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# Trends in out-of pocket expenditure in the European Union

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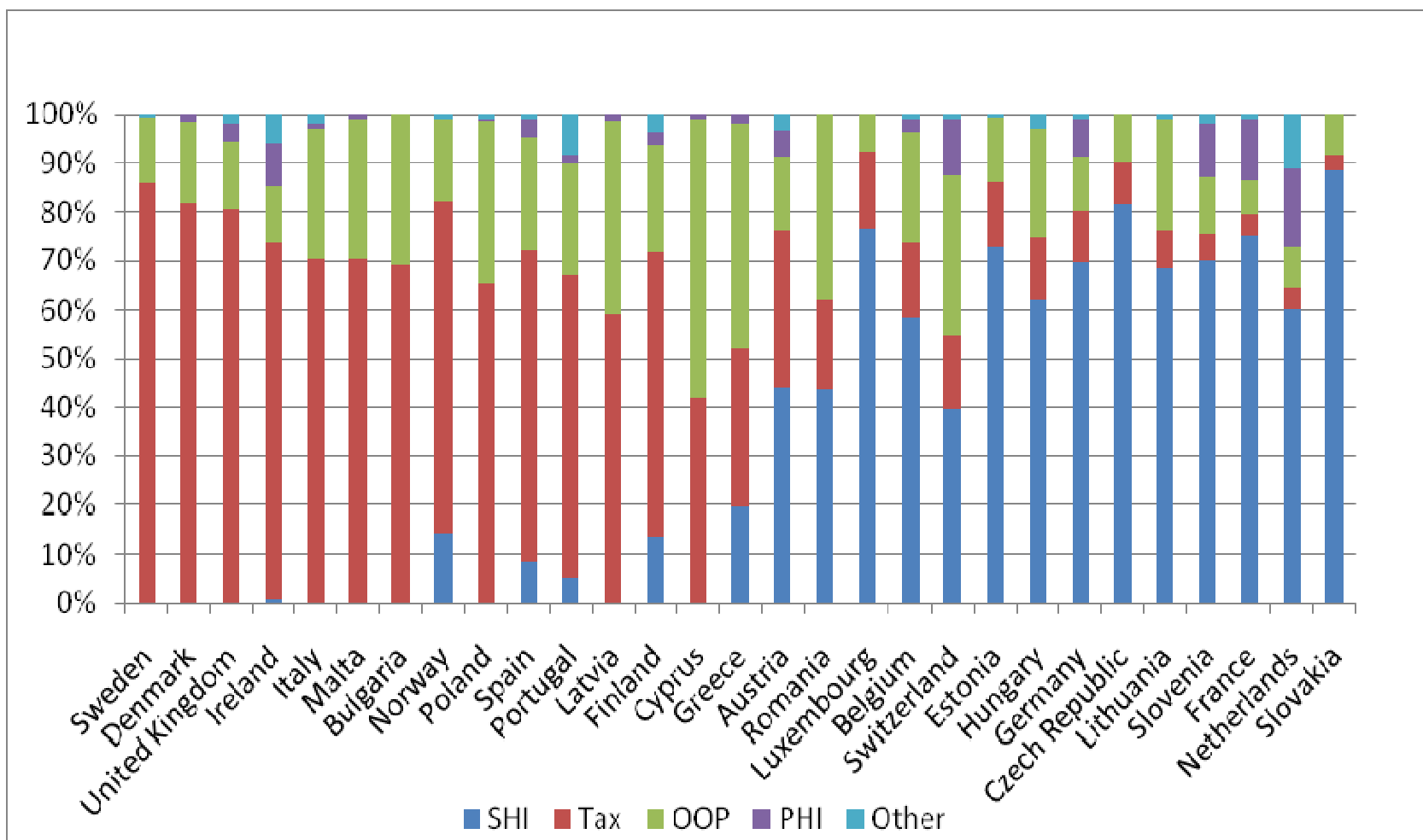
European Observatory on Health Systems and Policies

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## Part of the mix...

