

Health is the second largest government spending area; moreover according to recent research (OECD, 2010), in the first decade of the 21st century the growth of health spending has consistently outpaced economic growth in most OECD countries. Most governments in OECD countries are currently faced with consolidation pressures and the need to create room for additional spending without jeopardizing the sustainability of their fiscal position or the stability of the economy (fiscal space). In this context, many countries face the challenging task of financing more health expenditure while trying to meet their fiscal objectives.

There are two main reasons why health expenditures are particularly complex. First, access to health is perceived by citizens as a very high priority, and government policies in this area are highly scrutinised. Second, many stakeholders intervene between the beneficiary of health care (the citizen/patient) and public resources that finance it. These include purchasers (such as ministries of health, social security institutions, social insurance funds or sub-national governments), a wide range of providers of services (clinicians, operating within hospitals and other health facilities), and providers of medicines, tests and equipment (pharmaceutical companies and laboratories).

The budgetary arrangements for health expenditures vary greatly across OECD countries, mainly depending on the historical legacy of how these systems were created and their degree of decentralisation. In countries that followed the national health system as in the United Kingdom, health is one regular area in the budget. In countries that developed their public health system on the German social insurance model, health is mainly financed through social contributions, managed by an independent institution and not part of the central government budget. In most (18 out of 26) OECD countries surveyed, health expenditure is partly included in the central government budget, however, it often represents a very small share of total health expenditure. For example, the amount reported in the budget is less than 5% of total public expenditure on health in countries such as Germany, Austria or France.

Most OECD countries have in place some kind of budget ceiling over several years for government expenditure on health. However, over-spending in health remains common; Iceland and Mexico consistently over-spent for at least six out of the seven-year period between 2006 and 2011. Consequently, a number of OECD member countries have designed “early warning mechanisms” to take early corrective measures. However, timely information is a pre-requisite for such a mechanism to work. In 7 out of the 20 countries with available information, health expenditures are reported with an average delay of three to six months. Furthermore, it takes up to 12 and 24 months to report certain health expenditures in Switzerland and the Netherlands respectively. For the latter this could be

due to the country's mandatory health insurance system, whereby the government subsidises individuals' purchase of coverage from private providers.

The sustainability of health systems poses several challenges ahead. Support for government spending on health in the future will be shaped by views on redistribution as much as economic conditions affecting revenues. Indeed, publicly financed health systems, entail a high degree of redistribution, not only from the healthy to the sick, but also from the wealthier to the less affluent.

Methodology and Definitions

Most data presented comes from an OECD Survey of Budget Officials on Budgeting Practices for Health, carried out between July and December 2013. The survey was answered by 27 countries (including one non OECD country, South Africa). The results were discussed at a workshop held in January 2014 and at the OECD Senior Budget Officials-Health Officials Joint Network on Fiscal Sustainability of Health Systems in April 2014.

Over (under)-spending means that actual expenditure higher (lower) than budgeted expenditure. Open-ended entitlement is a government programme guaranteeing access to some benefit by members of a specific group, based on established rights or by legislation. Open-ended entitlements are demand driven expenditure, and require the legislature to modify a law in order to change the level of spending.

Further reading

OECD (2015), *Fiscal Sustainability of Health Systems, Bridging Health and Finance Perspectives*, OECD Publishing, Paris, www.oecd.org/gov/budgeting/sbnetworkonhealthexpenditures.htm.

OECD (2010), *Value for Money in Health Spending*, OECD Health Policy Studies, OECD, Paris, <http://dx.doi.org/10.1787/9789264088818-en>.

Figure notes

5.1: In Austria, France, Germany, Sweden and Switzerland there is some health expenditure in the central government, but it represents a very small share of total health expenditure, which is mainly financed by sub national governments or social security institutions. The Czech Republic, Estonia, France, Japan, Norway, Poland and the Slovak Republic have a separate health/social security budget, which requires a legislative approval.

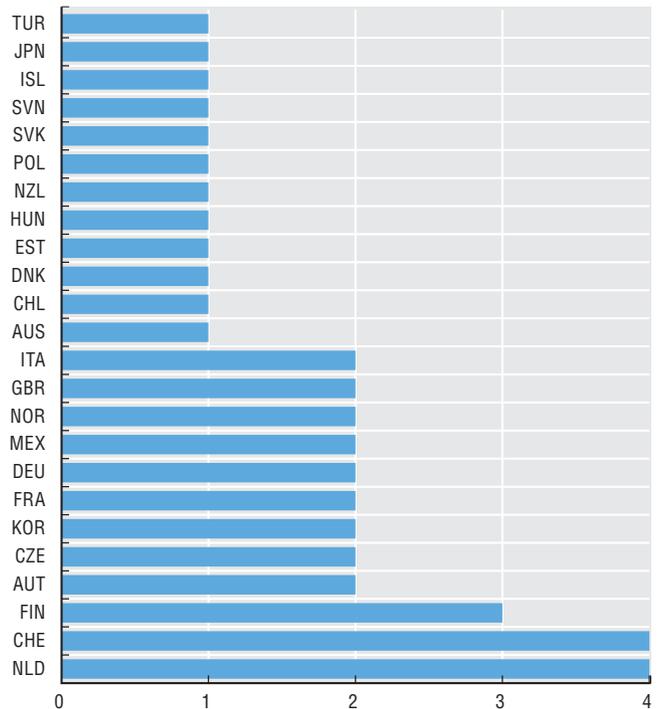
5.1. Extent to which health expenditures are included in the budget, 2012

