

Projections of health expenditure

Health expenditure has outpaced economic growth across OECD countries over most of the past half century. This additional spending has contributed to improvements in health outcomes and been an important source of economic growth and jobs. Nevertheless, financial sustainability is becoming an increasing concern, as most countries draw their funding largely from public sources (OECD, 2015[1]). Projections of health expenditure growth can give countries a perspective regarding how quickly, and by how much, health expenditure could rise compared to general economic growth, or with respect to a country's population (Lorenzoni et al., 2019[2]).

Over the long run, health expenditure has largely outpaced GDP growth across all OECD countries, even taking into account the volatility following the financial crisis of 2007-08 (Figure 7.21). Over the period 2000-15, annual health spending growth across the OECD was 3.0%, compared to GDP growth of 2.3%. By comparison, for the period 2015-2030, health expenditure per capita is projected to grow at an average annual rate of 2.7% across the OECD under a base scenario (with GDP growth averaging 2.1%). Average growth is projected to be as low as 2.2% with greater cost control, but as high as 3.1% in a cost pressure scenario. These scenarios reflect diverging assumptions such as countries' economic growth, productivity and healthy ageing. However, across OECD countries health expenditure is projected to outpace GDP growth in the next 15 years in all scenarios.

Looking at country-specific projections, health spending per capita in 2015-30 is projected to grow more than 4% per year in the Slovak Republic, Turkey and Korea, while in Belgium, Germany, Italy, Lithuania, Japan and Portugal projected growth is less than 2% per year (Figure 7.22). In 20 out of 36 OECD countries, growth is projected to be within ± 1 percentage points growth compared to 2000-15. In the six countries – Iceland, Hungary, Mexico, Israel, Portugal and Turkey – where per capita growth is projected to be more than one percentage point higher than that observed for 2000-2015, most experienced a slowdown in health spending growth in the aftermath of the global economic and financial crisis. In contrast, in Lithuania, Korea, Chile, Latvia and Estonia, growth rates are projected to be over two percentage points lower than historical rates. These countries also reported some of the highest growth rates in health spending per capita from 2000 to 2015.

Across the OECD, under the base scenario, health expenditure as a share of GDP is projected to rise to 10.2% by

2030, compared to 8.8% in 2015 (Figure 7.23). The only countries for which a slight decrease in this ratio is expected are Latvia, Hungary and Lithuania, largely due to projected decreases in population size over the coming decades. Most countries are expected to experience moderate increases in health expenditure as a share of GDP, with only the United States seeing growth of more than three percentage points.

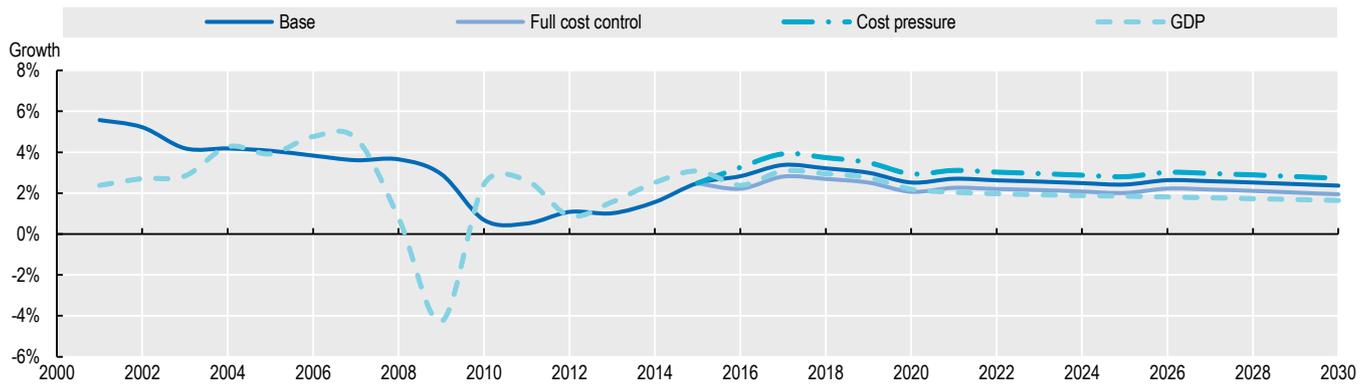
Definition and comparability

The underlying model for projecting health expenditure in the future includes several country-specific determinants. It is based on age-specific health expenditure curves for total health expenditure (in real terms), which are projected in the future by using population changes, mortality rates, expected costs associated with dying, and the share of survivors and non-survivors in any given year. These are further adjusted for GDP growth, productivity and wages growth, time effects, individual and collective shares of expenditure and technological change. This modelling is applied to both total and public current health expenditure (excluding capital expenditure), and a range of scenarios are constructed based on parameters gathered from the literature, regression-based sensitivity analysis, and assumptions in line with specific theories in the literature (i.e. time-to-death, healthy ageing). A detailed breakdown of the theoretical framework and the methodological assumptions underlying the projections presented in this column are available in the References section.

