In 2008, European Union countries devoted 8.3% of their GDP on average to health spending (Figure 4.2.1), up from 7.3% in 1998. The ratio of health spending to GDP among European countries in 2008 ranged from around 6% in Cyprus and Romania to more than 11% of GDP in France (Figure 4.2.1). This compares with 16% in the United States. Of the other European countries, Switzerland, Austria, Germany and Belgium all allocated more than 10% of their national economies to health spending.

In terms of public expenditure on health to GDP, European Union countries spent on average 6.2% of GDP, ranging from a high of 8.7% of GDP in France to lows of 2.4% and 4.1% in Cyprus and Turkey, respectively.

To get a more complete understanding of the key trends driving health spending, the health spending to GDP ratio should be considered together with per capita health spending. Countries having a relatively high health spending to GDP ratio might have relatively low health expenditure per capita, and the converse also holds. For example, Germany and Portugal both spent around 10% of their GDP on health; however, per capita spending (adjusted to EUR PPP) was more than 1.5 times higher in Germany (see Figure 4.1.1 from previous indicator).

Changes in the ratio of health spending to GDP are the result of the combined effect of growth in both GDP and health expenditure. Apart from Norway and Estonia, health spending per capita grew more quickly than GDP per capita between 1998 and 2008, resulting in an increasing share of the economy devoted to health in most countries (Figure 4.2.2). Some European countries that experienced relatively strong economic growth over that period – such as the Slovak Republic, Ireland and Turkey – saw even greater increases in health spending resulting in large increases in the health to GDP ratio. Slovenia, the Czech Republic and Hungary also experienced relatively high economic growth, but health spending growth, although high, did not significantly outpace that of the overall economy resulting in only moderate increases in the health to GDP ratio.

In the United Kingdom, after a period of strong cost containment, the government made a policy pledge in 2000 to increase spending on health to reach the then average EU level of 8.0% over the next five years (Ferriman, 2000). The subsequent increases in health spending meant that the United Kingdom reached its target by 2004. At 8.7% in 2008, it is now slightly above the enlarged European Union member countries average (Figure 4.2.3).

As a result of the recession that started in many European countries in 2008 and became widespread in 2009, the ratio of health expenditure to GDP has increased sharply in some countries. In Ireland, the percentage of GDP devoted to health increased from 7.5% in 2007 to 8.7% in 2008, and in Spain from 8.4% to 9.0%. The share is likely to increase further when data for 2009 and 2010 become available as economic growth stalled or contracted while health spending growth continued. There is little evidence that GDP changes have an impact on the *level* of health spending in the short term. However, the experience of some European countries that have faced substantial recessions in the past 20 years is that health expenditures may be reduced in the following years as measures to reduce large public deficits are introduced (Scherer and Devaux, 2010).

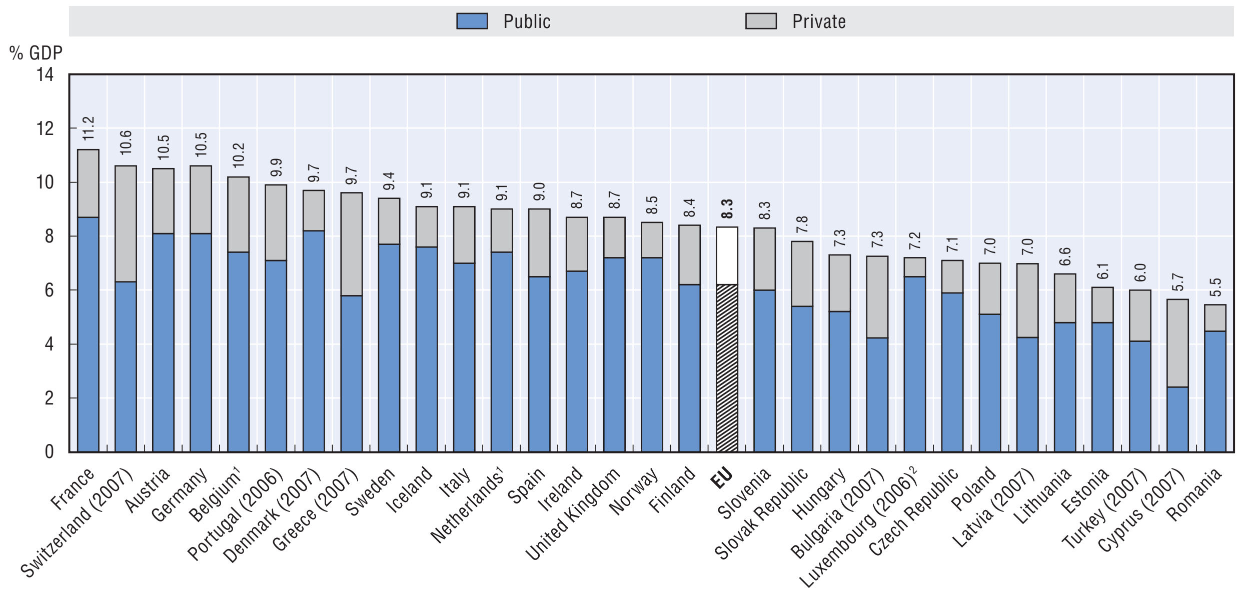
In the long term, OECD projections of health and long-term care suggest that the drivers that have influenced health spending in the past such as rising incomes, technological changes and demographic factors will continue to exert upward pressures. The results indicate that public expenditure on health and long-term care as a share of GDP could almost double between 2005 and 2050 on average across OECD countries. Even if governments adopted more cost-containment policies, public health and long-term care spending would still increase by around 50% over the same period (OECD, 2006).

