

57. Health outcomes and expenditures

A key policy challenge for governments is to improve health outcomes (such as life expectancy) while containing cost pressures in health care provision. This is particularly important given that the public sector is the main source of health financing in OECD countries and public spending on health care is one of the largest government expenditure items, representing on average 6% of GDP. Furthermore, with ageing populations, cost pressures are expected to increase in the near future.

Life expectancy remains the most common measure of a population's health. Life expectancy at birth has continued to increase remarkably in OECD countries over the past few decades, reflecting sharp reductions in mortality rates at all ages. These gains in longevity can be attributed to a number of factors, including rising living standards, improved lifestyle and better education, as well as greater access to quality health services. Other factors addressed by public policy, such as better nutrition, sanitation and housing also play a role. On average across OECD countries, life expectancy at birth for the whole population reached 79.3 years in 2008, a gain of nearly 11 years since 1960. Of all member countries, Korea has experienced the largest increase since 1960. In 2008, its citizens are expected to live nearly 28 years longer than they did in 1960. In almost one-half of OECD countries, life expectancy at birth in 2008 exceeded 80 years. The country with the highest life expectancy was Japan, at 82.7 years. At the other end of the scale, life expectancy in OECD countries was the lowest in Turkey, followed by Hungary and Estonia. However, while life expectancy in Hungary has increased modestly since 1960, it has increased sharply in Turkey, so that it is rapidly catching up with the OECD average.

There is a positive relationship between life expectancy at birth and health expenditure per capita across OECD countries. A recent OECD study estimated that up to 40% of the increase in life expectancy since the early 1990s could be attributed to increased total health spending (Joumard *et al.*, 2010). Given their levels of health spending, Japan and Korea stand out as having relatively high life expectancies, and the United States, Denmark and Hungary relatively low.

Methodology and definitions

Life expectancy measures how long on average people would live based on a given set of age-specific death rates. However, the actual age-specific death rates of any particular birth cohort cannot be known in advance. If age-specific death rates are falling (as has been the case over the past decades in OECD countries), actual life spans will be higher than life expectancy calculated with current death rates. Life expectancy at birth for the total population is calculated by the OECD Secretariat for all countries, using the unweighted average of life expectancy of men and women.

Total expenditure on health measures the final consumption of health goods and services (i.e. current health expenditure) plus capital investment in health care infrastructure. This includes spending by both public and private sources on medical services and goods, public health and prevention programmes, and administration. Countries' health expenditures are converted to a common currency (USD) and adjusted using PPPs for GDP to take account of the different purchasing power of the national currencies.

Further reading

Joumard, I., C. Andre and C. Nicq (2010), "Health Care Systems: Efficiency and Institutions", *OECD Economics Department Working Papers*, No. 769, OECD Publishing, Paris.

OECD (2009), *Health at a Glance 2009: OECD Indicators*, OECD Publishing, Paris.