References

- [2] Lorenzoni, L. et al. (2019), "Health Spending Projections to 2030: New results based on a revised OECD methodology", *OECD Health Working Papers*, No. 110, OECD Publishing, Paris, <https://doi.org/10.1787/5667f23d-en>.
- [3] Marino, A. et al. (2017), "Future trends in health care expenditure: A modelling framework for cross-country forecasts", *OECD Health Working Papers*, No. 95, OECD Publishing, Paris, <https://doi.org/10.1787/247995bb-en>.
- [1] OECD (2015), *Fiscal Sustainability of Health Systems: Bridging Health and Finance Perspectives*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264233386-en>.

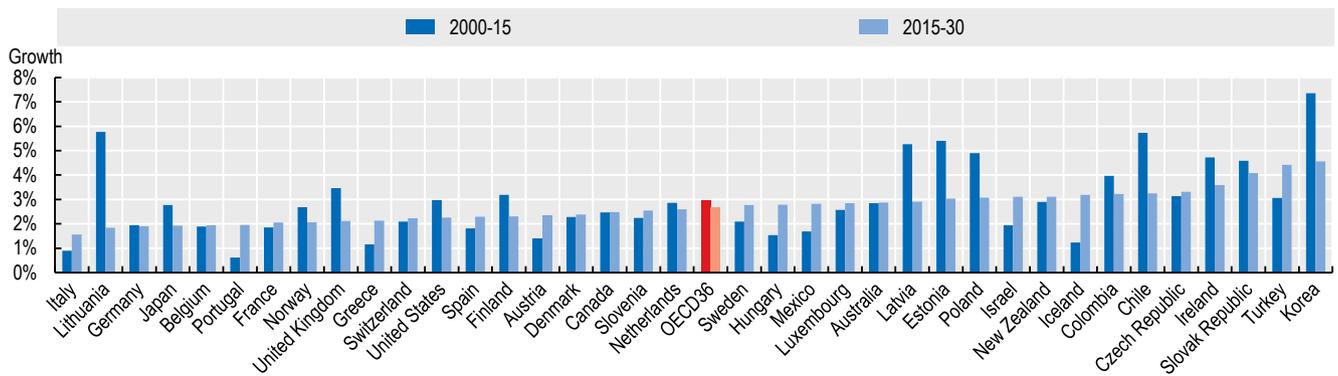
Figure 7.21. Health expenditure per capita vs GDP growth trends, observed and projected, 2000-30



Source: OECD Health Division projections, 2019.

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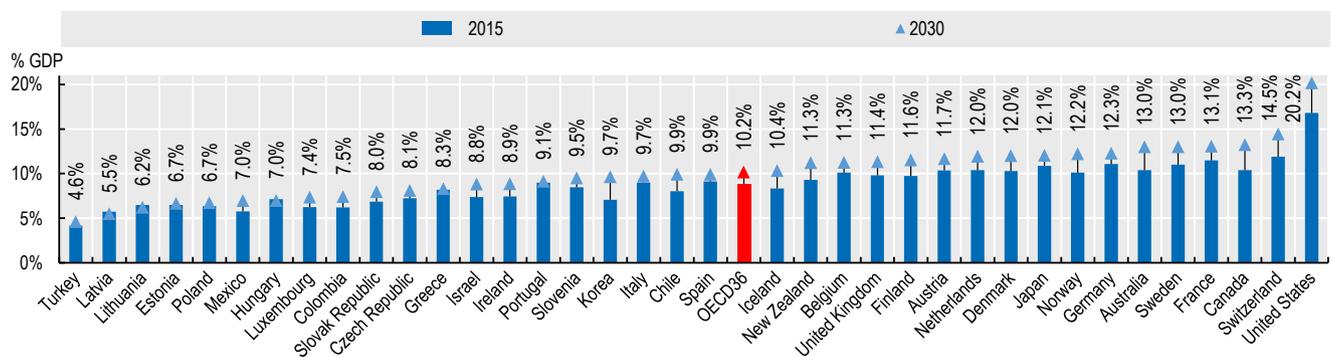
Figure 7.22. Average per capita health expenditure growth, 2000-15 and 2015-30



Source: OECD Health Division projections, 2019.

StatLink <https://doi.org/10.1787/888934017177>

Figure 7.23. Health expenditure as a share of GDP, projection to 2030



Source: OECD Health Division projections, 2019.

StatLink <https://doi.org/10.1787/888934017196>



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