Definition and deviations

See Indicator 4.1 for the definition of total health expenditure.

Gross Domestic Product (GDP) = final consumption + gross capital formation + net exports. Final consumption of households includes goods and services used by households or the community to satisfy their individual needs. It includes final consumption expenditure of households, general government and non-profit institutions serving households.

4.2.1. Total health expenditure as a share of GDP, 2008

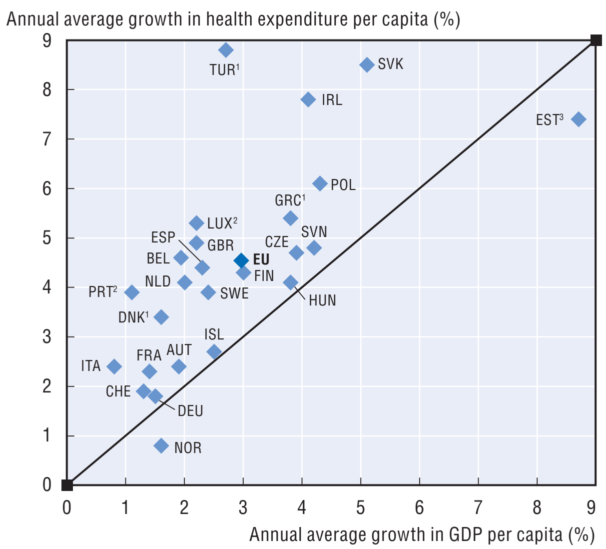


1. Public and private expenditures are current expenditures (excluding investments).
2. Health expenditure is for the insured population rather than resident population.

Source: *OECD Health Data 2010*; *Eurostat Statistics Database*; WHO National Health Accounts.

StatLink http://dx.doi.org/10.1787/888932337376

4.2.2. Annual average growth in real per capita expenditure on health and GDP, 1998-2008



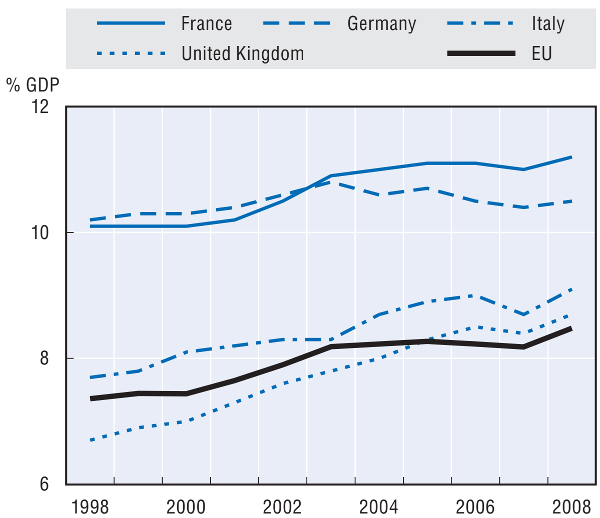
1. 1998-2007. 2. 1998-2006. 3. 1999-2007.

Source: *OECD Health Data 2010*; *Eurostat Statistics Database*; WHO National Health Accounts.

StatLink http://dx.doi.org/10.1787/888932337395

4.2.3. Total health expenditure as a share of GDP, 1998-2008

Selected EU countries



Source: *OECD Health Data 2010*; *Eurostat Statistics Database*; WHO National Health Accounts.

StatLink http://dx.doi.org/10.1787/888932337414

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OECD