

5. Health spending

Definition and measurement

Total expenditure on health measures the final consumption of health goods and services plus capital investment in health care infrastructure. It includes both public and private spending on personal health care and collective health services (public health and prevention programmes and administration). Excluded are health-related expenditures such as training, research and environmental health. The data is presented as a proportion of gross domestic product (GDP). To compare health care expenditures across time, it is deflated by a national price index and converted to US dollars using purchasing power parity (PPP) exchange rates.

Health spending varied considerably across OECD countries (Panel A, HE5.1). In 2008, the highest spending OECD country was the United States, devoting 16% of gross domestic product on health, or USD 7 285 per person. After the United States, but spending both absolutely and proportionally considerably less, came France and Switzerland. At the other end of the scale, Korea (USD 1 801 per person) and Mexico (USD 852 per person) spent well under 10% of their incomes on health.

Health spending has grown rapidly across the OECD in the last decade (Panel B, HE5.1). Between 1998 and 2008, average OECD health expenditure per capita grew annually by 4%. High growth countries for health spending included Korea, the Slovak Republic and Ireland, with the former two

starting from a relatively low base. By way of contrast, Norway, Israel and Germany managed fairly modest growth in per capita health spending in the past decade.

Countries spending more on health had higher life expectancies in 2008 (HE5.2). While higher health spending per capita was generally associated with higher life expectancy at birth, this relationship is less pronounced amongst countries with higher health spending per capita. There may thus be diminishing returns to health spending on this measure. Given their levels of health spending, Japan stands out as having relatively high life expectancy and the United States has relatively low life expectancy.

Countries where health spending grew more rapidly in the 1998-2008 period had more rapid increases in life expectancy (HE5.3). The rise in life expectancy in Korea, Ireland and Slovenia was especially pronounced, given spending growth. On the other hand, given growth in per capita health spending, life expectancy gains have been less dramatic in the United States, Greece and in the Slovak Republic.

Further reading

OECD (2009), *Health at a Glance 2010: OECD Indicators*, OECD Publishing, Paris.

Figure note

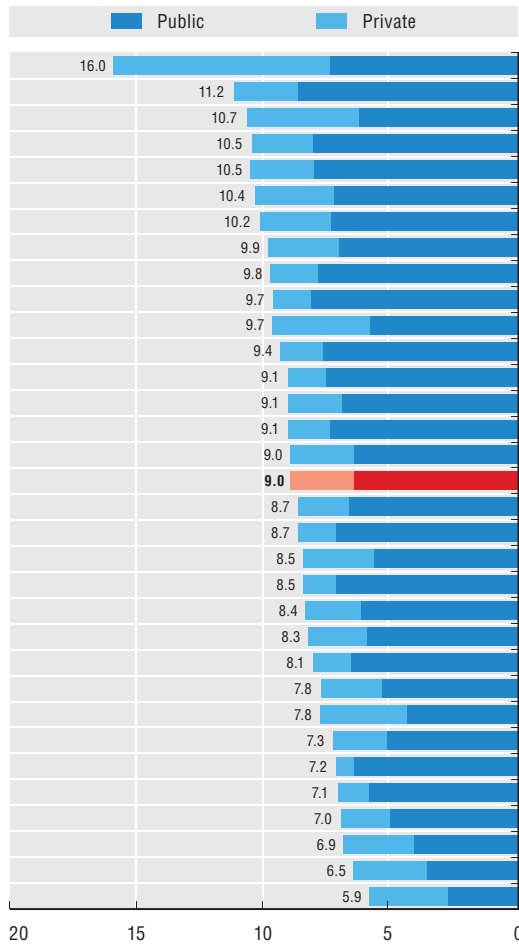
Data in HE5.1 is 2007/08 for Australia; 2007 for Denmark, Greece and Japan; 2006 for Luxembourg and Portugal.

Current expenditure (excluding investment) rather than total expenditure for Belgium, the Netherlands and New Zealand.