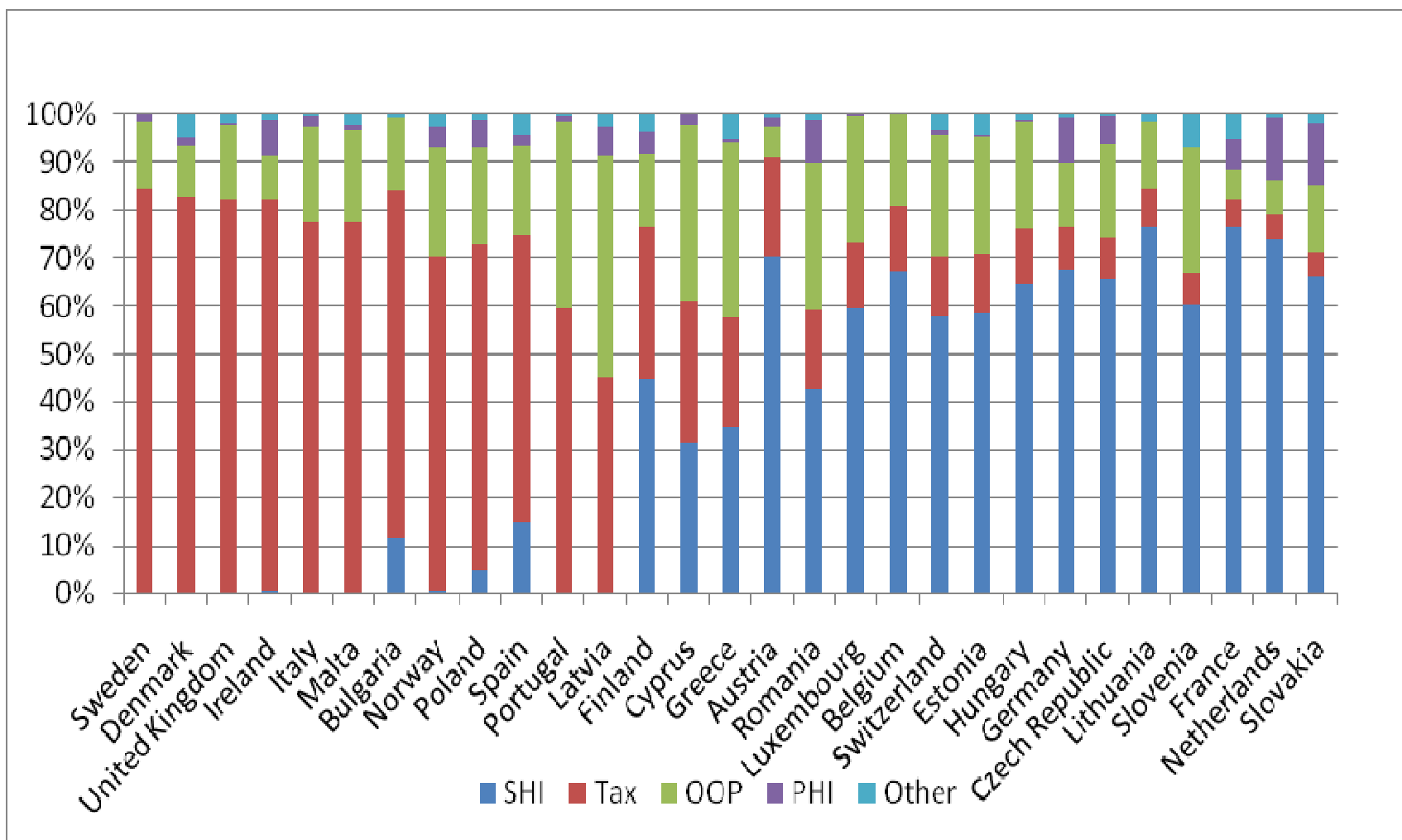
- Private expenditure (out-of-pocket payments or voluntary health insurance) is a long-standing part of the mix of financing sources in all EU countries
  - Shifts in the financing mix have been marginal in most countries between 1995 and 2009, with some notable exceptions
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## Breakdown of health expenditure by contribution mechanism (1998)