Countries	
Partly	AUT, CAN, CHE, CHL, CZE, DEU, DNK, EST, FRA, ITA, JPN, KOR, NOR, NLD, POL, PRT, SVK, SWE, TUR
Fully	GBR, HUN, ISL, NZL
No	FIN, SLO

Source: OECD (2013), Survey of Budget Officials on Budgeting Practices for Health.

StatLink  <http://dx.doi.org/10.1787/888933248732>

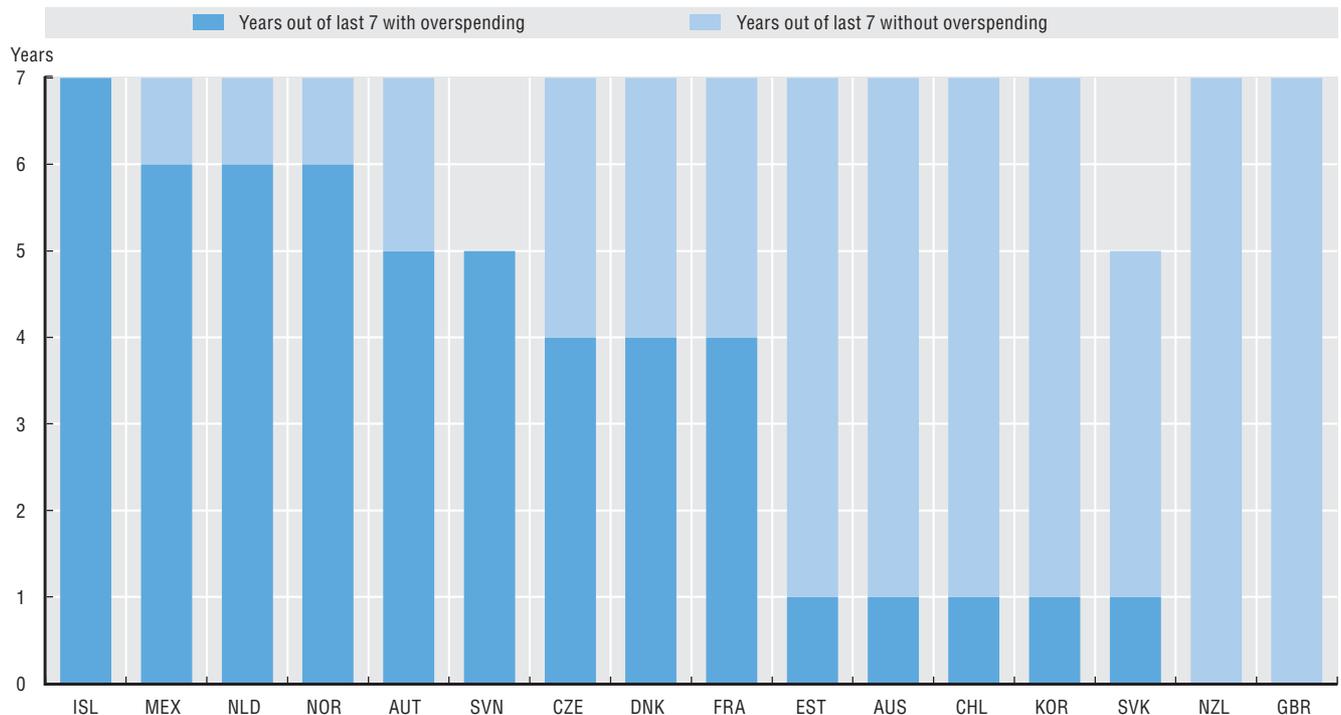
5.2. Reporting delay in months for health expenditures in the central government, 2012



Source: OECD (2013), Survey of Budget Officials on Budgeting Practices for Health.

StatLink  <http://dx.doi.org/10.1787/888933248743>

5.3. Number of years with or without overruns in health between 2006 and 2011



Source: OECD (2013) Survey of Budget Officials on Budgeting Practices for Health.

StatLink  <http://dx.doi.org/10.1787/888933248756>



From:
Government at a Glance 2015

Access the complete publication at:
https://doi.org/10.1787/gov_glance-2015-en

Please cite this chapter as:

OECD (2015), "Special feature: The fiscal sustainability challenge of health systems", in *Government at a Glance 2015*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/gov_glance-2015-28-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.