Financial hardship and out-of-pocket expenditure

Where health systems fail to provide adequate financial protection, people may not have enough money to pay for health care or meet other basic needs. 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 OECD countries, just over a fifth of all spending on health care comes directly from patients through out-of-pocket (OOP) payments (see indicator "Financing of health care"). People experience financial hardship when the burden of such OOP payments is large in relation to their ability to pay. Poor households and those who have to pay for long-term treatment such as medicines for chronic illness are particularly vulnerable.

The share of household consumption spent on health care provides an aggregate assessment of the financial burden of OOP expenditure. Across OECD countries, about 3% of total household spending was on health care goods and services, ranging from around 2% in France, Luxembourg and Slovenia, to more than 5% in Korea and nearly 7% in Switzerland (Figure 5.11).

Health systems in OECD countries differ in the degree of coverage for different health goods and services (see indicator "Extent of health care coverage"). Household spending on pharmaceuticals and other medical goods was the main health care expense for people, followed by spending on outpatient care (Figure 5.12). These two components typically account for almost two-thirds of household spending on health care. Household spending on dental care and long-term health care can also be high, averaging 14% and 11% of OOP spending on health respectively. Inpatient care plays only a minor role (9%) in the composition of OOP spending.

The indicator most widely used to measure financial hardship associated with OOP payments for households is the incidence of catastrophic spending on health (Cylus et al., 2018[1]). This varies considerably across OECD countries, from fewer than 2% of households experiencing catastrophic health spending in France, Sweden, the United Kingdom, Ireland, the Czech Republic and Slovenia, to over 8% of households in Portugal, Poland, Greece, Hungary, Latvia and Lithuania (Figure 5.13). Across all countries, poorer households (i.e. those in the bottom consumption quintile) are most likely to experience catastrophic health spending, despite the fact that many countries have put in place policies to safeguard financial protection.

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 Regional Office for Europe, 2018[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 exempt poor people and frequent users of care from co-payments; use low fixed co-payments instead of percentage co-payments, particularly for outpatient medicines; and cap the co-payments a household has to pay over a given time period (e.g. Austria, the Czech Republic, Ireland and the United Kingdom).

Definition and comparability

Out-of-pocket (OOP) payments are expenditures borne directly by a patient where neither public nor private insurance cover the full cost of the health good or service. They include cost-sharing and other expenditure paid directly by private households and should also ideally include estimations of informal payments to health providers.

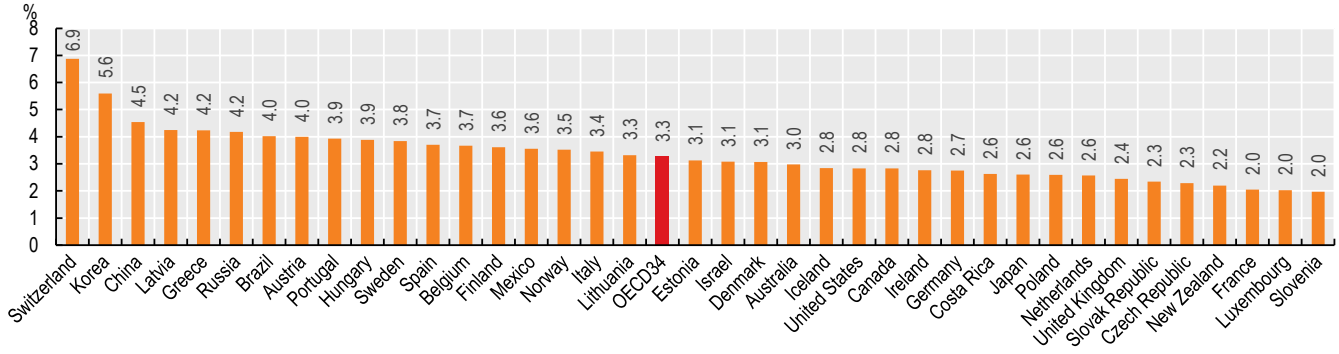
Catastrophic health spending is an indicator of financial protection used to monitor progress towards universal health coverage (UHC). It is defined as OOP payments that exceed a predefined percentage of the resources available to a household to pay for health care. Household resources available can 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, rent and utilities (water, electricity, gas and other fuels). The threshold used to define households with catastrophic spending is 40%. Microdata from national household budget surveys are used to calculate this indicator.

