



HEALTH SPENDING PROJECTIONS TO 2030

New results based on a revised OECD methodology

OECD Health Division

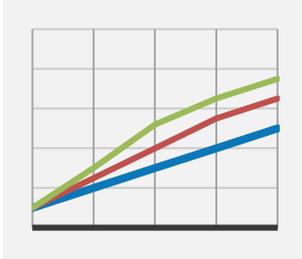
December 2018



Why is the OECD doing health spending projections?

To better understand the extent of the **financial sustainability** challenge

To produce **reliable, transparent, policy relevant** projections

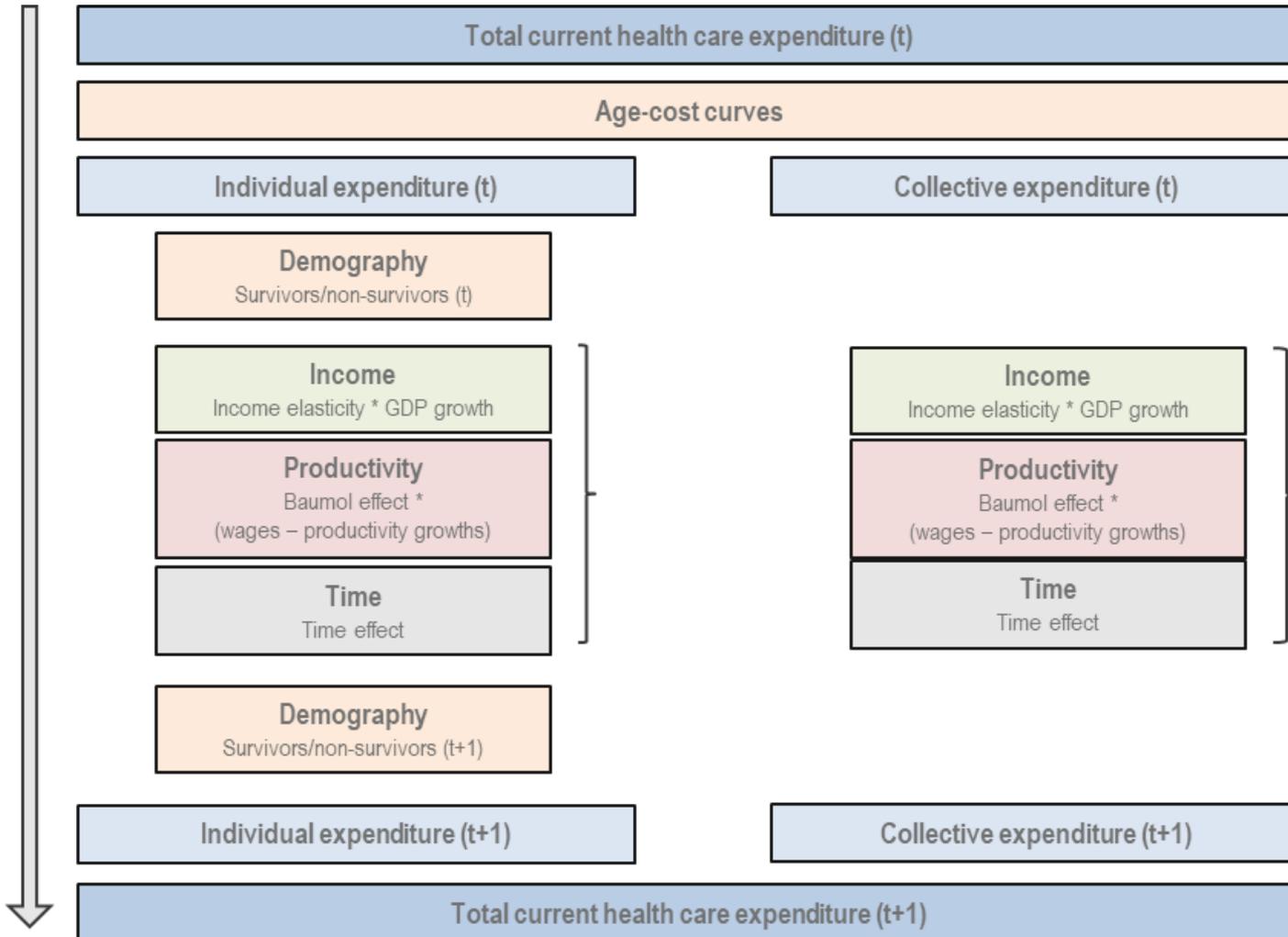


How does projected health spending *vary* across countries?

How much can policies *modify* spending trajectories?



Methodology – Model flow



What about technology?



Scenario analysis

