

### 6.3. Burden of out-of-pocket health 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 have difficulties paying medical bills may delay or forgo needed health care (Hoffman *et al.*, 2005; May and Cunningham, in Banthin *et al.*, 2008). On average across OECD countries, 19% of health spending is paid directly by patients (see Indicator 7.5 “Financing of health care”).

In contrast to publicly-funded care, out-of-pocket payments rely on the ability to pay. If the financing of health care becomes more dependent on out-of-pocket payments, its burden is, in theory, shifted towards those who use services more, and possibly from high to low income earners, where health care needs are higher. In practice, many countries have exemptions and caps to out-of-pocket payments for lower income groups to protect health care access. Switzerland, for example, has a high proportion of out-of-pocket expenditure, but it has cost-sharing exemptions for large families, social-assistance beneficiaries and others. There is an annual cap on deductibles and co-insurance payments (Paris *et al.*, 2010).

The burden of out-of-pocket health spending can be measured either by its share of total household income or its share of total household consumption. The average share varied considerably across OECD countries in 2010, representing less than 2% of total household consumption in countries such as Turkey, the Netherlands, France and the United Kingdom, but more than 5% in Greece and Switzerland (Figure 6.3.1). The United States, with 3.1% of consumption spent on out-of-pocket health services, is close to the average.

Persons who are older or with lower incomes tend to have greater levels of illness and are more likely to need health care, so it is important to determine whether the distribution of out-of-pocket spending varies across the population. A cross-national survey conducted in eleven OECD countries found that high out-of-pocket spending (defined as more than USD 1 000 per year) was uncommon for both low- and high-income earners in the United Kingdom, Sweden and France (Schoen *et al.*, 2010). In other countries, adults with above-average incomes were more likely to report high out-of-pocket spending. Even so, in Switzerland and the United States, the proportion of poorer adults with high out-of-pocket expenditure was high, at 20% and 29% respectively (Figure 6.3.2).

The US Medical Expenditure Panel Survey found that 28% of Americans living in a poor family (defined as a family income below the Federal poverty level) were spending more than 10% of their after-tax family income for health services and health insurance premiums in 2004, compared with 10% of Americans in a high income family (Banthin *et al.*, 2008). Among older persons in the United States, low-income individuals pay the highest out-of-pocket payments in relation to their income, with prescription drugs comprising the biggest share (Corrieri *et al.*, 2010).

Households in the lowest income category in the Netherlands spent 6.5% of their disposable income on out-of-pocket payments in 2007, whereas in the highest income category the proportion was 1.5% (Westert *et al.*, 2010). In Turkey, results from the 2006 Household Budget Survey indicate that out-of-pocket spending was reasonably progressive, in that poorer families spent 3.4% of their household consumption on health, whereas in richer households this was 4.2% (OECD and World Bank, 2008).

A small proportion of households in OECD countries face very high or “catastrophic” health expenditure each year, perhaps as a result of severe illness or major injury (WHO, 2010c). Countries that have a greater reliance on out-of-pocket health care expenditure tend also to have a higher proportion of households with catastrophic expenditures. In some countries, the imposition of user fees may mean that lower income households forgo health care altogether, and thus not use enough services to incur catastrophic expenditures.

