

### Out-of-pocket medical expenditure

Financial protection through public or private health insurance substantially reduces the amount that people pay directly for medical care, yet in some countries the burden of out-of-pocket spending can still create barriers to health care access and use. Households that face difficulties paying medical bills may delay or even forgo needed health care. On average across OECD countries, 19% of health spending is paid directly by patients (see indicator “Financing of health care” in Chapter 9 on “Health expenditure”).

In contrast to publicly-funded care, out-of-pocket payments rely on people’s ability to pay. If the financing of health care becomes more dependent on out-of-pocket payments, the burden shifts, in theory, towards those who use services more, and possibly from high to low income households, where health care needs are higher. In practice, many countries have policies in place to protect certain population groups from excessive out-of-pocket payments. These consist in partial or total exemptions for social assistance beneficiaries, seniors, or people with chronic diseases or disabilities by capping direct payments, either in absolute terms or as a share of income (Paris et al., 2010; OECD, 2015).

The burden of out-of-pocket medical spending can be measured either by its share of total household income or its share of total household consumption. The share of household consumption allocated to medical spending varied considerably across OECD countries in 2013, ranging from less than 1.5% of total household consumption in countries such as Turkey, the Netherlands, France and the United Kingdom, to more than 4% in Korea, Switzerland and Greece (Figure 7.7). On average across OECD countries, 2.8% of household spending went towards medical goods and services.

Health systems in OECD countries differ in the degree of coverage for different health services and goods. In most countries, the degree of coverage is higher for hospital care and doctor consultations than for pharmaceuticals, dental care and eye care (Paris et al., 2010; OECD, 2015). Taking into account these differences and also the relative importance of these different spending categories, there are significant variations between OECD countries in the breakdown of the medical costs that households have to bear themselves.

In most OECD countries, curative care (including both inpatient and outpatient care) and pharmaceuticals are the two main spending items for out-of-pocket expenditure (Figure 7.8). On average, these two components account for two-thirds of all medical spending by households, but the importance varies between countries. In Luxembourg, Belgium and Switzerland, household payments for inpatient and outpatient curative care account for close to 50% of total household outlays. In other countries such as

Poland, the Czech Republic, Hungary and Canada, half of out-of-pocket payments or more are for pharmaceuticals. In some of these countries, in addition to co-payments for prescribed pharmaceuticals, spending on over-the-counter medicines for self-medication has been historically high.

Payments for dental treatment also play a significant part in household medical spending, accounting for 20% of all out-of-pocket expenditure across OECD countries. In Estonia, Norway, Denmark and Spain, this figure reaches 30% or more. This can at least partly be explained by the limited public coverage for dental care in these countries compared with a more comprehensive coverage for other categories of care. The significance of therapeutic appliances (eye-glasses, hearing aids, etc.) in households’ total medical spending differs widely, but is as much as 33% in the Netherlands. The average across OECD countries was 13%. More than half of this relates to eye-care products. In many countries, public coverage is limited to a contribution to the cost of lenses. Frames are often exempt from public coverage, leaving private households to bear the full cost if they are not covered by complementary private insurance.

#### Definition and comparability

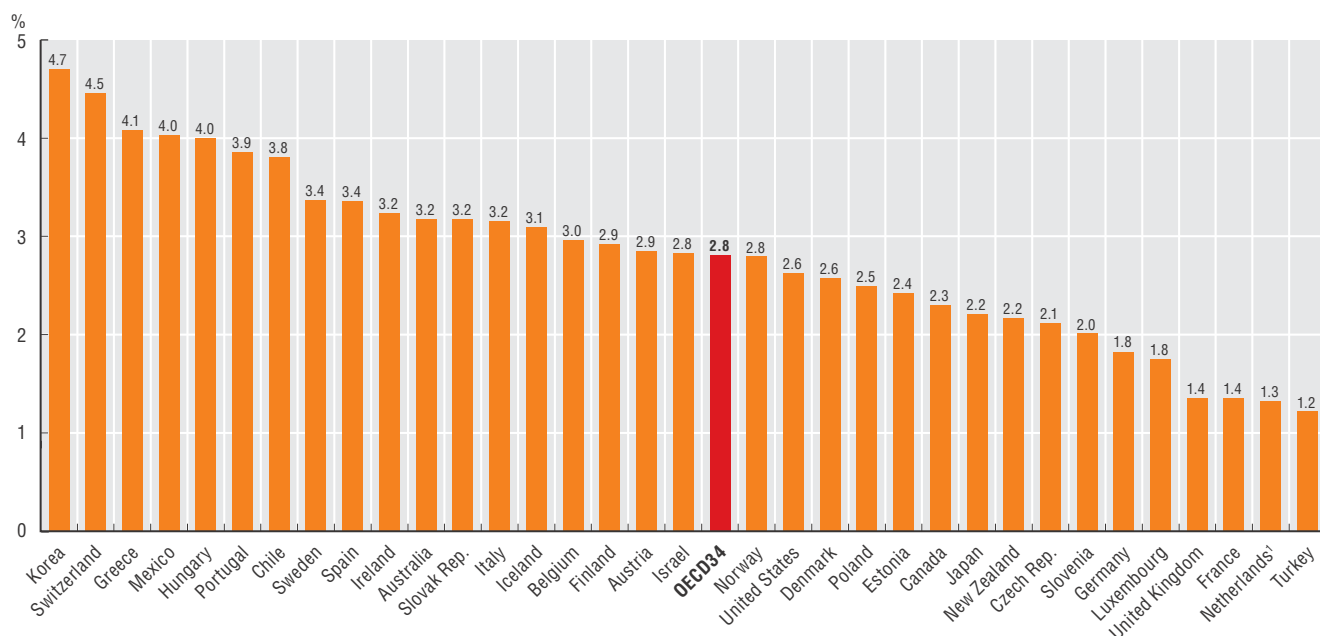
Out-of-pocket payments are expenditures borne directly by a patient where neither public nor private insurance cover the full cost of the health good or service. They include cost-sharing and other expenditure paid directly by private households and should also include estimations of informal payments to health care providers. Only expenditure for medical spending (i.e. current health spending less expenditure for the health part of long-term care) is presented here, because the capacity of countries to estimate private long-term care expenditure varies widely.

