

CAPITAL EXPENDITURE IN THE HEALTH SECTOR

While the health sector remains highly labour-intensive, capital investment in infrastructure and medical equipment has been an increasingly important factor of production of health services in recent decades, as reflected for example by the growing importance of diagnostic and therapeutic devices or the expansion of information and communications technology (ICT) in health care (see the indicator on the adoption and use of Electronic Medical Records and ePrescribing). However, the level of resources invested in buildings, machinery and technology tends to fluctuate more than current spending on health services, often responding to the economic climate whereby investment decisions may be postponed or brought forward.

In 2016, it is estimated that the European Union as a whole allocated around 0.6% of its total GDP on capital spending in the health sector (Figure 8.14). This compares to 9.6% of GDP allocated to current spending on health services and medical goods (see the indicator on health expenditure as a share of GDP in Chapter 5). As with current spending, there are differences both in the current levels of investment between countries and in recent trends.

As a proportion of GDP, Germany was the biggest spender on capital investment in the health sector in 2016 with around 1.1% of its GDP allocated, followed by a group of countries – Belgium, Malta, Spain and Austria – that spent between 0.7-0.85% of their GDP. At the lower end, the Czech Republic, Hungary and Croatia invested less than 0.15% of their GDP on capital infrastructure and equipment in the health sector.

By its nature, capital spending fluctuates more than current spending from year to year in line with capital projects on construction (i.e. building of hospitals and other health care facilities) and investment programmes on new equipment (e.g. medical and ICT equipment), but decisions on capital spending also tend to be more affected by economic cycles with spending on health system infrastructure and equipment often being a prime target for reduction or postponement during periods of economic uncertainty. While capital spending grew strongly prior to the crisis – overall capital spending in the EU rose by more than 30% between 2005 and 2008 in real terms – it fell to a level almost 10% below this over the next five years. From 2013 onwards, overall investment has increased again by about 15% and was higher than its pre-crisis levels overall by 2016 (Figure 8.15).

Despite the economic crisis, capital spending continued to increase fairly steadily in countries like

Austria, Belgium and Sweden. France has seen spending levels generally maintained over the period, and are typically 50% higher than in 2005. On the other hand, a number of European countries experienced severe reductions in capital spending. In Greece, spending in 2016 was still less than half its 2005 level, dropping to about a quarter of the level in 2012 and 2013. In Italy, investment has also continued to drift downwards since 2010. While capital spending increased in the United Kingdom in the immediate aftermath of the crisis, spending in 2015 and 2016 was still 20-30% down in real terms on 2005 levels.

In making capital investment decisions, policy makers need to carefully assess not only the short-term costs, but also the potential benefits in the short, medium and longer term. Slowing down investment in health infrastructure and equipment may also reduce the capacity to treat patients and contribute to increases in waiting times for different types of services.

Definition and comparability

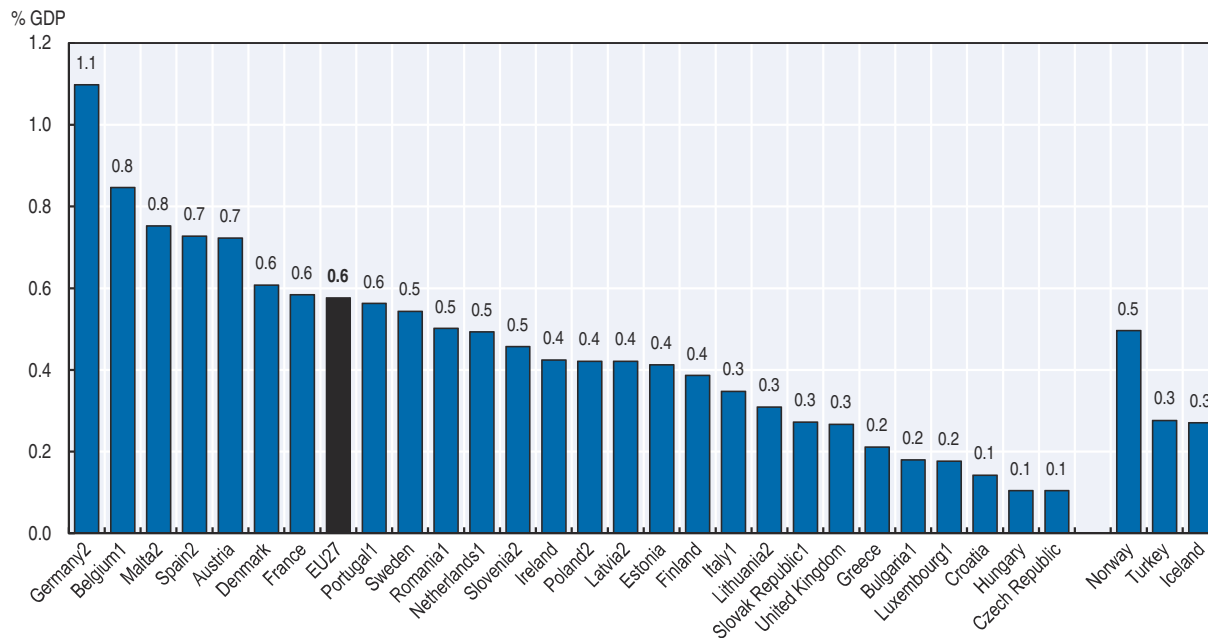
Gross fixed capital formation in the health sector is measured by the total value of the fixed assets that health providers have acquired during the accounting period (less the value of the disposals of assets) and that are used repeatedly or continuously for more than one year in the production of health services. The breakdown by assets includes infrastructure (e.g. hospitals, clinics, etc.), machinery and equipment (including diagnostic and surgical machinery, ambulances, and ICT equipment), as well as software and databases.