Set of **policy change scenarios** are compared against the ‘**status quo**’ scenario

Cost reducing scenarios

- **Full cost control**
- Enhanced productivity
- Health promotion

Cost increasing scenarios

- Low productivity
- **Cost pressure**

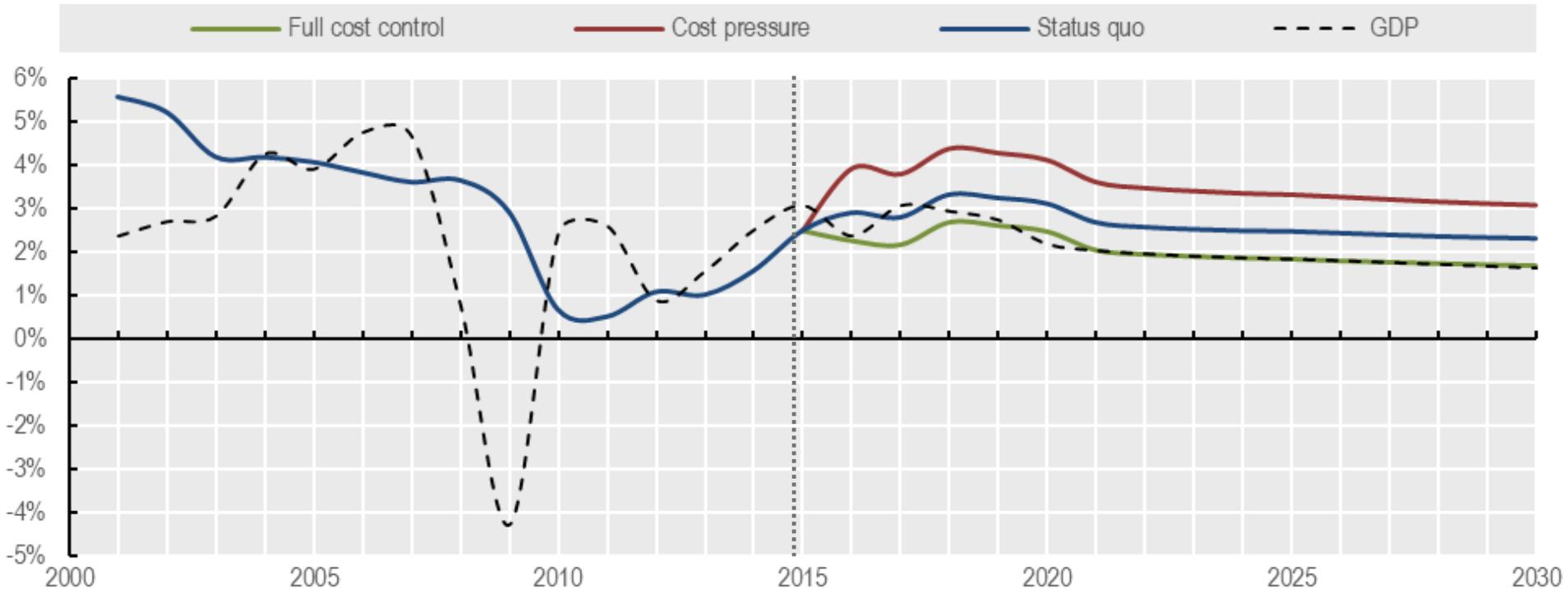
| | Lower (full cost control) | Central (status quo) | Upper (cost pressure) |
|--|---------------------------|----------------------|-----------------------|
| Income effect – elasticity | 0.7 | 0.74 | 0.85 |
| Productivity constraints – Baumol variable | 0 | 0.15 | 0.45 |
| Extent of healthy ageing – death-related costs | 40 | 10 | 10 |