Household final consumption expenditure covers all purchases made by resident households to meet their everyday needs such as food, clothing, rent or health services.

#### References

- OECD (2015), “Measuring Health Coverage”, OECD, Paris, available at: [www.oecd.org/els/health-systems/measuring-health-coverage.htm](http://www.oecd.org/els/health-systems/measuring-health-coverage.htm).
- Paris, V., M. Devaux and L. Wei (2010), “Health Systems Institutional Characteristics: A Survey of 29 OECD Countries”, *OECD Health Working Paper*, No. 50, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5kmfxfq9qbnr-en>.

## 7.7. Out-of-pocket medical spending as a share of final household consumption, 2013 (or nearest year)



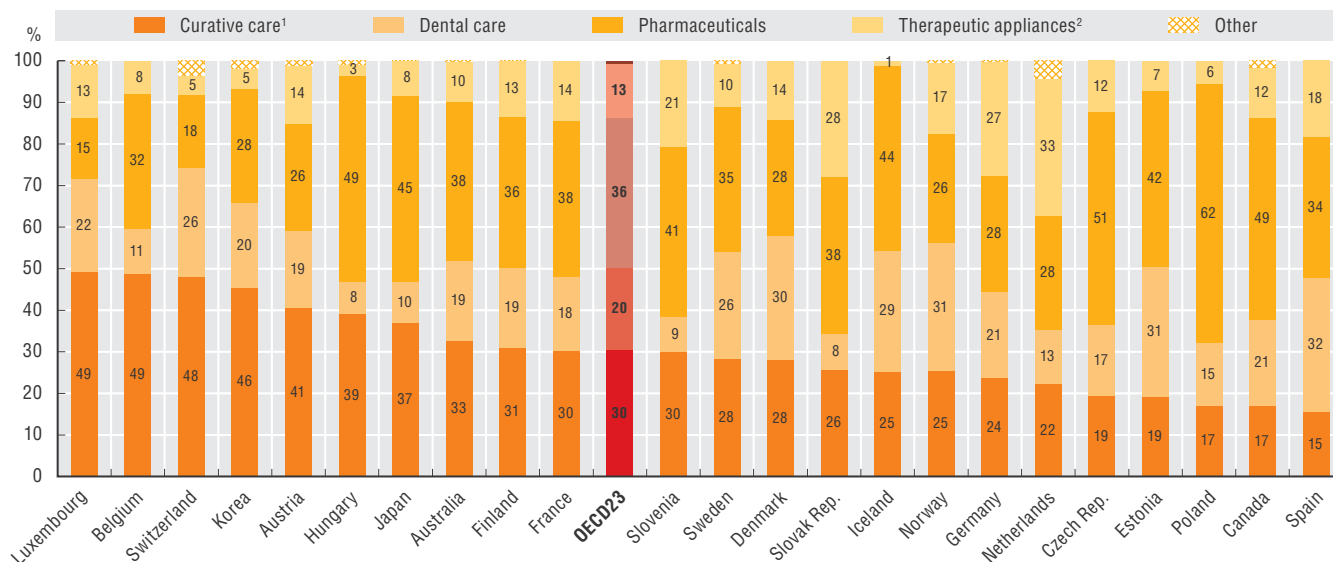
Note: This indicator relates to current health spending excluding long-term care (health) expenditure.

1. The value for the Netherlands is underestimated as it excludes compulsory co-payments by patients to health insurers (if these were taken into account this would double the share).

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

StatLink <http://dx.doi.org/10.1787/888933281072>

## 7.8. Shares of out-of-pocket medical spending by services and goods, 2013 (or nearest year)



Note: This indicator relates to current health spending excluding long-term care (health) expenditure.

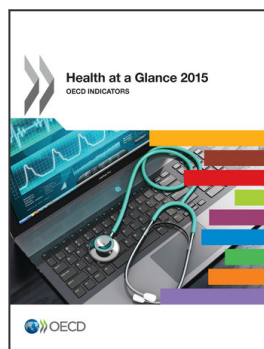
1. Including rehabilitative and ancillary services.

2. Including eye care products, hearing aids, wheelchairs, etc.

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

StatLink <http://dx.doi.org/10.1787/888933281072>

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



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