Gross fixed capital formation is reported by many countries under the System of Health Accounts. It is also reported under the National Accounts broken down by industrial sector according to the International Standard Industrial Classification (ISIC) Rev. 4 using Section Q: Human health and social work activities or Division 86: Human health activities. The former is normally broader than the SHA boundary while the latter is narrower.

Reference

OECD, Eurostat and WHO (2011), *A System of Health Accounts 2011: Revised edition*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264270985-en>.

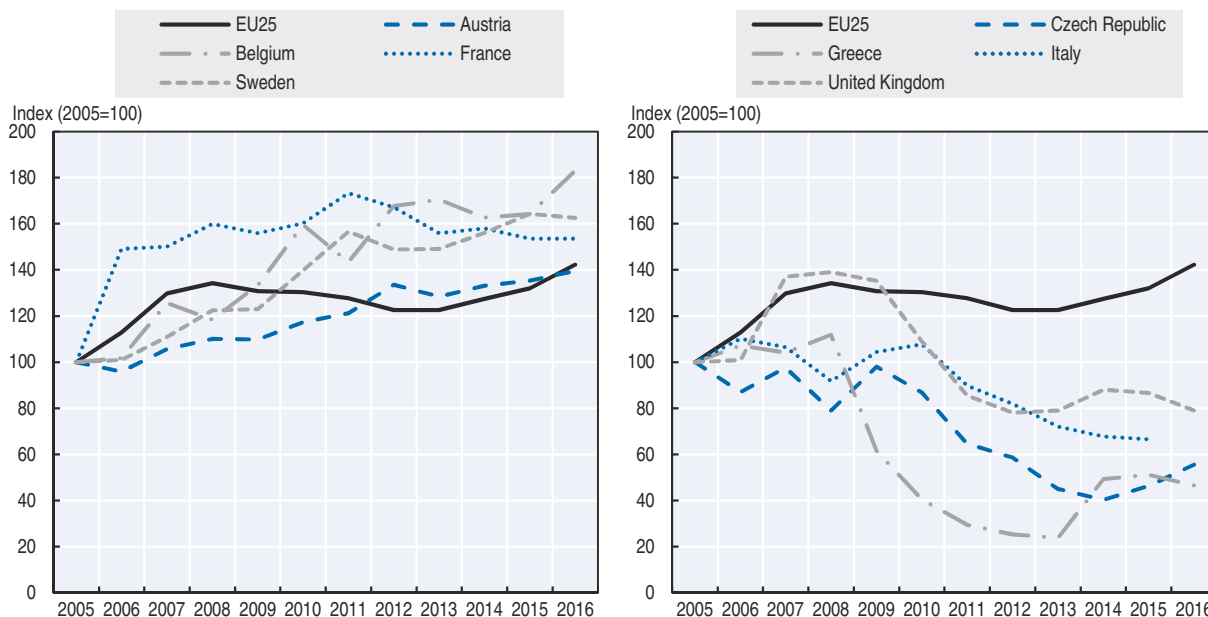
8.14. Gross fixed capital formation in the health sector as a share of GDP, 2016 (or nearest year)



1. Refers to gross fixed capital formation in ISIC 86: Human health activities (ISIC Rev. 4).
 2. Refers to gross fixed capital formation in ISIC Q: Human health and social work activities (ISIC Rev. 4).
- Source: OECD Health Statistics 2018; OECD National Accounts; Eurostat Database.

StatLink <http://dx.doi.org/10.1787/888933836979>

8.15. Changes in gross fixed capital formation, selected countries, 2005 to 2016



Source: OECD Health Statistics 2018; OECD National Accounts; Eurostat Database.

StatLink <http://dx.doi.org/10.1787/888933836998>



From:
Health at a Glance: Europe 2018
State of Health in the EU Cycle

Access the complete publication at:
https://doi.org/10.1787/health_glance_eur-2018-en

Please cite this chapter as:

OECD/European Union (2018), “Capital expenditure in the health sector”, in *Health at a Glance: Europe 2018: State of Health in the EU Cycle*, OECD Publishing, Paris/European Union, Brussels.

DOI: https://doi.org/10.1787/health_glance_eur-2018-61-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.