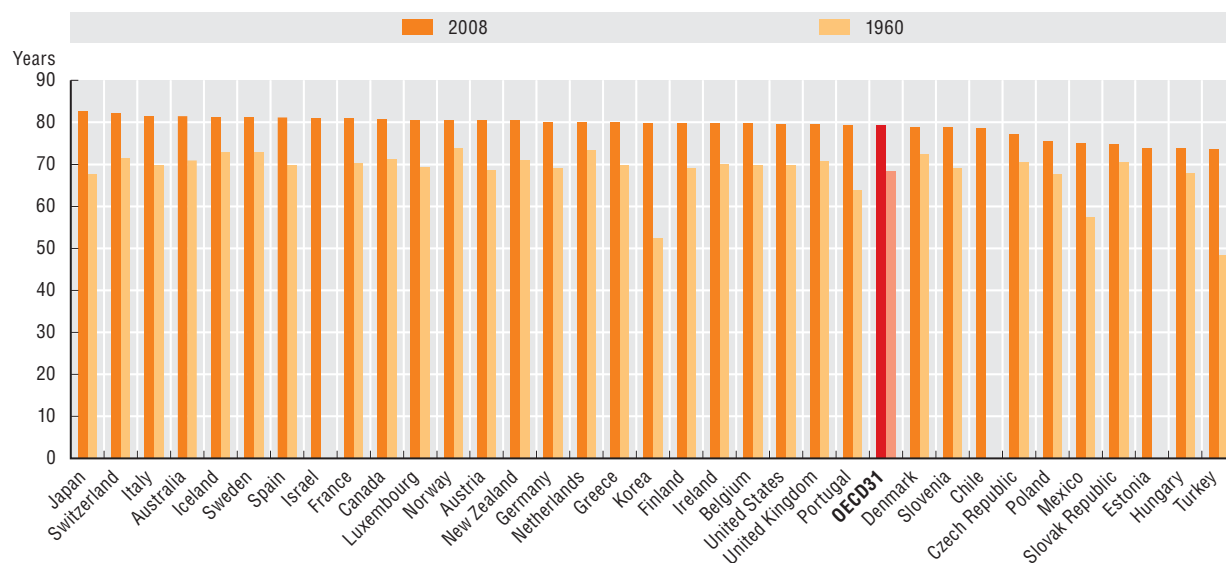
Figure notes

57.1: Data for 1960 are not available for Chile, Estonia and Israel and these countries are not included in the average. Data for the following countries refer to 2007 rather than 2008: Belgium, Canada, Italy, the United Kingdom and the United States. Data for the following countries refer to 1961 rather than 1960: Canada, Italy and New Zealand.

57.2: Life expectancy data for Belgium, Canada, Italy, the United Kingdom and the United States refer to 2007. Health spending data for Austria, Denmark, Greece, Japan and Turkey refer to 2007; and for Portugal and Luxembourg refer to 2006.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

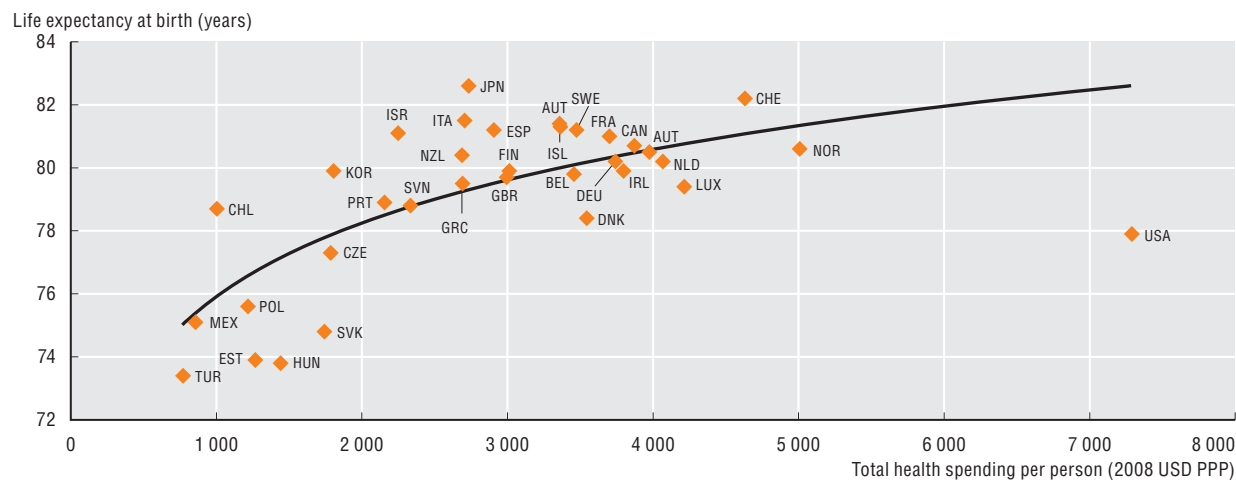
57.1 Life expectancy at birth (1960 and 2008)



Source: OECD Health Data 2010.

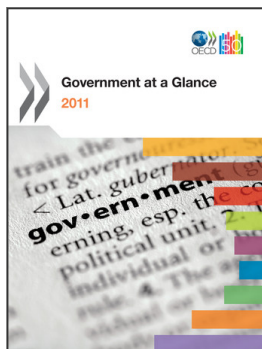
StatLink <http://dx.doi.org/10.1787/888932391716>

57.2 Life expectancy at birth and total expenditure on health per person (2008)



Source: OECD Health Data 2010.

StatLink <http://dx.doi.org/10.1787/888932391735>



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