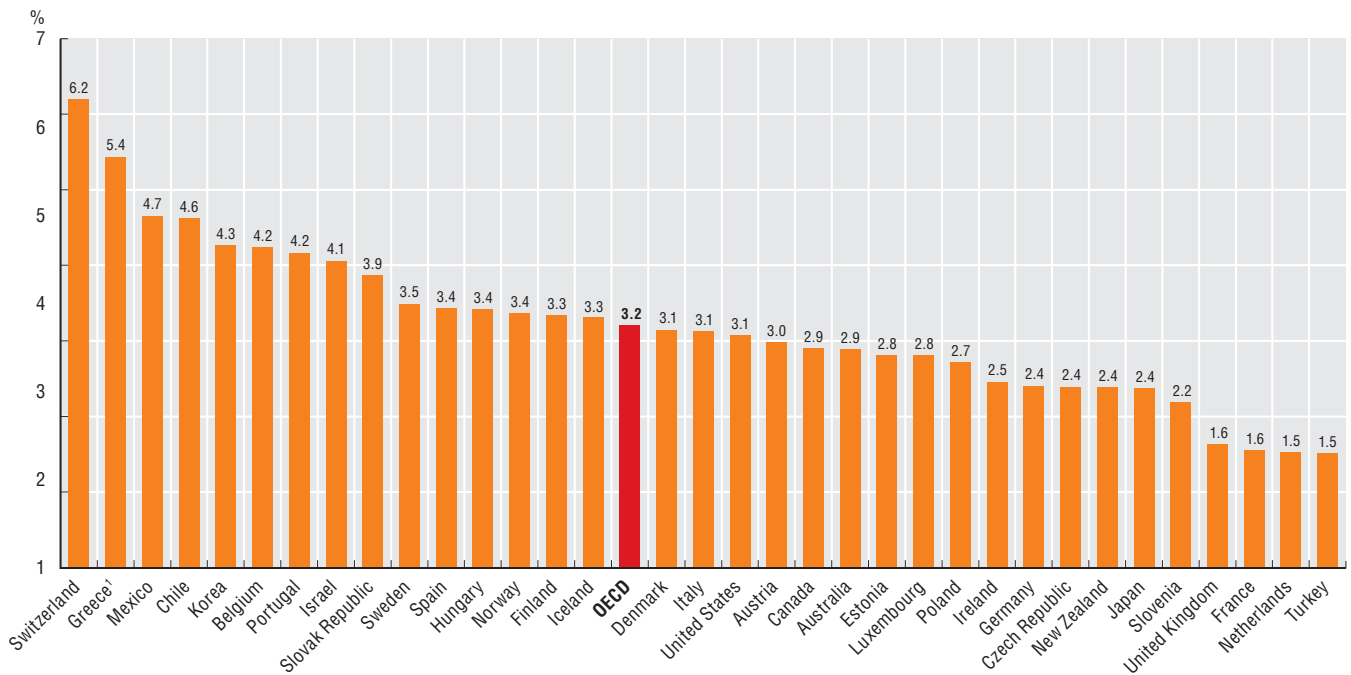
#### Definition and comparability

Out-of-pocket payments are expenditures borne directly by a patient where insurance does not cover the full cost of the health good or service. They include cost-sharing, self-medication and other expenditure paid directly by private households. In some countries, estimations of informal payments to health care providers are also included.

Information on out-of-pocket expenditure is collected through household expenditure surveys in a number of OECD countries.

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

6.3.1 Out-of-pocket expenditure as a share of final household consumption, 2009 (or nearest year)

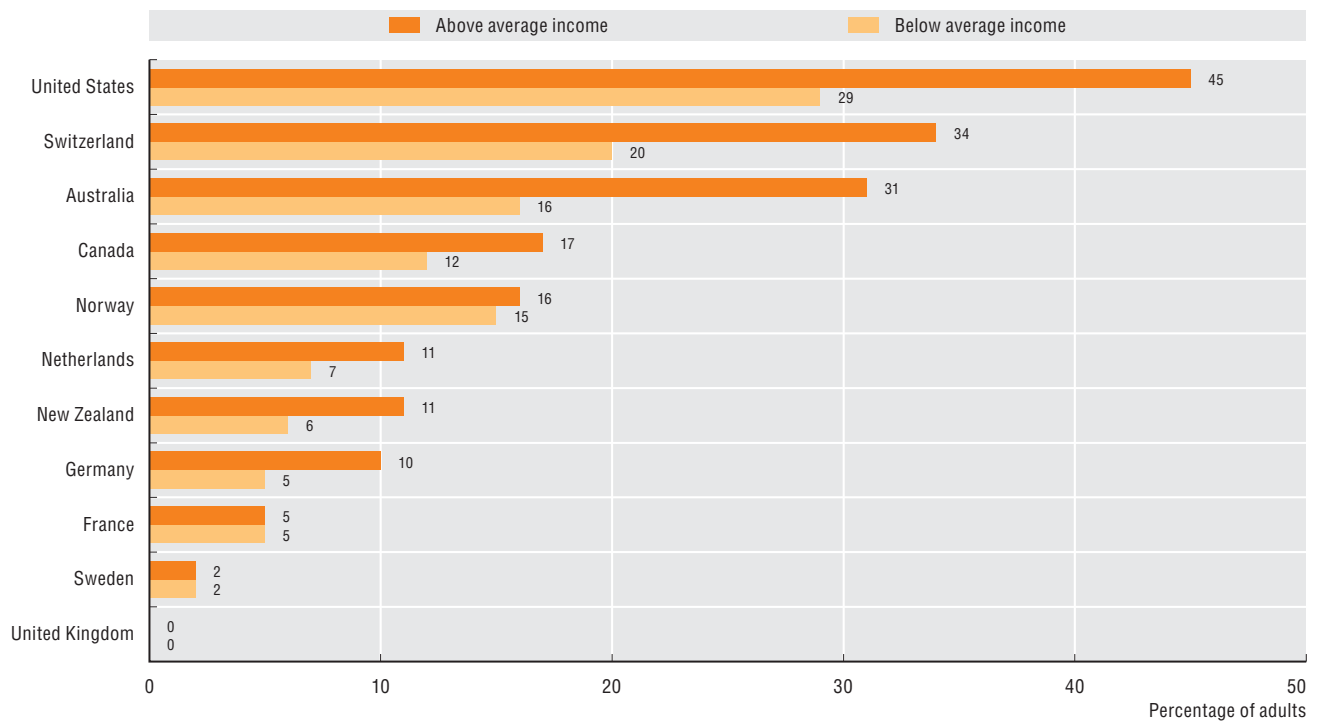


1. Private sector total.

Source: OECD Health Data 2011.

StatLink <http://dx.doi.org/10.1787/888932525742>

6.3.2 Out-of-pocket medical costs of USD 1 000 or more in the past year by income level, eleven OECD countries, 2010



Source: Schoen et al. (2010).

StatLink <http://dx.doi.org/10.1787/888932525761>



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