Note: Values represent plausible upper and lower bounds, based on different regression models and literature findings.



Results – Health spending should grow more rapidly than GDP...

Growth in health spending and GDP per capita, 2001-2030

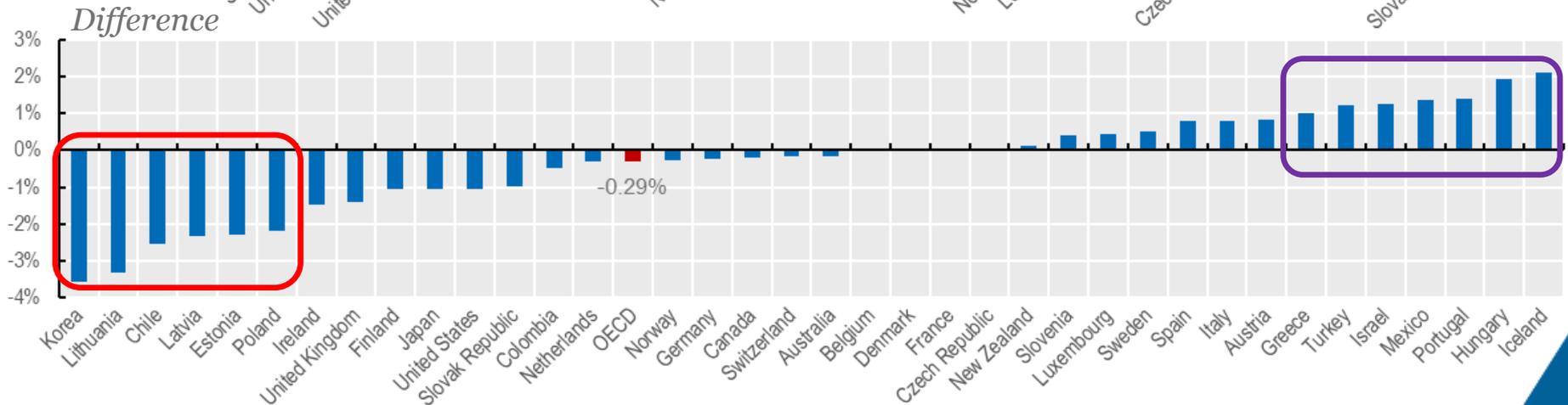
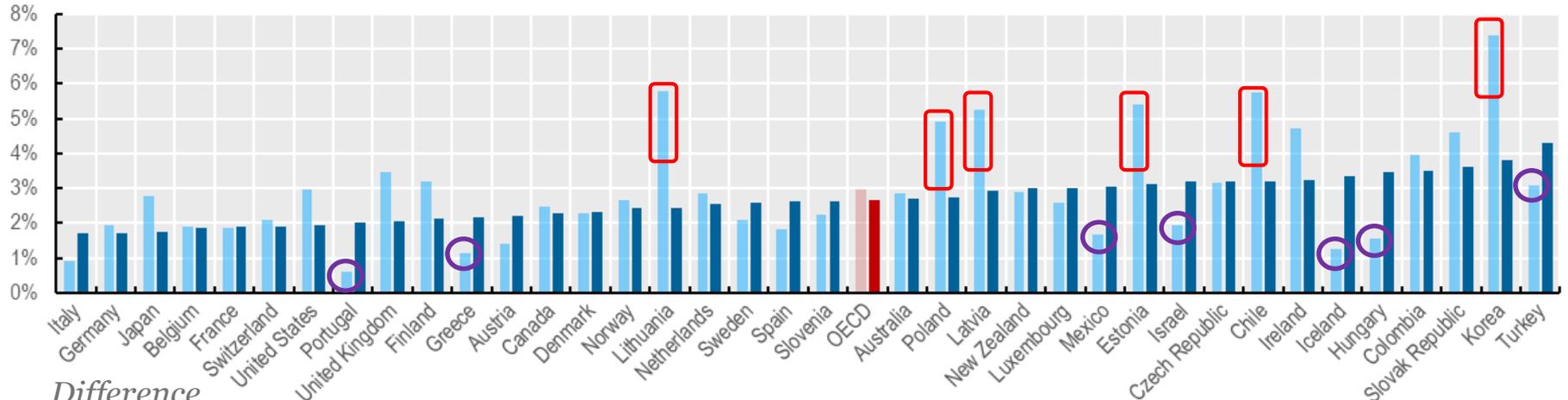