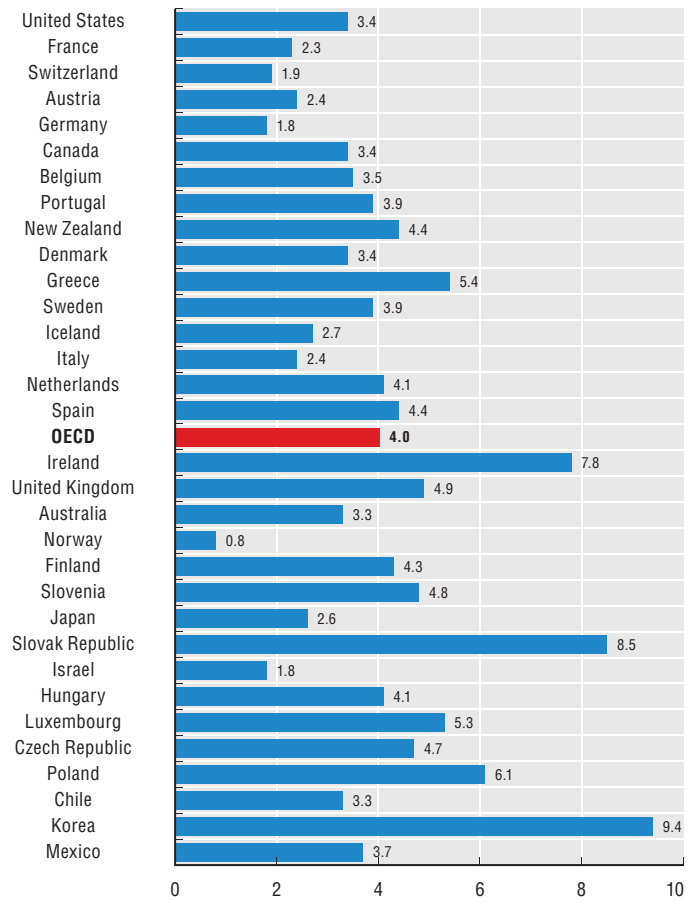
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

HE5.1. Total spending on health has increased significantly in the last decade

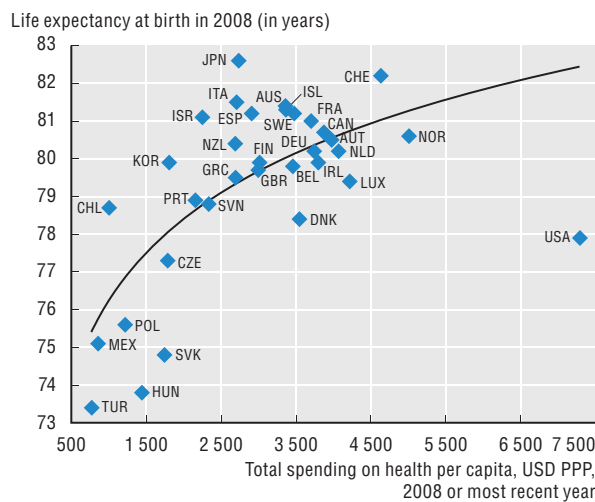
Panel A. Health spending as a percentage of GDP, 2008 or latest year (≥ total)



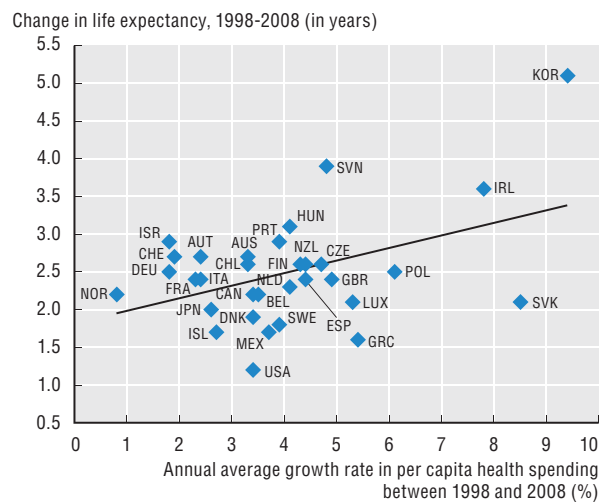
Panel B. Annual average growth rate in per capita health spending between 1998 and 2008 (%)



HE5.2. Countries with higher life expectancy spend more on per capita health care



HE5.3. Countries with higher health spending growth have bigger life expectancy gains



Source: OECD (2010), OECD Health Data 2010, OECD Publishing, Paris (www.oecd.org/health/healthdata).

StatLink <http://dx.doi.org/10.1787/888932382045>