

Capital expenditure in the health sector

While human resources are essential to the health and LTC sector, physical resources are also a key factor in the production of health services. How much a country invests in new health facilities, diagnostic and therapeutic equipment, and information and communications technology (ICT) can have an important impact on the capacity of a health system to meet the health care needs of the population. The COVID-19 crisis has shone a spotlight on some of the infrastructure challenges. Health systems – and hospitals in particular – have been placed under immense strain. Some countries have lacked the necessary physical resources to respond to the sudden influx of seriously ill COVID-19 patients. Having sufficient equipment in intensive care units and other health settings helps to avoid potentially catastrophic delays in diagnosing and treating patients. Non-medical equipment is also important – notably the ICT infrastructure needed to monitor population health, both in acute situations and in the long term. Investing in capital equipment is therefore a prerequisite to strengthening overall health system resilience.

In reality, capital investment fluctuates from year to year, as investment decisions can be dependent on economic circumstances and political or business choices, as well as reflecting future needs and past levels of investment. As with any industry, a lack of investment spending in the present can lead to an accumulation of problems and bigger costs in the future, as current equipment and facilities deteriorate.

Between 2015 and 2019, the average annual capital expenditure in the health sector in OECD countries was equivalent to around 0.6% of GDP (Figure 7.21). This compares to an average share of 8.8% of GDP spent on health in 2019 (see indicator “Health expenditure in relation to GDP”). Germany, Japan, Belgium and Austria were the highest spenders over these five years, investing around 1% of GDP on average each year in new construction projects, medical and non-medical equipment and technology in the health and social sector. The United States is a large spender in nominal terms, investing 0.7% of GDP on an annual basis. Notably, of the G7 countries, capital spending in the United Kingdom and Italy remained below the OECD average during the period 2015-19, at 0.4% of GDP. Mexico spent on average around 0.1% of GDP on capital investment – a tenth of the level in Germany or Japan.

Capital spending covers a broad range of investments, from construction projects (building of hospitals and health care facilities) and equipment (including medical and ICT equipment) to intellectual property (including databases and software). Figure 7.21 shows that, on average across OECD countries, 40% of capital expenditure went on construction projects, 46% on equipment and the remaining

14% on intellectual property. The United States, the Netherlands and Finland all had a similar level of overall investment, but whereas Finland allocated the majority to the construction of health care facilities, the United States invested a greater proportion in equipment, while the Netherlands spent a more significant share on digital solutions and data.

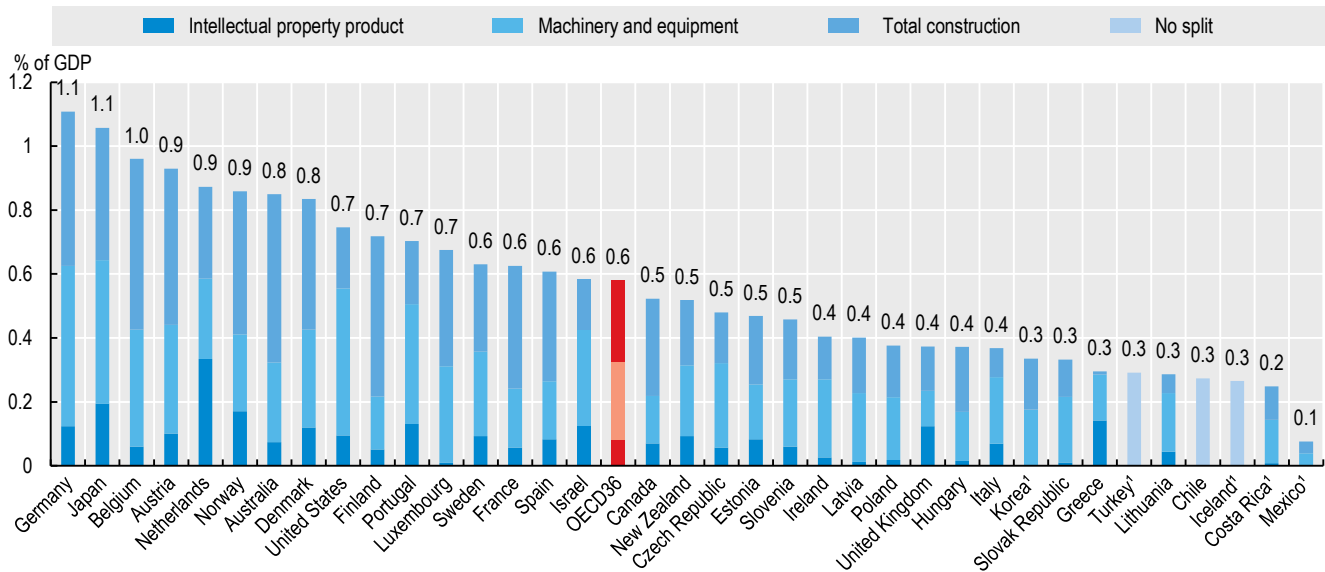
Figure 7.22 (left panel) shows an index of capital spending in real terms over a ten-year period for a selection of non-European OECD countries. On average across OECD countries, annual investment was around a third higher (in real terms) in 2019 compared with the levels of investment reported in 2010. The United States generally followed the overall OECD trend, and increased annual capital spending over that period by about 20-25%. In Australia, investment in health increased strongly from 2011 onwards. On the other hand, Canada invested 14% less in real terms in 2019 compared with 2010. In Europe (right panel), Norway was investing 40% more towards the end of the period compared to the start of the decade and the German capital spending trajectory was similar to the OECD average. Health sector investment in the United Kingdom dropped by more than a third in the years following the economic crisis but has since recovered, although in real terms, capital investments in 2019 were still 10% below the level seen in 2010.