...with a slight slowdown as compared to the past in the most likely scenario, *but dependent on policy choices*



Important cross-country variation, from 1.7% projected growth in Italy to 4.3% in Turkey

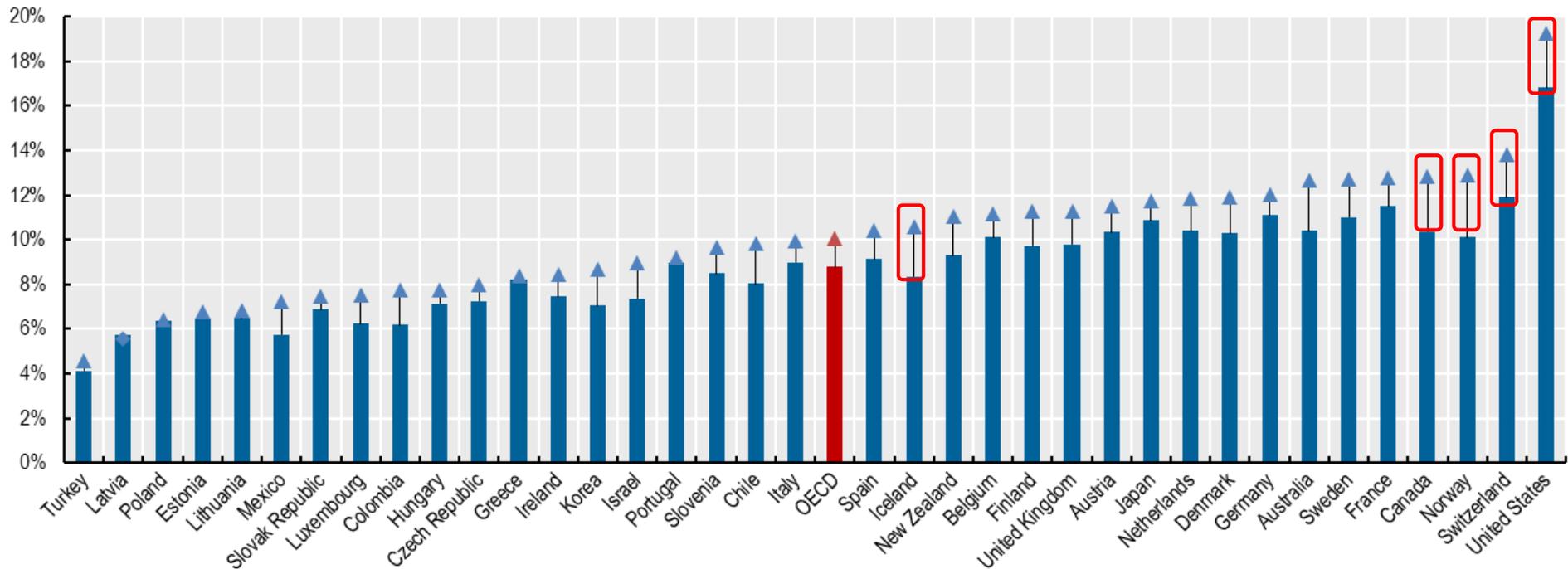
Average per capita growth by country, 2000-15 v 2015-30 (status quo)





