HEALTH EXPENDITURE BY TYPE OF GOOD AND SERVICE

A variety of factors, from disease burden and system priorities to organisational aspects and costs, help determine the share of spending on the various types of health care goods and services. In 2016, EU member states spent three-fifths of their health expenditure on curative and rehabilitative care services, 20% went on medical goods (mainly pharmaceuticals), while 13% was on health-related long-term care. The remaining 7% was spent on collective services, such as prevention and public health as well as the governance and administration of health care systems.

In 2016, the share of current health expenditure going to curative and rehabilitative care ranged from around half of total health spending in Bulgaria to three-quarters in Portugal. Greece had the highest proportion of spending on inpatient care (including day care in hospitals), accounting for 42% of health spending. Inpatient care also accounted for more than one-third of all expenditure in Romania, Poland, Bulgaria and Austria. However, for most EU countries, spending on outpatient care (including home-based curative and rehabilitative care and ancillary services) exceeded that on inpatient care, notably in Portugal where outpatient care accounted for just under half of all health spending (49%).

The other major category of health spending is medical goods consumed in outpatient settings. A range of factors can influence spending, including differences in distribution channels, the prevalence of generic drugs, as well as relative prices in different countries. The share of medical goods spending tended to be highest in Southern and Central European countries and represented the largest component of health spending in Bulgaria and the Slovak Republic. In contrast, the shares in Western European and Scandinavian countries tended to be smaller: medical goods accounted for less than 15% of overall health spending in Denmark, the Netherlands, the United Kingdom, Luxembourg, Ireland and Sweden in 2016.

There are also differences in countries' spending on health-related long-term care. Countries such as Sweden and the Netherlands, with established formal arrangements for the elderly and the dependent population, allocated more than a quarter of all health spending to long-term care in 2016. In many Southern and Central European countries, with more informal arrangements, the expenditure on formal long-term care services accounts for a much smaller share of total spending.

Figure 5.7 presents the growth in key health goods and services for three time periods: before the financial crisis (2004-2008), during and immediately after the financial crisis (2008-12) and in the most recent period (2012-16). The financial crisis hampered growth in most parts of the health sector. Growth rates did recover, but not to match pre-crisis levels.

Following an average annual per capita increase of 1.8% over the years leading up to the financial crisis, EU retail pharmaceutical expenditure fell by an annual average rate of 0.7% between 2008 and 2012. Spending then recovered between 2012 and 2016, rising by an average of 0.8% per year. The same trend was seen for preventive care spending, which increased between 2004 and 2008 across the EU, but then contracted by 1.4% on average through the crisis years, despite countries' intentions to protect public health budgets.

While the growth in spending on inpatient and outpatient care was reduced during the years of the economic crisis, it remained positive, at 1.2% and 1.0% respectively. During the crisis, some governments decided to protect expenditure for primary care and front-line services while looking for cuts elsewhere in the health system. Long-term care was the only major health care service to experience an increase in spending growth over this period compared to the pre-crisis years (2004-08), rising from 3.0% to 4.3%.

Definition and comparability

The System of Health Accounts (OECD, Eurostat and WHO, 2017) defines the boundaries of the health care system. The functional dimension defines the type of health care consumed. Current health expenditure comprises personal health care (curative and rehabilitative care, long-term care, ancillary services and medical goods) and collective services (prevention and public health services as well as health administration). Curative, rehabilitative and long-term care can also be classified by mode of provision (inpatient, day care, outpatient and home care). Concerning long-term care, only care that relates to the management of the deterioration in a person's health is reported as health expenditure, although it is difficult in certain countries to clearly separate out the health and social aspects of long-term care.

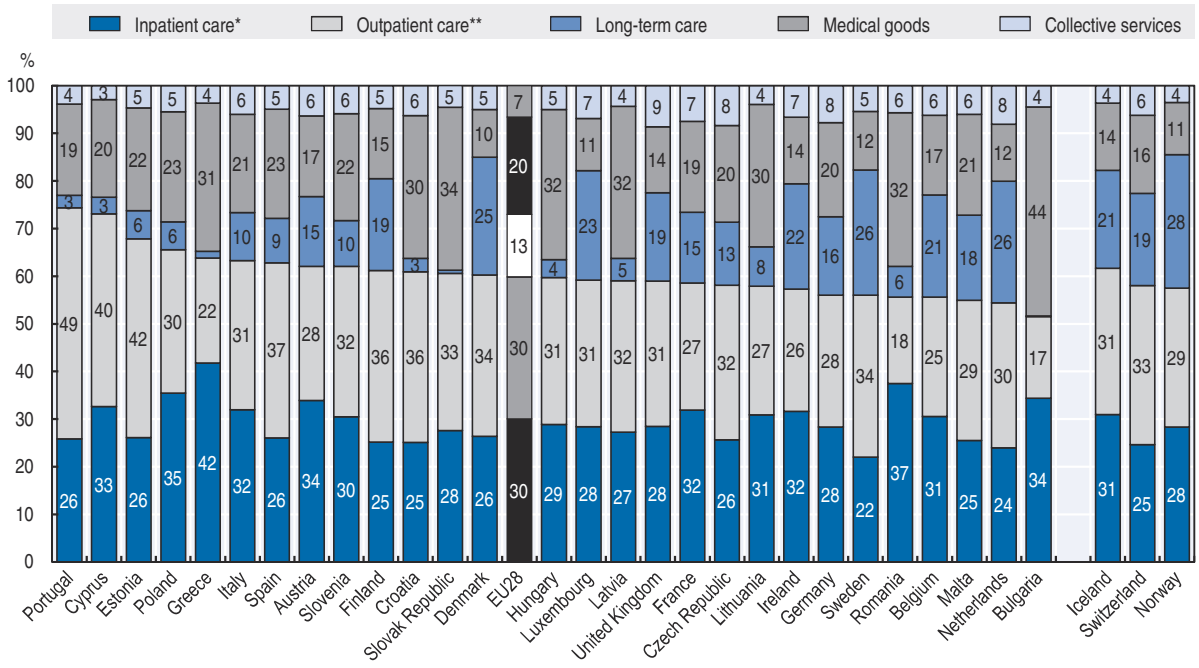
Some countries can have difficulties separating spending on pharmaceuticals used as an integral part of hospital care from those intended for use outside of the hospital, potentially leading to an underestimate of pharmaceutical spending and an overestimate of inpatient and/or outpatient care.