References

[1] Cylus, J., Thomson, S., Evetovits, T (2018), "Catastrophic health spending in Europe: equity and policy implications of different calculation methods", *Bulletin of the World Health Organization*, Vol. 96 No. 9, *http://dx.doi.org/10.2471/BLT.18.209031*.

[2] WHO Regional Office for Europe (2019). "Can people afford to pay for health care? New evidence on financial protection in Europe", WHO Regional Office for Europe, Copenhagen.

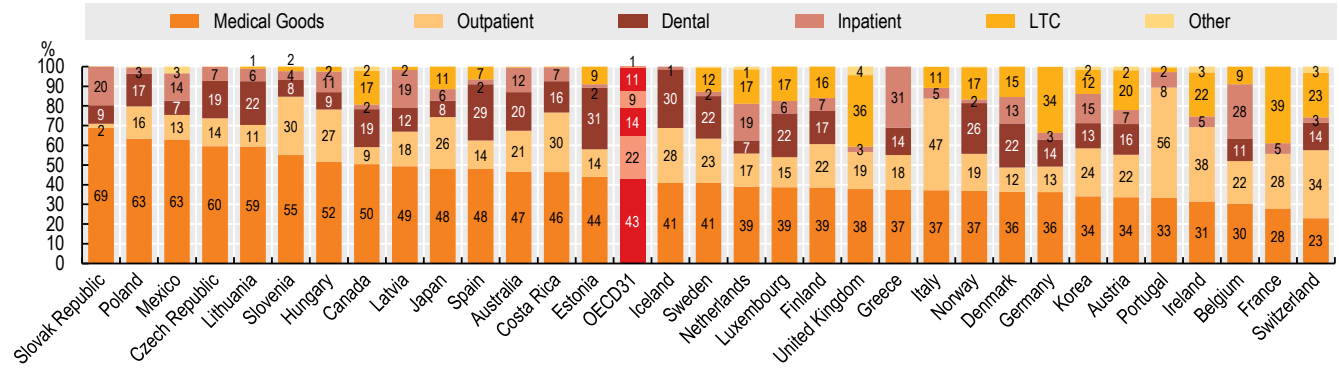
Figure 5.11. **Out-of-pocket spending as share of final household consumption, 2017 (or nearest year)**



Source: OECD Health Statistics 2019, OECD National Accounts Database.

StatLink https://doi.org/10.1787/888934015809

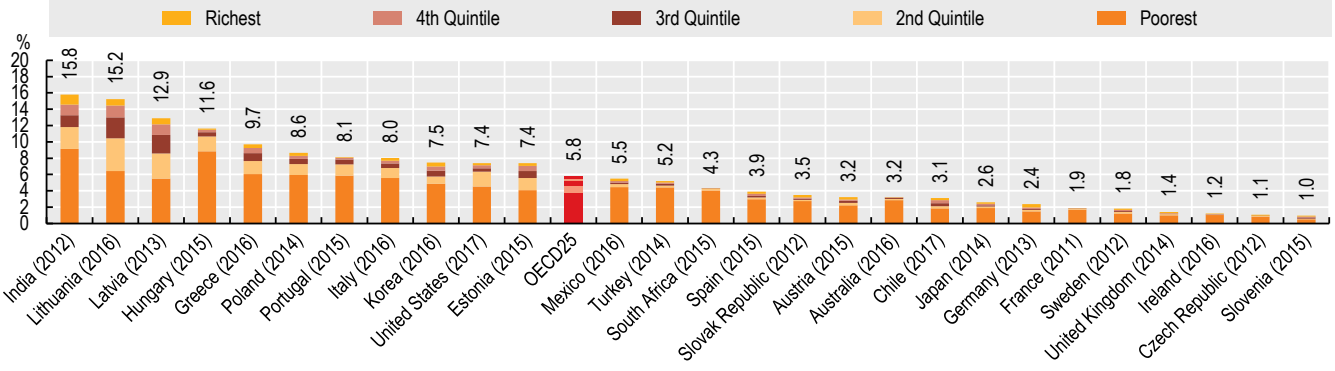
Figure 5.12. **Out-of-pocket spending on health, by type of services, 2017 (or nearest year)**



Note: The “Medical Goods” category includes pharmaceuticals and therapeutic appliances. The "Other" category includes preventive care, administrative services and services unknown.
Source: OECD Health Statistics 2019.

StatLink https://doi.org/10.1787/888934015828

Figure 5.13. **Share of households with catastrophic health spending by consumption quintile, latest year available**



Source: WHO Regional Office for Europe, 2019.

StatLink https://doi.org/10.1787/888934015847