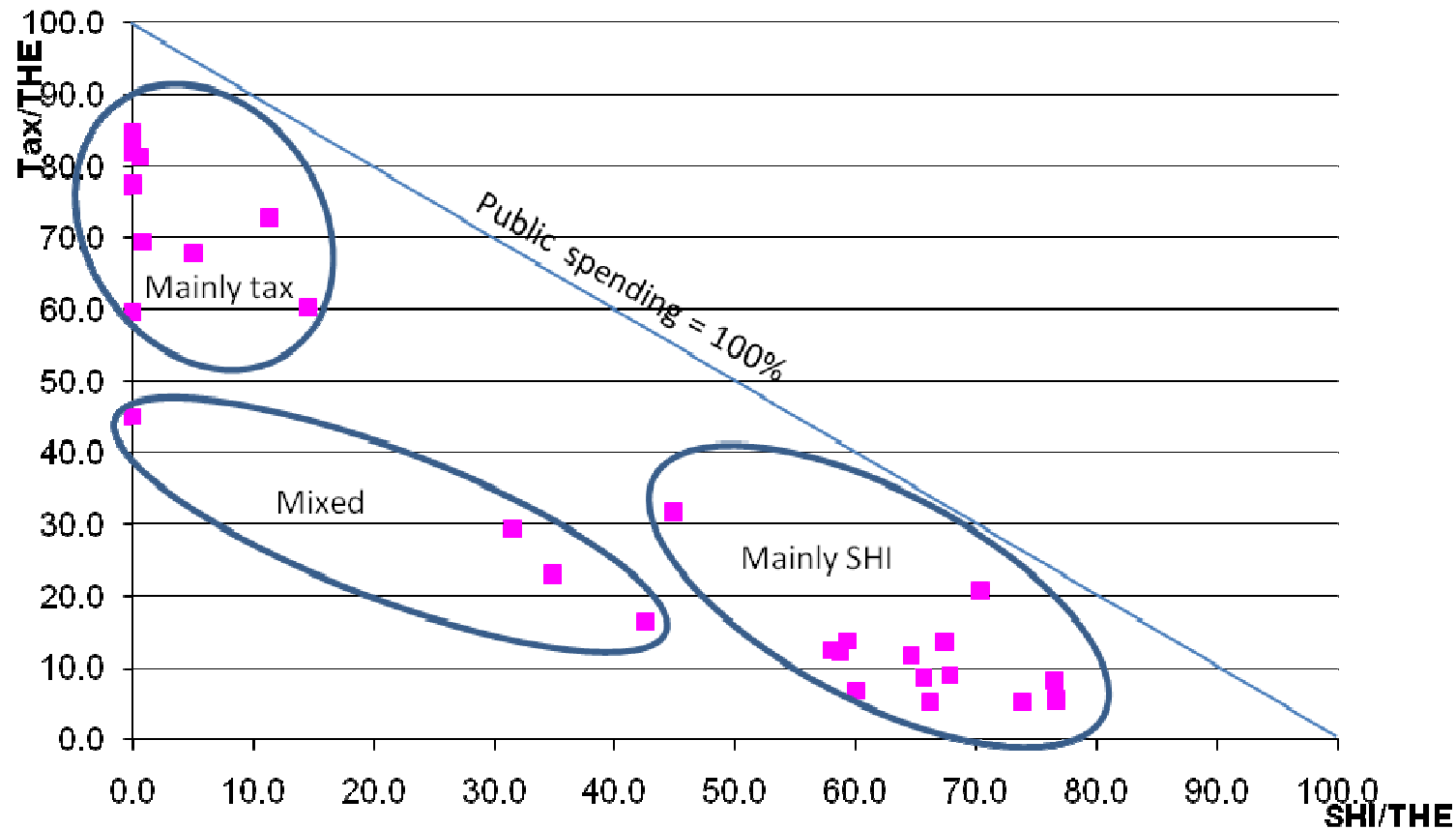
Source: GHO (2011)

