

This chapter presents an overview of the main indicators and characteristics of health spending and financing across OECD countries.

The discussion starts with a comparison of overall health spending in terms of per capita expenditure and in relation to other macroeconomic variables, such as GDP. Current levels of spending as well as trends over recent years are presented, taking into account the likely impact of the economic slowdown on future health spending. As well as indicators of total spending, the chapter also provides an analysis of the different types of health services and goods consumed across OECD countries, with a separate focus on pharmaceuticals as one of the main drivers of health spending growth over recent years.

A new and important area included in this version of *Health at a Glance* is health care expenditure broken down according to patients' characteristics, or more particularly, disease conditions and age. Such analysis is key for health policy makers in order to show current resource allocation in the health care system. The information provided can play an important role in discussions concerning changing demographics and disease patterns, as well as the modelling of future health care expenditures. Along with the allocation of health care spending, the chapter also addresses the question of "where does the money come from?", i.e. where the burden for paying for such goods and services lies. Finally, with the growth in medical tourism and international trade in health services, current levels and trends are examined in the light of efforts to improve data availability and coverage to feed growing policy needs.

Comparison of health expenditure and financing across countries

The vast majority of countries now produce health spending data according to the boundaries and definitions proposed in the OECD manual *A System of Health Accounts* (OECD, 2000). The comparability of the functional breakdown of health expenditure data has improved over recent years. However, limitations remain, as some countries have not yet implemented the SHA classifications and definitions. Even among those countries that are submitting data according to the SHA, the comparability of data may be less than optimal. For example, in-patient expenditure does not contain independent billing of physicians' fees for in-patient care in Canada and the United States. Different practices regarding the inclusion of long-term care in health or social expenditure are also a factor affecting data comparability.

Regarding the functional breakdown of health expenditure presented in this publication, out-patient expenditure is used in a broad sense to cover both out-patient care in a hospital setting as well as in the ambulatory sector.

For further information, see the "Note on General Comparability of Health Expenditure and Finance Data" in *OECD Health Data 2009*.

Definition of health expenditure

Total expenditure on health measures the final consumption of health care goods and services plus capital investment in health care infrastructure. This includes spending by both public and private sources (including households) on medical services and goods, public health and prevention programmes and administration.

The following table lists the major expenditure categories according to the International Classification for Health Accounts (ICHA) used in *OECD Health Data 2009* and presented in this publication.

ICHA code	Description
HC.1; HC.2	Services of curative and rehabilitative care (in-patient, day care, out-patient and home care)
HC.3	Services of long-term nursing care (in-patient, day care and home care)
HC.4	Ancillary services to health care
<i>HC.1-HC.4</i>	<i>Medical services</i>
HC.5	Medical goods dispensed to outpatients
HC.1-HC.5	Total expenditure on personal health
HC.6	Services of prevention and public health
HC.7	Health administration and health insurance
<i>HC.6 + HC.7</i>	<i>Total expenditure on collective health</i>
HC.1-HC.7	Total current expenditure on health
HC.R.1	Capital formation (Investment) in health care provider institutions
HC.1-HC.7 + HC.R.1	TOTAL EXPENDITURE ON HEALTH

Adjustment for differences in national currency

Health expenditure based on national currency units can be used for comparing some indicators, such as the ratio of health expenditure to GDP and health spending growth rates over time.

However, to make useful comparisons of health expenditure across countries at a given point in time, it is necessary to convert data from national currency units to a common currency, such as the US dollar (USD). It is also useful to take into account differences in the purchasing power of national currencies in each country. To calculate the conversion rate of national currencies into US dollar purchasing power parity (PPP), the same, fixed basket of goods and services across different countries is priced in the national currency, and then converted to US dollars. For example, if an identical basket of goods and services cost 140 Canadian dollars (CAD) in Canada and USD 100 in the United States, then the PPP conversion rate would be CAD 1.4 to USD 1. The economy-wide (GDP) PPPs are used as the most available and reliable conversion rates. These are based on a broad basket of goods and services, chosen to be representative of all economic activity. The use of economy-wide PPPs means that the resulting variations in health expenditure across countries will reflect not only variations in the volume of health services, but also any variations in the prices of health services relative to prices in the rest of the economy.

With regard to imports and exports of health goods and services, data are expressed in US dollars converted at market exchange rates.

Correcting data for price inflation

To make useful comparisons of real growth rates over time, it is necessary to deflate (i.e. remove inflation from) nominal health expenditure through the use of a suitable price index, and also to divide by the population, to derive real spending per capita. Due to the limited availability of reliable health price indices, an economy-wide (GDP) price index is used in this publication, at 2000 GDP price levels.



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