

7. HEALTH EXPENDITURE AND FINANCING

7.2. Health expenditure in relation to GDP

In 2007, OECD countries devoted 8.9% of their GDP to health spending (Figure 7.2.1). Trends in the health spending to GDP ratio are the result of the combined effect of trends in both GDP and health expenditure. Apart from a few countries (Hungary and the Czech Republic), health spending grew more quickly than GDP over the last ten years (see Figure 7.1.3 under the previous indicator). This has resulted in a higher share of GDP allocated to health (Figure 7.2.3). The share of health expenditure to GDP is likely to increase further, following the recession that started in many countries in 2008 and became widespread in 2009.

In 2007, the share of health spending to GDP ranged from less than 6% in Turkey and Mexico up to 16% of GDP in the United States (Figure 7.2.1 and Table A.12). Following the United States were France (11.0%), Switzerland (10.8%), and Germany (10.4%).

The share of public expenditure on health to GDP also varies from a high of 8.7% of GDP in France to lows of 3.7% and 2.7% of GDP in Korea and Mexico, respectively. In these two countries, health spending is almost evenly split between public and private financing.

To make a more comprehensive assessment of health spending, the health spending to GDP ratio should be considered together with per capita health spending (see Indicator 7.1 “Health expenditure per capita”). Countries having a relatively high health spending to GDP ratio might have relatively low health expenditure per capita, and the converse also holds. For example, Austria and Portugal both spent approximately 10% of their GDP on health; however, per capita spending (adjusted to USD PPP) was almost 70% higher in Austria (Figure 7.1.1).

Figure 7.2.4 shows a positive association between GDP per capita and health expenditure per capita across OECD countries. While there is an overall tendency for countries with higher GDP to spend a greater amount on health, there is wide variation since GDP is not the sole factor influencing health expenditure levels. The association is stronger among OECD countries with low GDP per capita than among countries with a higher GDP per capita. Even for countries with similar levels of GDP per capita there are substantial differences in health expenditure at a given level of GDP. For example, despite Japan and Germany having similar GDP per capita, their health spending per capita differs considerably with Japan spending less than 75% of the level of Germany on health.

The reduction in GDP, due to the economic downturn, may lead to rises in the health spending to GDP ratios

in the short term. There is little evidence that GDP changes have an impact on the level of health spending in the short term. However, the experience of some OECD countries that have faced substantial recessions in the past 20 years is that health expenditures may be reduced in the following years.

The health spending to GDP ratio does not accurately measure the relative magnitude of health goods and services consumed by individuals because, firstly, total health expenditure includes investments made by health providers, and secondly, GDP includes also net exports. A more refined measure of the relative importance of health spending is the share of health goods and services to all the goods and services consumed by individuals in the economy, regardless of who paid for them. This ratio is notably higher than the total health expenditure to GDP ratio for all OECD countries (Figure 7.2.2). The average share of actual consumption allocated to health across OECD countries is almost 13%, with the vast majority of OECD countries devoting more than 10% of their consumption to health. Five countries (United States, Switzerland, Luxembourg, Norway and Austria) spent more than 15% on health in 2007.

Definition and deviations

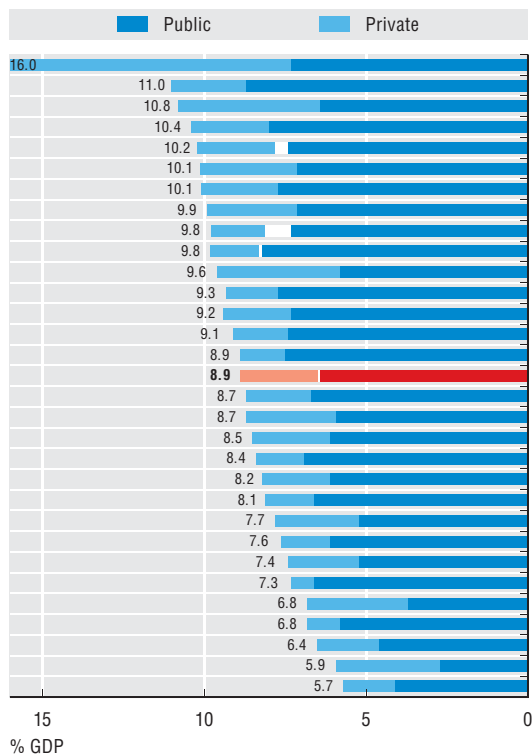
Gross Domestic Product (GDP) = final consumption + gross capital formation + net exports. Actual final consumption of households includes goods and services used by households or the community to satisfy their individual needs. It includes final consumption expenditure of households, general government and non-profit institutions serving households.

Differences in the relative positions of countries according to the ratio of total health expenditure to GDP and current health expenditure to actual final consumption expenditure are due to differences in the level of investments (in the economy as a whole, and in the health sector), in the balance of foreign trade across countries, and in net income from abroad. These adjustments are significant for countries such as Luxembourg, Ireland and Norway.