## Breakdown of health expenditure by contribution mechanism (2008)



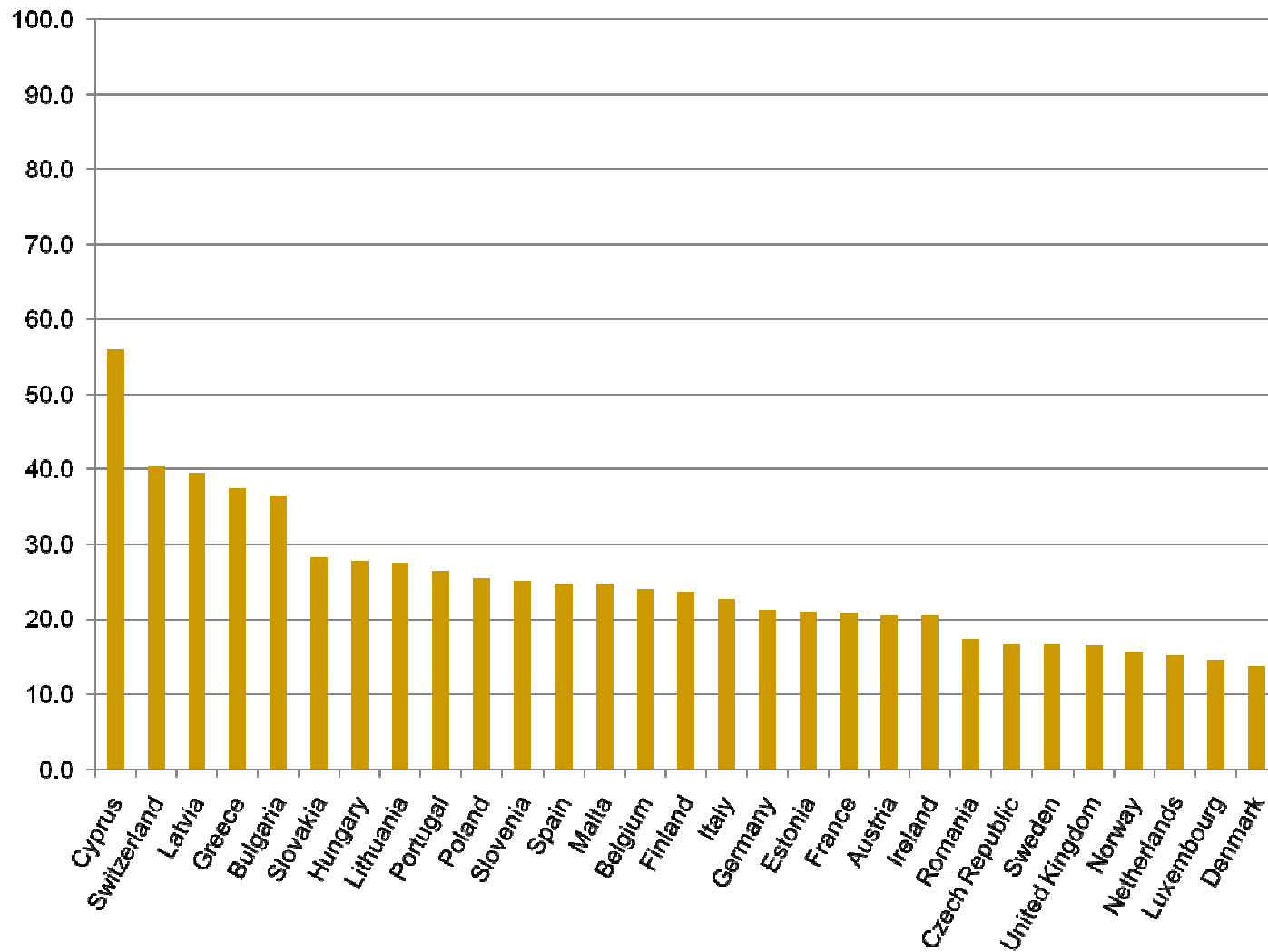
Source: GHO (2011)

## Social health insurance versus tax as % of total health expenditure (2008)



Source: Calculations based on GHO (2011)

