

## FINANCING OF HEALTH EXPENDITURE

Health care can be paid for through a variety of financing arrangements. In countries where individuals are entitled to health care services based, for example, on their residency, government schemes are the predominant arrangement. In others, some form of compulsory health insurance (either social health insurance or cover organised through private insurers) usually covers the bulk of health expenditure. In addition, payments by households (either standalone payments or as part of co-payment arrangements) as well as various forms of voluntary health insurance intended to replace, complement or supplement automatic or compulsory coverage make up the rest of health spending.

In 2016, around 77% of EU health spending was financed through government and compulsory insurance (Figure 5.13). In Denmark, Sweden and the United Kingdom, central, regional or local government financed around 80% or more of all health spending. In Germany, France, the Netherlands, the Slovak Republic and Croatia, compulsory health insurance financed more than three-quarters of all health expenditure. Cyprus was the only EU country where less than half of all health spending was financed through government or compulsory insurance schemes.

In five EU countries – Malta, Greece, Latvia, Bulgaria and Cyprus – households' out-of-pocket payments accounted for more than one-third of health spending, while only in Slovenia and Ireland did voluntary health insurance cover more than 10% of health spending.

Financing schemes can be funded by different types of revenue streams. Public revenues include governmental transfers (mainly coming from taxation) and social insurance contributions paid by employees, employers and others. Private revenues include the premiums paid to both voluntary and compulsory private insurance as well as any other resources coming directly from households and corporations. In 2016, among a group of 12 EU countries with comparable data, public sources funded 76% of all health spending, (Figure 5.14).

The types of revenues are closely related to the system of health care financing. In Denmark, for example, where health care is predominantly purchased through local government schemes, this is almost entirely funded via government transfers. Other types of financing may rely on a mix of different revenue sources. For example, if a social health insurance scheme exists, like in the case of Belgium and Germany, social insurance contributions will typically be a major revenue source. However, social health insurance schemes can also receive governmental transfers to a varying extent. Analysing the structure of financing schemes with the types of revenues that these schemes receive can give important insights into the overall financing of health: in many countries, the government's role in funding health care is typically more than being just a simple purchaser of health services (Mueller and Morgan, 2017).

Governments (including social security schemes) finance many different public services out of their

overall budgets. Hence, health is competing for public funds with many other sectors such as education, defence and housing. In 2016, around 17% of total government expenditure was allocated to health in the EU (Figure 5.15). In Germany, the United Kingdom and Sweden the share of public spending dedicated to health care was closer to 20%, while in Hungary and Poland it was just over 10%.

### Definition and comparability

The financing of health care can be analysed from the point of view of financing schemes (financing arrangements through which health services are paid for and obtained by people, e.g. social health insurance) and types of revenues of financing schemes (e.g. social insurance contributions) (OECD, Eurostat and WHO, 2011).

Financing schemes include government schemes, compulsory health insurance as well as voluntary health insurance and private funds such as households' out-of-pocket payments, NGOs and private corporations. Out-of-pocket payments are expenditures borne directly by patients, which can take the form of cost-sharing of services included in the publicly defined benefit package and also direct purchases of goods and services.

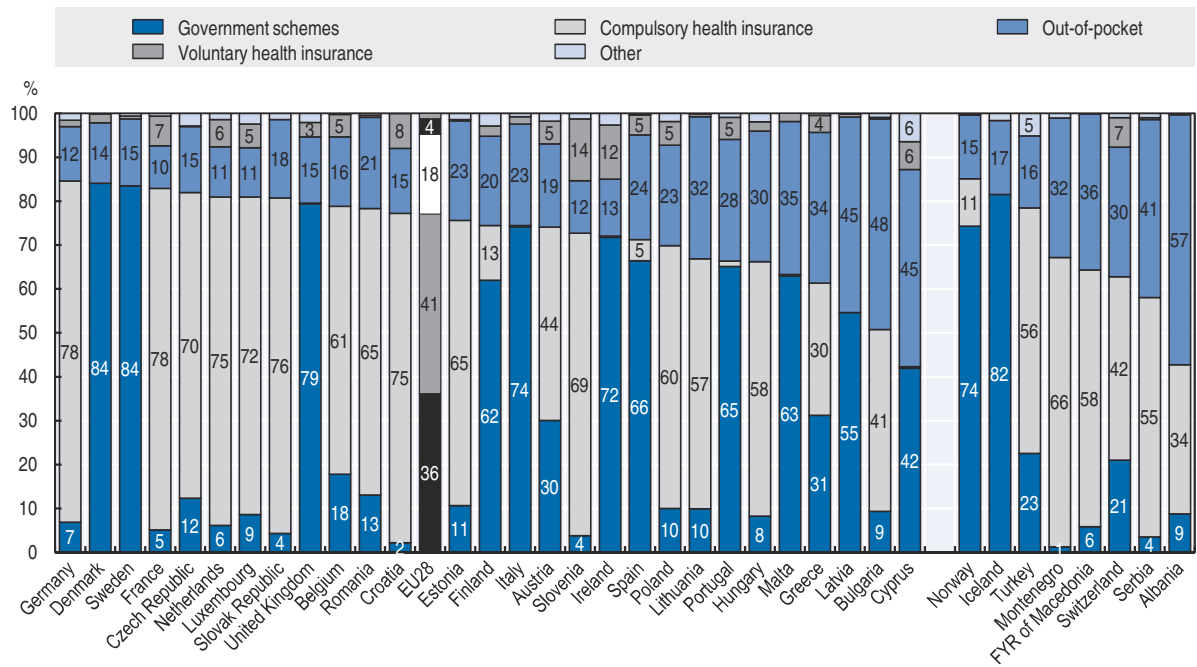
Health financing schemes have to raise revenues in order to pay for health care goods and service for the population they are covering. Financing schemes can receive transfers from the government, social insurance contributions, voluntary or compulsory prepayments (e.g. insurance premiums), other domestic revenues and revenues from abroad as part of development aid.

