

Financial hardship and out-of-pocket expenditure

Where health systems fail to provide adequate financial protection, people may suffer financial hardship from paying for health care, or they simply forgo health care altogether because they cannot afford it. As a result, lack of financial protection can reduce access to health care, undermine health status, deepen poverty and exacerbate health and socio-economic inequalities. On average across the EU, around 15% of all spending on health care comes directly from patients through out-of-pocket (OOP) payments. People experience financial hardship when the burden of OOP payments is large in relation to their ability to pay. Poorer households and those who have to pay for long-term treatment are particularly vulnerable.

The share of household consumption spent on health care provides an aggregate assessment of the financial burden of OOP expenditure. In 2020, around 3% of total household spending was on health care goods and services across the EU, ranging from less than 2% in Croatia, Luxembourg and Cyprus to more than 7% in Malta (Figure 7.7).

Health systems in EU countries differ in the degree of coverage for different health goods and services. Pharmaceuticals and other medical goods made up the main OOP expense for people in 2020, followed by spending on outpatient care (Figure 7.8). These two components typically account for two-thirds of household spending on health care.

The indicator most widely used to measure financial hardship associated with OOP payments for households is the incidence of catastrophic spending on health (Cylus, Thomson and Evetovits, 2018^[1]). This varies considerably across EU countries, from fewer than 2% of households experiencing catastrophic health spending in Sweden, Spain, Ireland and Slovenia, to 15% of households or more in Latvia, Lithuania and Bulgaria (Figure 7.9). Across all countries, poorer households (those in the lowest consumption quintile) are most likely to experience catastrophic health spending.

Countries with comparatively high levels of public spending on health and low levels of OOP payments typically have a lower incidence of catastrophic spending. However, policy choices are also important, particularly around coverage policy (WHO Europe, 2019^[2]). Population entitlement to publicly financed health care is a prerequisite for financial protection, but not a guarantee of it. Countries with a low incidence of catastrophic spending on health are also more likely to limit the use of co-payments; exempt poor people and frequent users of care from co-payments; use low fixed co-payments instead of percentage co-payments; and cap the co-payments a household has to pay over a given time period (as, for example, in Austria, Germany, Ireland, Spain and the United Kingdom).

Definition and comparability

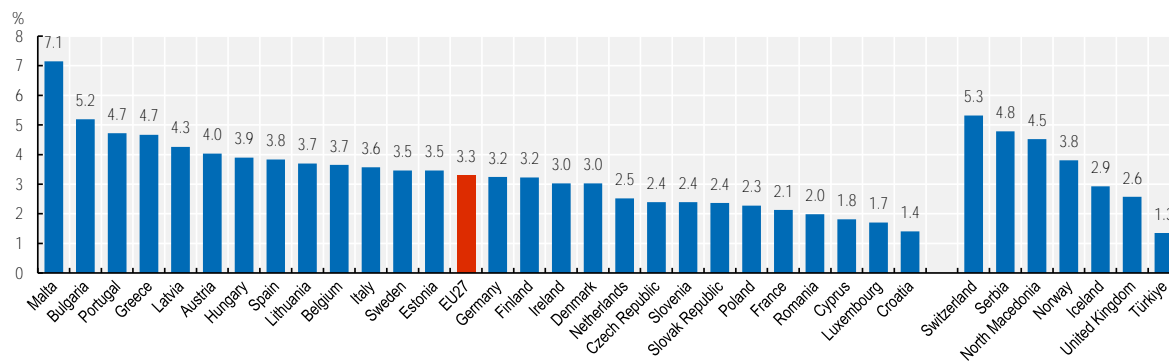
Out-of-pocket (OOP) payments are expenditures borne directly by a person at the time of using any health good or service. They include cost-sharing (co-payments) and other expenditure paid directly by private households.

Catastrophic health spending is defined as OOP payments that exceed a predefined percentage of the resources available to a household to pay for health care. Household resources available can be defined in different ways, leading to measurement differences. In the data presented here, these resources are defined as household consumption minus a standard amount representing basic spending on food, housing and utilities. The threshold used to define households with catastrophic spending is 40% of household capacity to pay for health care. Results are disaggregated into quintiles by consumption per person using the OECD equivalence scale. Microdata from national household budget surveys are used to calculate this indicator.

