Health expenditure by function

Spending on inpatient care and outpatient care combined covers the major part of health expenditure across OECD countries – almost two-thirds of current health expenditure on average in 2013 (Figure 9.6). A further 20% of health spending was allocated to medical goods (mainly pharmaceuticals), while 12% went towards long-term care and the remaining 6% on collective services, such as public health and prevention services as well as administration.

Greece has the highest share of spending on inpatient care (including day care in hospitals) among OECD countries: it accounted for 42% of total health spending in 2013, up from 36% in 2009, as a consequence of larger decreases in spending for outpatient care and pharmaceuticals. In Poland, France and Austria, the hospital sector also plays an important role, with inpatient spending comprising more than a third of total costs. While the United States consistently reports the highest share of outpatient care (and by consequence the lowest inpatient share), it should be noted that this figure includes remunerations of physicians who independently bill patients for hospital care. Other countries with a high share of outpatient spending include Portugal and Israel (48% and 46%).

The other major category of health spending is medical goods. In the Slovak Republic and Hungary, medical goods represent the largest spending category at 36% and 33% of all health expenditure, respectively. With around 30%, the share is also high in Greece and Mexico. In Denmark and Norway, on the other hand, spending on medical goods represents only 10-11% of total health spending.

There are also differences between countries in their expenditure on long-term care (see the indicator on "Long-term care expenditure" in Chapter 11). Countries such as Norway, the Netherlands, Sweden and Denmark which have established formal arrangements for the elderly and the dependent population, allocate around a quarter or more of total health spending to long-term care. In many southern or central European countries with a more informal long-term care sector, the expenditure on formal long-term care services accounts for a much smaller share of total spending.

The slowdown in health spending experienced in many OECD countries in recent years has affected all spending categories, but to varying degrees (Figure 9.7). Expenditure for pharmaceuticals has been cut annually by nearly 2% after recording positive annual increases of 2% in the pre-crisis years – still down on previously strong growth in pharmaceutical spending in the 1990s and early 2000s (see the indicator on "Pharmaceutical expenditure" in Chapter 10). Despite initially ring-fencing and protecting public health budgets, prevention spending turned negative in around half of OECD since 2009. Overall, spending on preventive care contracted by -0.3% on an annual basis, after recording very high growth rates during the period 2005-09 (5.6%). Part of the reversal in spending growth can be explained by the H1N1 influenza epidemic, which led to significant one-off expenditure for vaccination in many countries around 2009.

While spending on long-term, outpatient and inpatient care have continued to grow, the rates have also significantly reduced since 2009. Expenditure growth for outpatient care was reduced by more than half overall (1.7% vs. 3.9%), but has still remained positive in three quarters of OECD countries. Some governments decided to protect expenditure for primary care and front-line services whilst looking for cuts elsewhere in the health system. The annual average growth rate for hospital care dropped to a quarter of its previous growth rate, down from 2.4%, and was negative between 2009 and 2013 in a dozen OECD countries. Reducing wages in public hospitals, postponing staff replacement and delaying investment in hospital infrastructure were among the most frequent measures taken in OECD countries to balance health budgets.

Definition and comparability

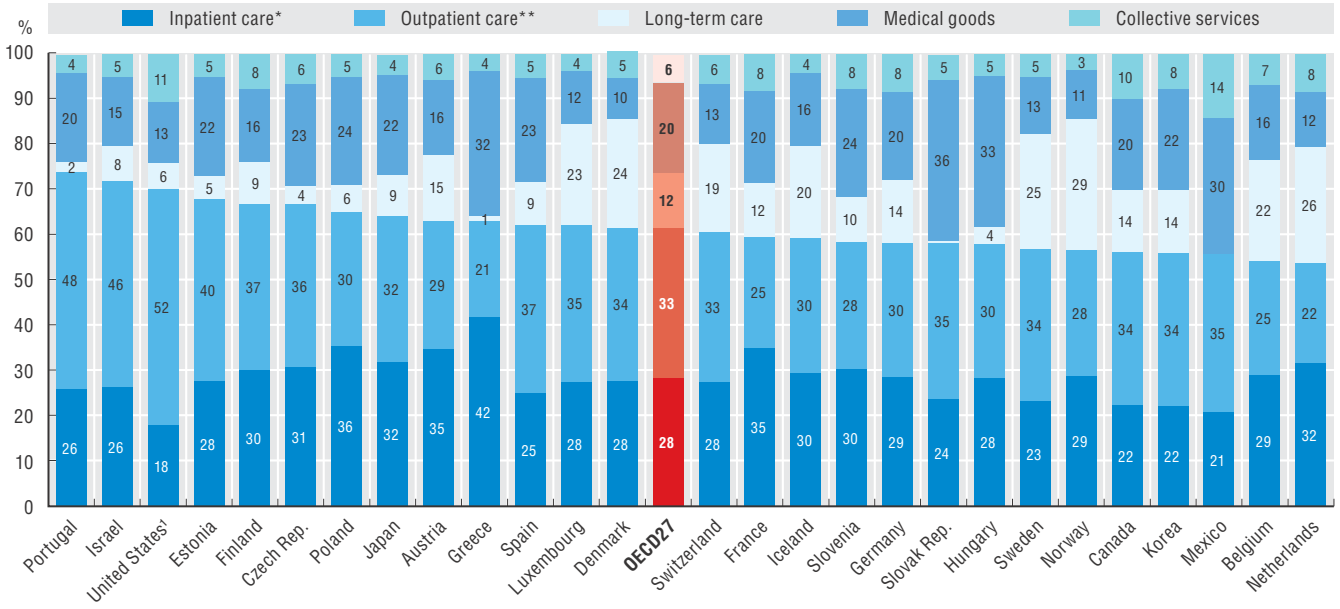
The *System of Health Accounts* (OECD, 2000; OECD, Eurostat and WHO, 2011) defines the boundaries of the health care system. Current health expenditure comprises personal health care (curative care, rehabilitative care, long-term care, ancillary services and medical goods) and collective services (prevention and public health services as well as health administration). Curative, rehabilitative and long-term care can also be classified by mode of production (inpatient, day care, outpatient and home care). Concerning long-term care, only the health aspect is normally reported as health expenditure, although it is difficult in certain countries to separate out clearly the health and social aspects of long-term care. Some countries with comprehensive long-term care packages focusing on social care might be ranked surprisingly low based on SHA data because of the exclusion of their social care. For example, an ongoing review of Japanese long-term care boundaries concerning SHA will likely lead to a significant increase in health spending based on SHA2011 to be released in 2016. Thus, estimations of long-term care expenditure are one of the main factors limiting comparability across countries.