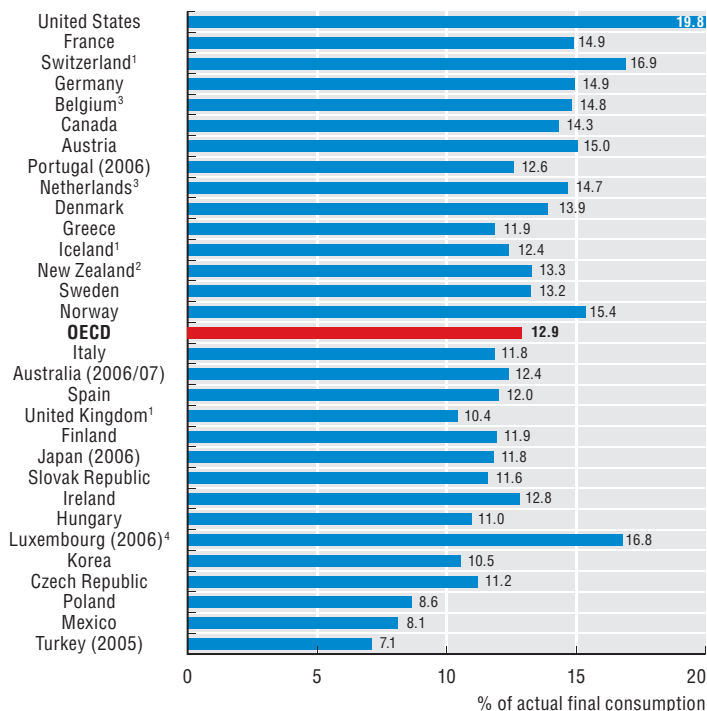
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7.2.1 Total health expenditure as a share of GDP, 2007



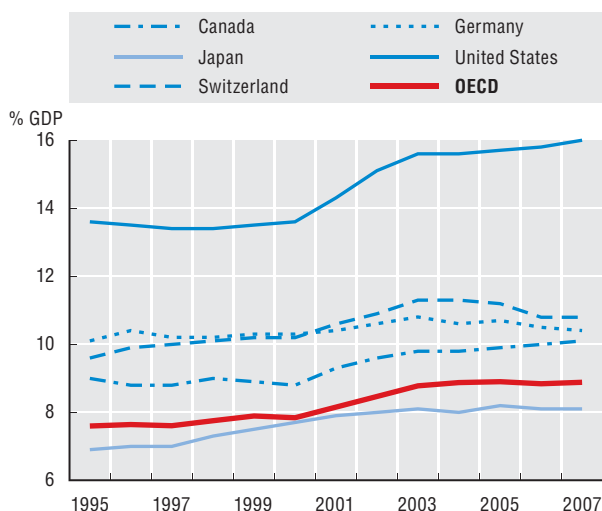
7.2.2 Current health expenditure as a share of household consumption, 2007



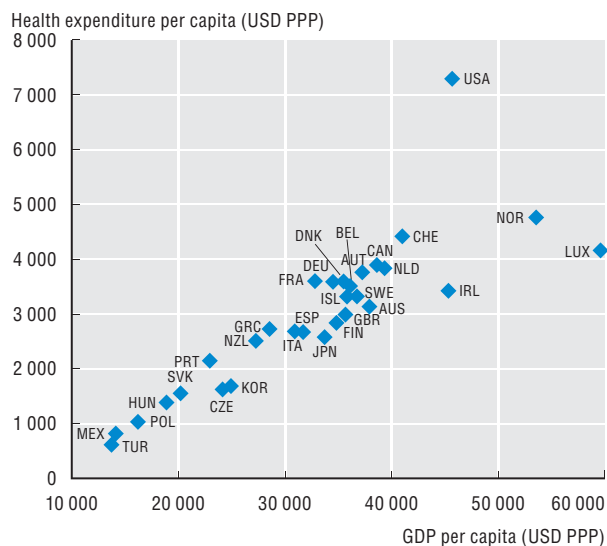
1. Total expenditure on health in both figures. 2. Current expenditure on health in both figures. 3. Public and private expenditures are current expenditures (excluding investments). 4. Health expenditure is for the insured population rather than resident population.

7.2.3 Total health expenditure as a share of GDP, 1995-2007

Selected OECD countries



7.2.4 Total health expenditure per capita and GDP per capita, 2007



Source: OECD Health Data 2009.

StatLink <http://dx.doi.org/10.1787/720325225770>



From:
Health at a Glance 2009
OECD Indicators

Access the complete publication at:
https://doi.org/10.1787/health_glance-2009-en

Please cite this chapter as:

OECD (2009), "Health expenditure in relation to GDP", in *Health at a Glance 2009: OECD Indicators*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/health_glance-2009-69-en

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