## Private health expenditure as % of total, 2009



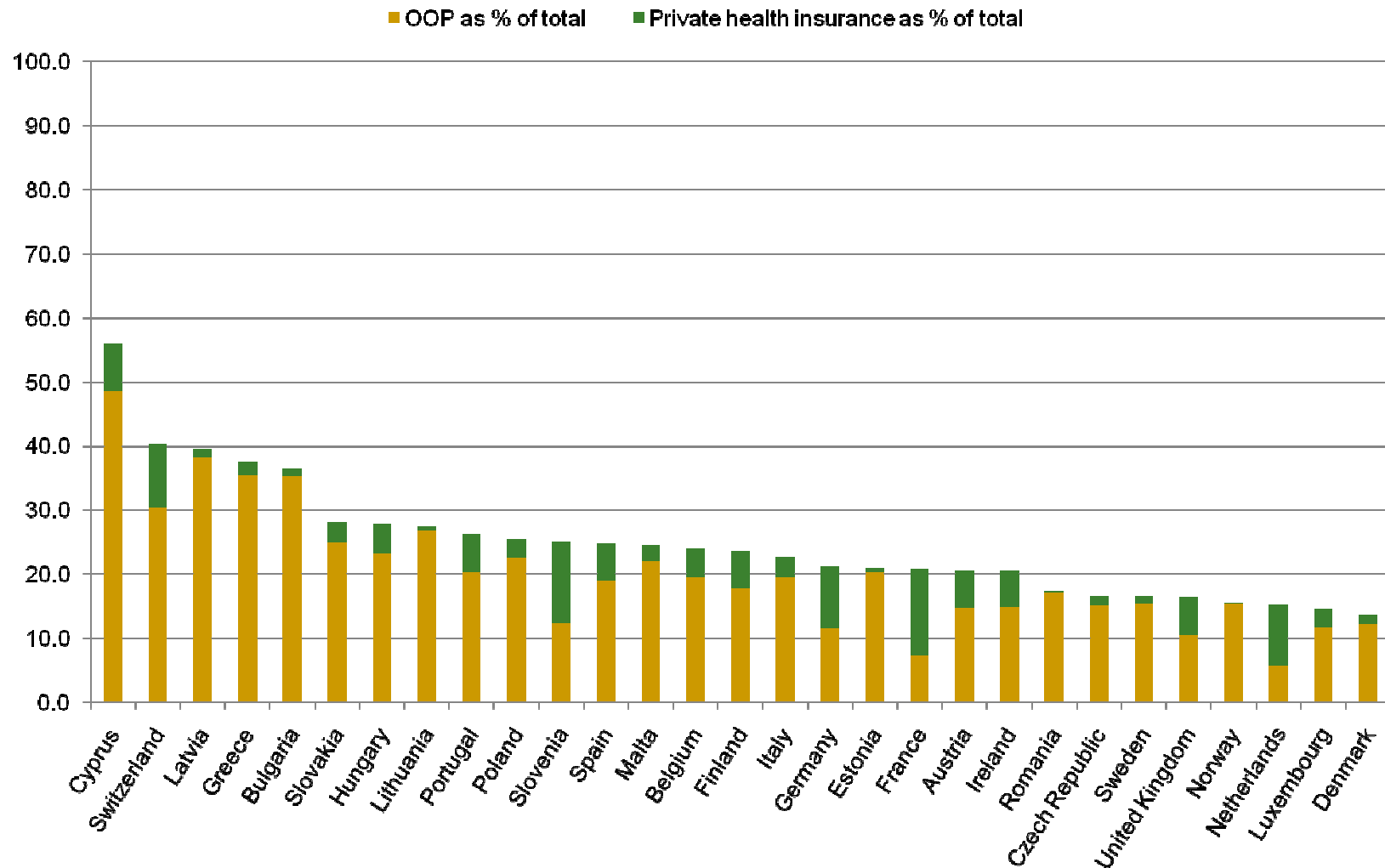
Source: GHO (2011)

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## Composition of private expenditure