References

OECD (2000), *A System of Health Accounts*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264181809-en*.

OECD, Eurostat and WHO (2011), *A System of Health Accounts, 2011 Edition*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264116016-en*.

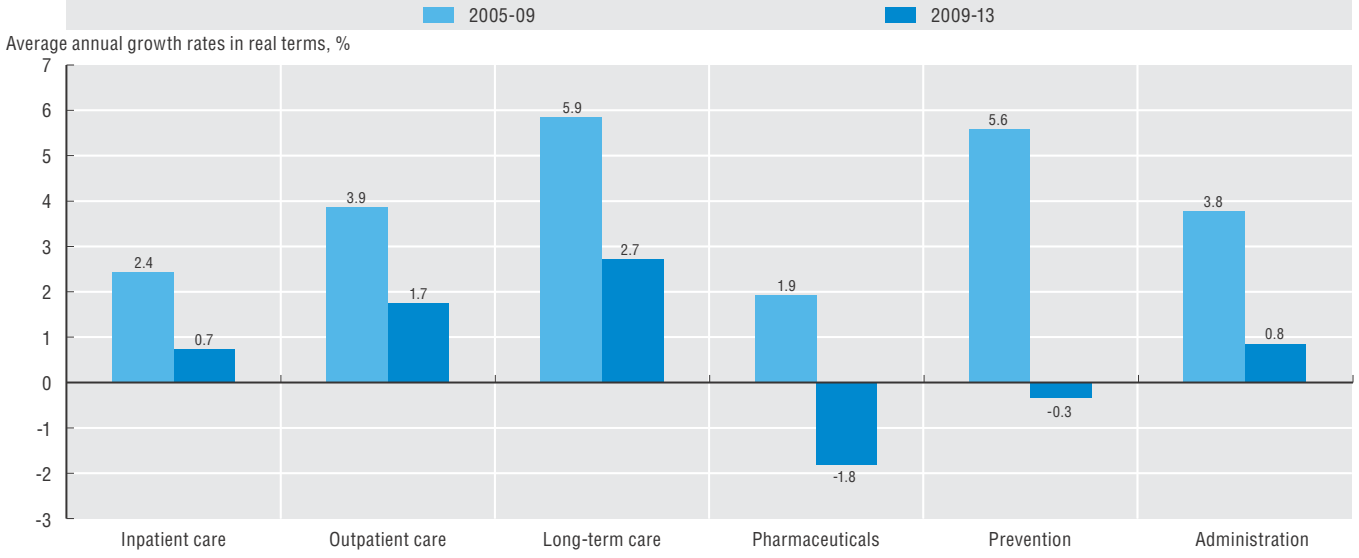
9.6. Current health expenditure by function of health care, 2013 (or nearest year)



Note: Countries are ranked by curative-rehabilitative care as a share of current expenditure on health. * Refers to curative-rehabilitative care in inpatient and day care settings. ** Includes home-care and ancillary services.
1. Inpatient services provided by independent billing physicians are included in outpatient care for the United States.
Source: OECD Health Statistics 2015, *http://dx.doi.org/10.1787/health-data-en.*

StatLink http://dx.doi.org/10.1787/888933281277

9.7. Growth rates of health spending for selected functions per capita, OECD average, 2005-13



Source: OECD Health Statistics 2015, *http://dx.doi.org/10.1787/health-data-en.*

StatLink http://dx.doi.org/10.1787/888933281277

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