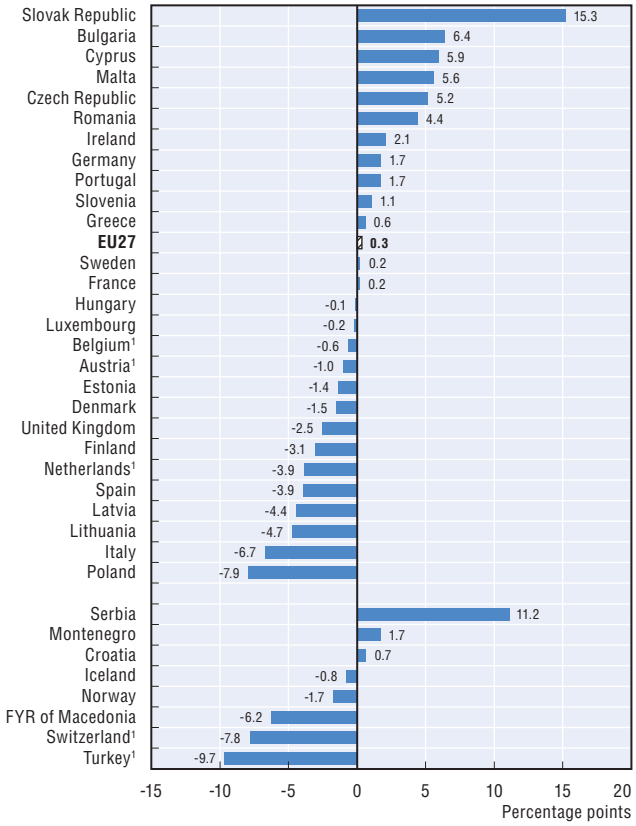
5.6.2. Public share of expenditure on medical services and goods, 2010 (or nearest year)



Source: OECD Health Data 2012; Eurostat Statistics Database.

StatLink http://dx.doi.org/10.1787/888932705634

5.6.3. Change in share of out-of-pocket spending in total health spending, 2000 to 2010 (or nearest year)



1. Data refer to current expenditure.

Source: OECD Health Data 2012; WHO Global Health Expenditure Database.

StatLink http://dx.doi.org/10.1787/888932705653