The variation between countries in price levels of medical goods (tradable) is generally smaller than that for health services (non-tradable). Hence, spending on medical goods will tend to make up a larger share of health spending in low-income countries.

Reference

OECD/Eurostat/WHO (2017), *A System of Health Accounts 2011: Revised edition*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264270985-en*.

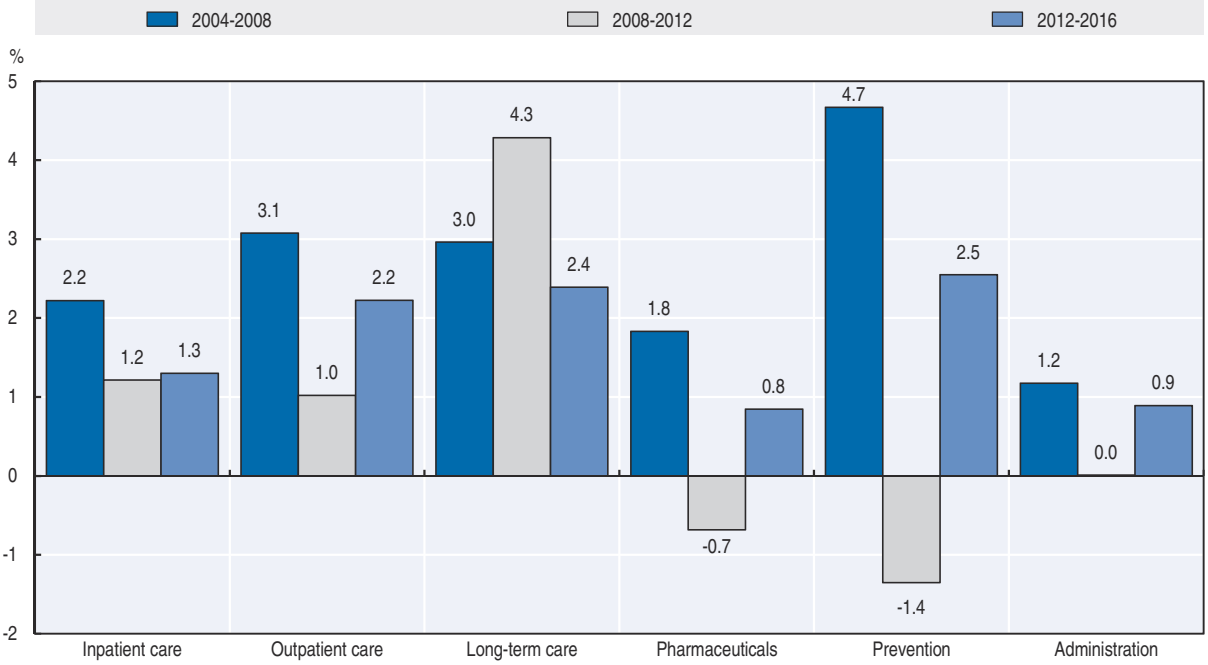
5.6. Health expenditure by function, 2016 (or nearest year)



* Refers to curative-rehabilitative care in inpatient and day care settings.
** Includes home care and ancillary services.
Note: Countries are ranked by the sum of inpatient and outpatient care as a share of current health expenditure.
Source: OECD Health Statistics 2018, *https://doi.org/10.1787/health-data-en*; Eurostat Database.

StatLink http://dx.doi.org/10.1787/888933835440

5.7. Growth rates of health expenditure per capita for selected functions, EU average, 2004-2016



Source: OECD Health Statistics 2018, *https://doi.org/10.1787/health-data-en*; Eurostat Database.

StatLink http://dx.doi.org/10.1787/888933835459

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