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 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 (hospitals, clinics and so on), machinery and equipment (including diagnostic and surgical machinery, ambulances and ICT equipment) and software and databases.

Gross fixed capital formation is reported under the National Accounts (UN et al., 2009[9]) by industrial sector according to the International Standard Industrial Classification (ISIC) Rev. 4, using section Q: Human health and social work activities. It is also reported by a number of countries under the System of Health Accounts. The ISIC section Q is generally broader than the System of Health Accounts boundary for health care. For reasons of comparability and availability, preference has been given to measures of gross fixed capital formation under the National Accounts.

Figure 7.21. Annual capital expenditure on health as a share of GDP, average over 2015-19 (or nearest year) by type of asset

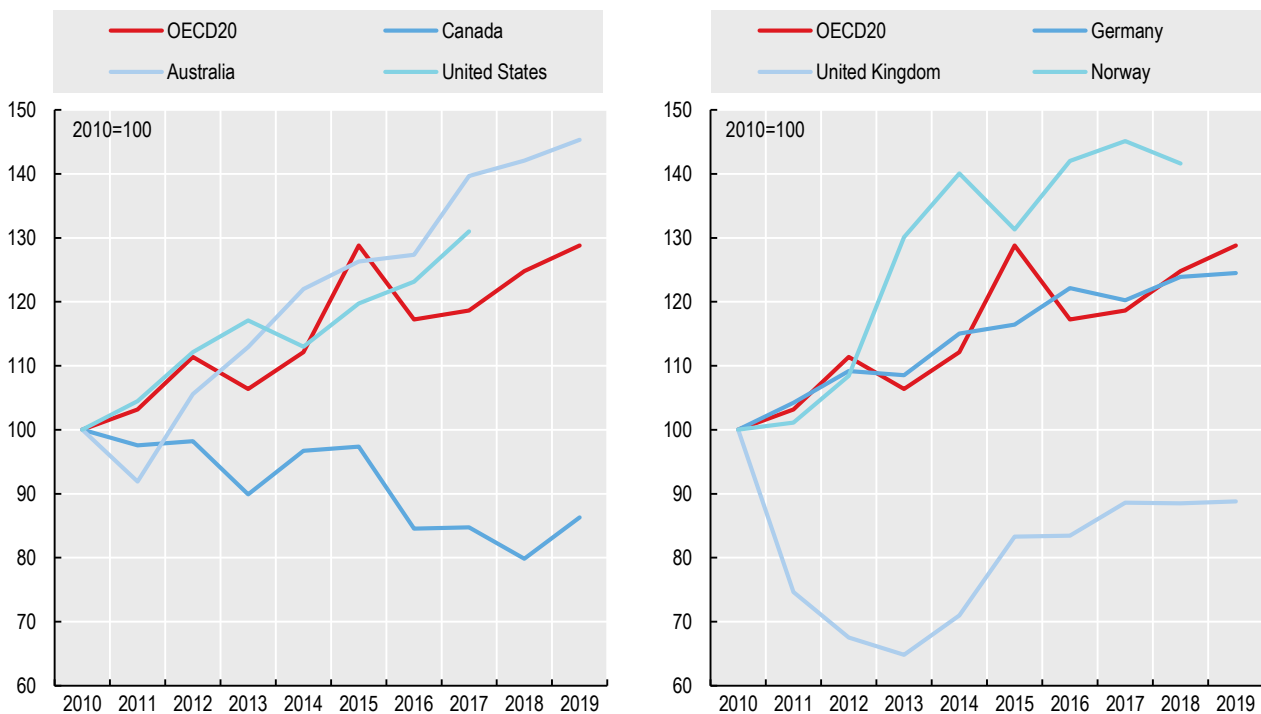


1. Refers to gross fixed capital formation in health providers under the System of Health Accounts. Breakdown by type of asset refers to the last available year based on either National Accounts or Health Accounts data.

Source: OECD National Accounts, OECD Health Statistics 2021.

StatLink <https://stat.link/kixd7m>

Figure 7.22. Trends in capital expenditure (constant prices), selected countries, 2010-19



Sources: OECD National Accounts, OECD Health Statistics 2021.

StatLink <https://stat.link/ycmho0>

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