Financing health care: a comparative analysis

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Basic features of the System of Health Accounts (SHA)

- International statistical standard (an integrated system of comprehensive and internationally comparable accounts and basic accounting rules)

- The SHA Manual (1.0) was published by the OECD in 2000.

- ICHA: *International Classification for Health Accounting:*
  - Functions of health care services and goods
  - Categories of providers (health care industries)
  - Sources of funding (financing agents)

- Standard SHA tables cross-classify expenditures by the three basic dimensions
Major requirements for applying the SHA boundaries

- The functional classification of health care is applied in an internationally harmonised way (e.g., LTC).
- Expenditure by all the financing agents defined by the SHA is accounted for.
- All primary and secondary providers of health care are included.
- Foreign trade of health services is estimated.
- Common methods for valuation of health services are applied following the SHA framework.
Comparative analysis

- Comparative analysis is based on 14 countries which have supplied data that has been validated.

- The data were collected via the first Joint OECD, Eurostat and WHO Health Accounts Data collection in 2006.

- Pre-SHA data tends to differ from the borders of health proposed by the SHA especially with respect to long term care and health related functions e.g. education of health professionals.

- Comparability of the data still has some limitations e.g. long term care.
Total Current Health Expenditure: per capita in USD PPPs & % of GDP

- HF1: General government
- HF2: Private sector
- PARPIB: % gross domestic product
Total Current Health Expenditure:
per capita in USD PPPs & % of GDP

- 14 countries vary in size, region, organisation and financing of health care.

- E.g. all countries have 100% (or close) coverage of the population.

- Most important difference is the extent of involvement of the private sector. On average, 73.5% of health spending is public.

- Apart from Germany, Luxembourg and Portugal, the ranking in health expenditure per capita is close to their ranking in terms of the ratio of health expenditure to GDP.
Current expenditure on health by financing agent

- **HF11**: General government (excl. social security) = Territorial government
- **HF12**: Social security funds
- **HF21-HF22**: Private insurance
- **HF23**: Private households out-of-pocket exp.
- **HF24**: Non-profit institutions serving households
- **HF25**: Corporations (other than health insurance)
- **HF3**: Rest of the world

OECD (14)
Current Private Expenditure by Financing Agent

- HF23: Private households out-of-pocket exp.
- HF21-HF22: Private insurance
- HF24: Non-profit institutions serving households
- HF25: Corporations (other than health insurance)
Current expenditure on health

- General government, incl. social security is the main financing source. On average, 73.5% of health spending is public.
  - 90.4% in Luxembourg to 52.7% in Korea.

- Most private funding is from households out-of-pocket payments (18.5% on average).
  - 6.7% in Luxembourg to 37.8% in Korea.

- The funding contribution from private insurance is on average 6.3%
  - higher than average proportions in higher income countries. Norway is an exception.
Current Expenditure on Health by Function

- **HC11**: In-patient curative and rehabilitative care
- **HC21**: Out-patient curative and rehabilitative care
- **HC3**: Services of long-term nursing care
- **HC5**: Medical goods dispensed to out-patients
- **HC6**: Prevention and public health services
- **HC7**: Health administration and health insurance
- **HC9**: Not specified by kind
Health expenditure by function

- Functional classification serves to acknowledge that hospital expenditure covers different functions e.g. outpatient care, long-term care.

- Share of inpatient curative care ranges from 21.5% in Canada and 38% in France (28.5% on average).

- All countries in sample which spend a lower than average share on inpatient services spend a higher than average share on outpatient services.

- Share of outpatient services ranges from 26% in France, Norway & Poland and 41% in Portugal (32.4% on average).

- Share on medical goods incl pharmaceuticals ranges from 13% in Luxembourg and Switzerland to 34% in Poland (22% on average).
Expenditure on Inpatient Care by Financing Agent

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Expenditure on Outpatient Care by Financing Agent

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OECD (12)
Expenditure on Functions by Financing Agent

- Public funds dominate in funding inpatient care, contributing on average 88% of costs. Australia, Korea and Switzerland have substantially below average shares of public funding.

- On average, 67% of outpatient care is publicly funded. The Czech Republic, Japan and Luxembourg have a public share at least 10 percentage points above the average. Korea, Spain and Switzerland have a public share at least 10 percentage points below the average.

- Private sector funding of outpatient care is largely paid by households out-of-pocket.
Expenditure on Pharmaceuticals by Financing Agent

- HF11: General government (excl. social security) = Territorial government
- HF12: Social security funds
- HF21-HF22: Private insurance
- HF24: Non-profit institutions serving households
- HF25: Corporations (other than health insurance)
- HF3: Rest of the world

OECD (12)
Expenditure on Functions by Financing Agent

- On average, 37.5% of medical goods are privately funded compared with 32.7% of outpatient services.

- In Switzerland and Spain, the government funding of pharmaceutics is higher than that for outpatient services. In Australia, Canada, the Czech Republic, Japan, Luxembourg, Norway and Poland, the government share of pharmaceutical funding is less than that for outpatient services.

- Main private funding source is out-of-pocket payment even in countries with well-developed private insurance systems (Australia, Germany and Switzerland).
Conclusions

- Overall public funding dominates as the funding source for the countries in this comparative analysis.

- Private sources play a far more important role in financing both out-patient care and medical goods in many countries.

- The results enable countries to compare the financing and the structure of their health care system with other countries, even where there are substantial differences in institutions and funding of the health care systems differ.

- SHA-based health accounts aim to provide data which is comparable over time, even if administrative changes in the health system affect the national boundaries of health.