Health spending to account for increasing share of GDP in almost all OECD countries

Expenditure as a share of GDP by country, 2015 and 2030 (status quo)



- Total spending on health projected to reach **10% of GDP by 2030**, compared with 8.8% in 2015.
- Growth in **public health spending** largely mirrors total spending, and broadly comparable with other cross-country analyses



Key findings at a glance

2015

2030...

Cost control

Status quo

Cost pressure

8.8%

9.2%

10%

11.3%

TOTAL HEALTH SPENDING AS % OF GDP

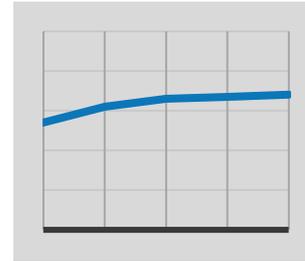
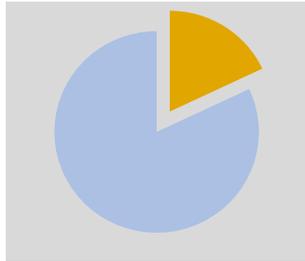
- **Not realistic** for countries to **freeze health spending**
- But **governments** can still **manage spending growth**
 - *Largest increases (% GDP):* Iceland, Canada, Norway, Switzerland, United States
 - *Largest potential for policy impact:* Hungary, Iceland, Norway, Chile, Estonia, Slovenia



#1 Policymakers need to plan for at least some increases in health spending over time

Reallocate?

But health has already seen its share increase



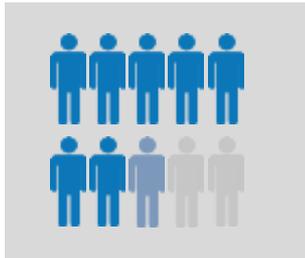
Increase overall tax rates?

Only feasible in some countries

Planning for increased spending

Shift burden to private finance?

Risk of worse inequities, may not save money...
...but non-core services?



More rational decision-making?

Positive lists, delimit covered services



#2 Governments can still manage the growth in health spending

Proven policy examples that can *contain costs without compromising quality*

- Policies on
 - health workforce
 - pharmaceuticals
 - new technologies
- Curb the major risk factors of
 - smoking
 - alcohol consumption
 - obesity



Concluding thoughts

1 Health spending will continue to **grow faster than GDP**

2 Much of this will be **publicly funded**

3 Governments still have many policy levers to help **contain costs without compromising quality**



For more information



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ADDITIONAL SLIDES



Data sources

| Data | Source | Comments |
|-------------------------------|--------------------------------|-----------------------------|
| Health expenditure | OECD Health Database (2018) | All measures of expenditure |
| Population | OECD Health Database (2017) | Historical series |
| Population projections | UN Population Database (2017) | Data from 2015 onwards |
| Mortality | OECD Health Database (2017) | Historical series |
| Mortality projections | UN Population Database (2017) | Data from 2015 onwards |
| Age-cost expenditure profiles | National sources, HEDIC (2017) | Data for 12 countries |
| GDP | OECD (2018) | Historical and projected |
| Wages | OECD Health Database (2018) | |
| Employment | OECD (2018) | |
| R & D share | OECD (2017) | |
| Health care coverage | OECD Health Database (2017) | |
| Share of the elderly | OECD Health Database (2017) | |
| Life expectancy | OECD Health Database (2017) | |



Scenario analysis: the impact of individual drivers on health spending

Health spending as a share of GDP, full range of scenarios (OECD average)