Total government expenditure is used as defined in the System of National Accounts and includes as major components: intermediate consumption, compensation of employees, interest, social benefits, social transfers in kind, subsidies, other current expenditure and capital expenditure payable by central, regional and local governments as well as social security funds.

### References

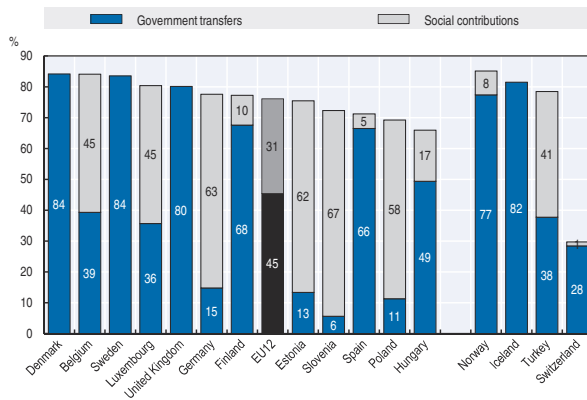
- Mueller, M. and D. Morgan (2017), "New insights into health financing: First results of the international data collection under the System of Health Accounts 2011 framework", *Health Policy*, Vol. 121/7, pp. 764-769, <http://dx.doi.org/10.1016/j.healthpol.2017.04.008>.
- OECD/Eurostat/WHO (2017), *A System of Health Accounts 2011: Revised edition*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264270985-en>.

**5.13. Health expenditure by type of financing, 2016 (or nearest year)**



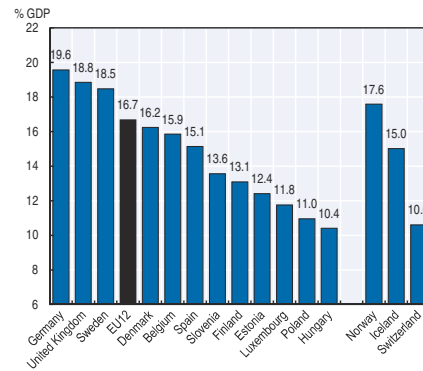
Note: Countries are ranked by government schemes and compulsory health insurance as a share of current health expenditure.  
 Source: OECD Health Statistics 2018, <https://doi.org/10.1787/health-data-en>; Eurostat Database; WHO Global Health Expenditure Database.  
 StatLink <http://dx.doi.org/10.1787/888933835573>

**5.14. Public financing as a share of health spending, by source of funding, 2016 (or nearest year)**



Note: Chart only contains the countries reporting revenues of financing schemes.  
 Source: OECD Health Statistics 2018, <https://doi.org/10.1787/health-data-en>; Eurostat Database.  
 StatLink <http://dx.doi.org/10.1787/888933835592>

**5.15. Government transfers and social contributions for health care as share of total government expenditure, 2016 (or nearest year)**



Note: Chart only contains the countries reporting revenues of financing schemes.  
 Source: OECD Health Statistics 2018, <https://doi.org/10.1787/health-data-en>; Eurostat Database.  
 StatLink <http://dx.doi.org/10.1787/888933835611>



**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](https://doi.org/10.1787/health_glance_eur-2018-en)

**Please cite this chapter as:**

OECD/European Union (2018), “Financing of health expenditure”, 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-2018-34-en](https://doi.org/10.1787/health_glance_eur-2018-34-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](mailto: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](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).