References

- Cylus, S. Thomson and T. Evetovits (2018), "Catastrophic health spending in Europe: equity and policy implications of different calculation methods", *Bulletin of the World Health Organization*, Vol. 96/9, <https://doi.org/10.2471/BLT.18.209031>. [1]
- WHO Europe (2019), *Can people afford to pay for health care? New evidence on financial protection in Europe*, WHO Regional Office Europe, Copenhagen, <https://apps.who.int/iris/handle/10665/332516>. [2]

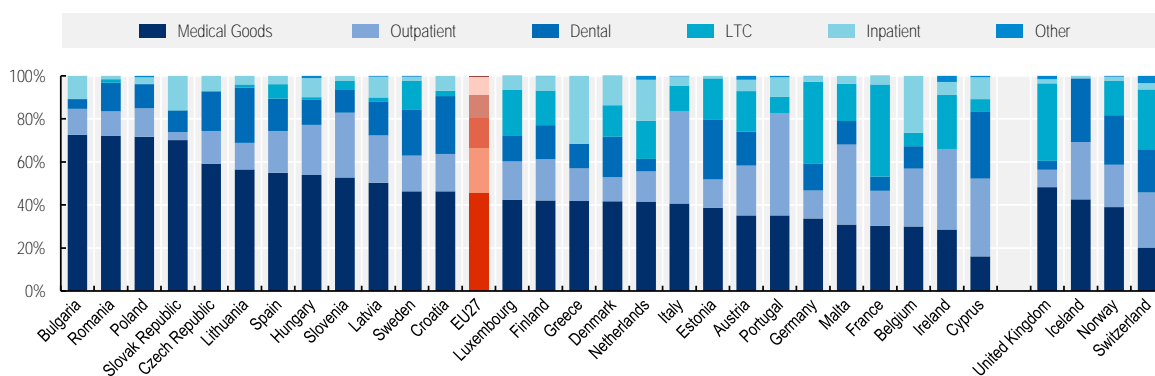
Figure 7.7. Out-of-pocket spending on health as share of final household consumption, 2020 (or nearest year)



Note: The EU average is unweighted.
Source: OECD Health Statistics 2022, OECD National Accounts database.

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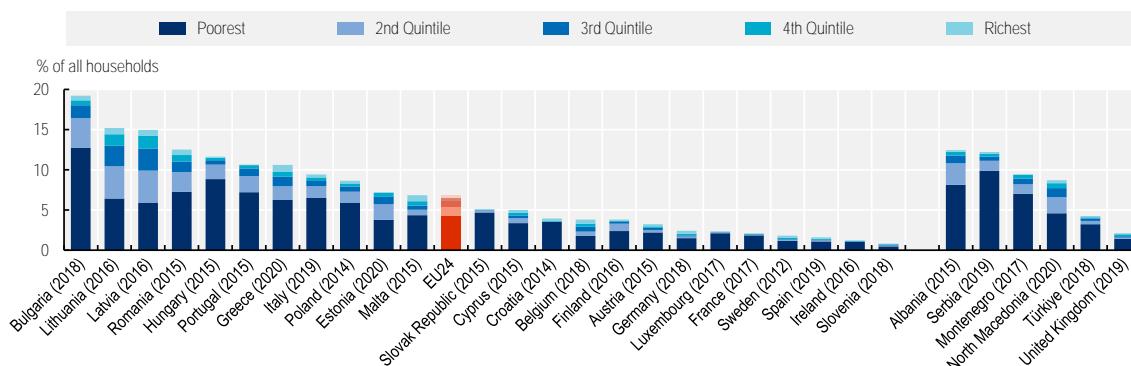
Figure 7.8. Out-of-pocket spending on health, by type of services, 2020 (or nearest year)



Note: The EU average is unweighted. "Medical Goods" include retail pharmaceuticals and therapeutic appliances.
Source: OECD Health Statistics 2022.

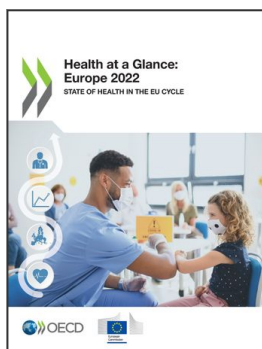
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Figure 7.9. Share of households with catastrophic health spending by consumption quintile, latest year



Note: The EU average is unweighted.
Source: WHO Regional Office for Europe, 2019 and updates from the WHO Barcelona Office for Health Systems Financing.

StatLink <https://stat.link/kwa7g1>



From:
Health at a Glance: Europe 2022
State of Health in the EU Cycle

Access the complete publication at:
<https://doi.org/10.1787/507433b0-en>

Please cite this chapter as:

OECD/European Union (2022), “Financial hardship and out-of-pocket expenditure”, in *Health at a Glance: Europe 2022: State of Health in the EU Cycle*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/cf40210d-en>

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