- Private expenditure is largely generated by OOP
  - Countries with sizeable private health insurance relative to private expenditure are Switzerland, Slovenia, Germany and France
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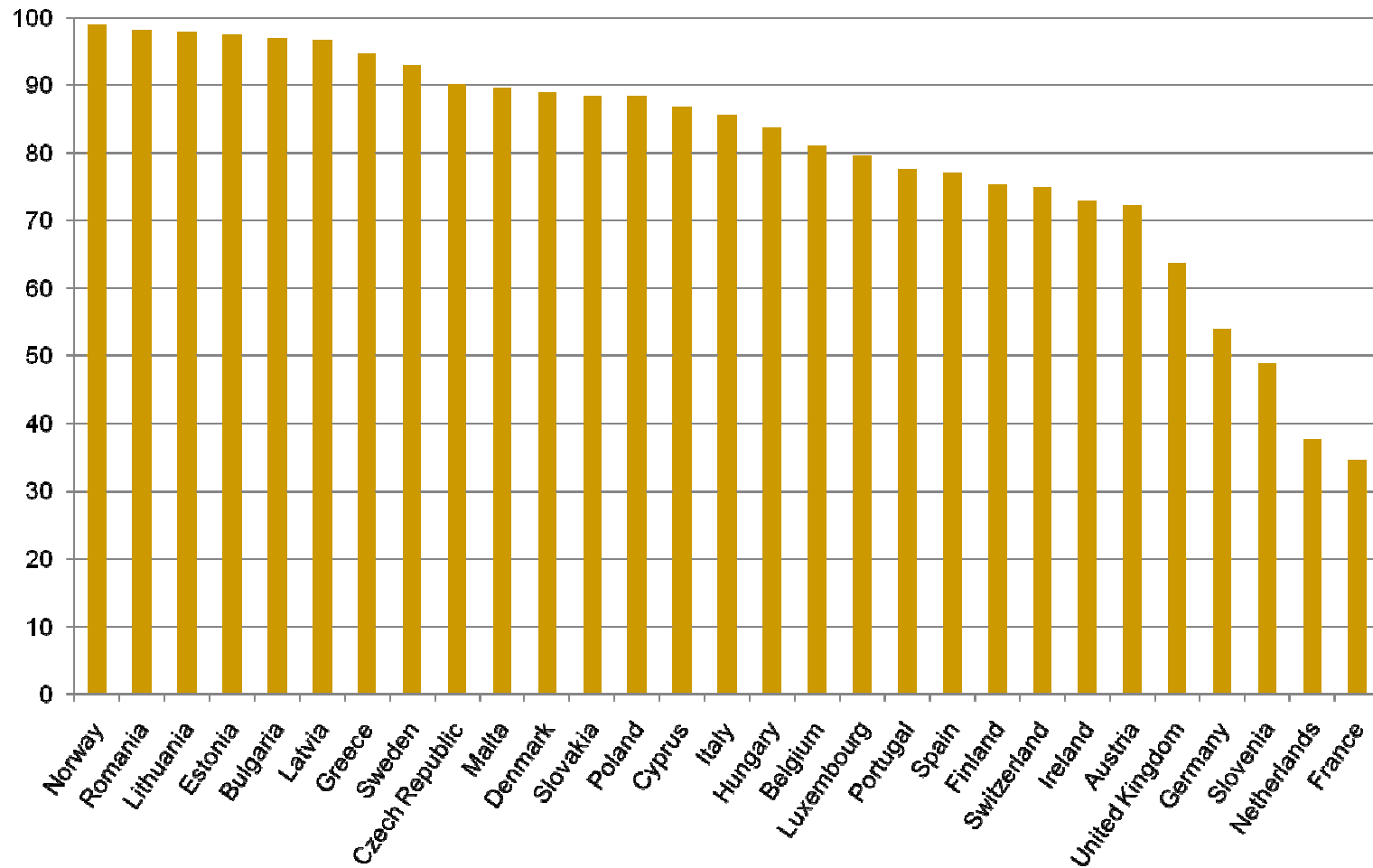
# OOP and PHI as % of total, 2009



Source: GHO (2011)

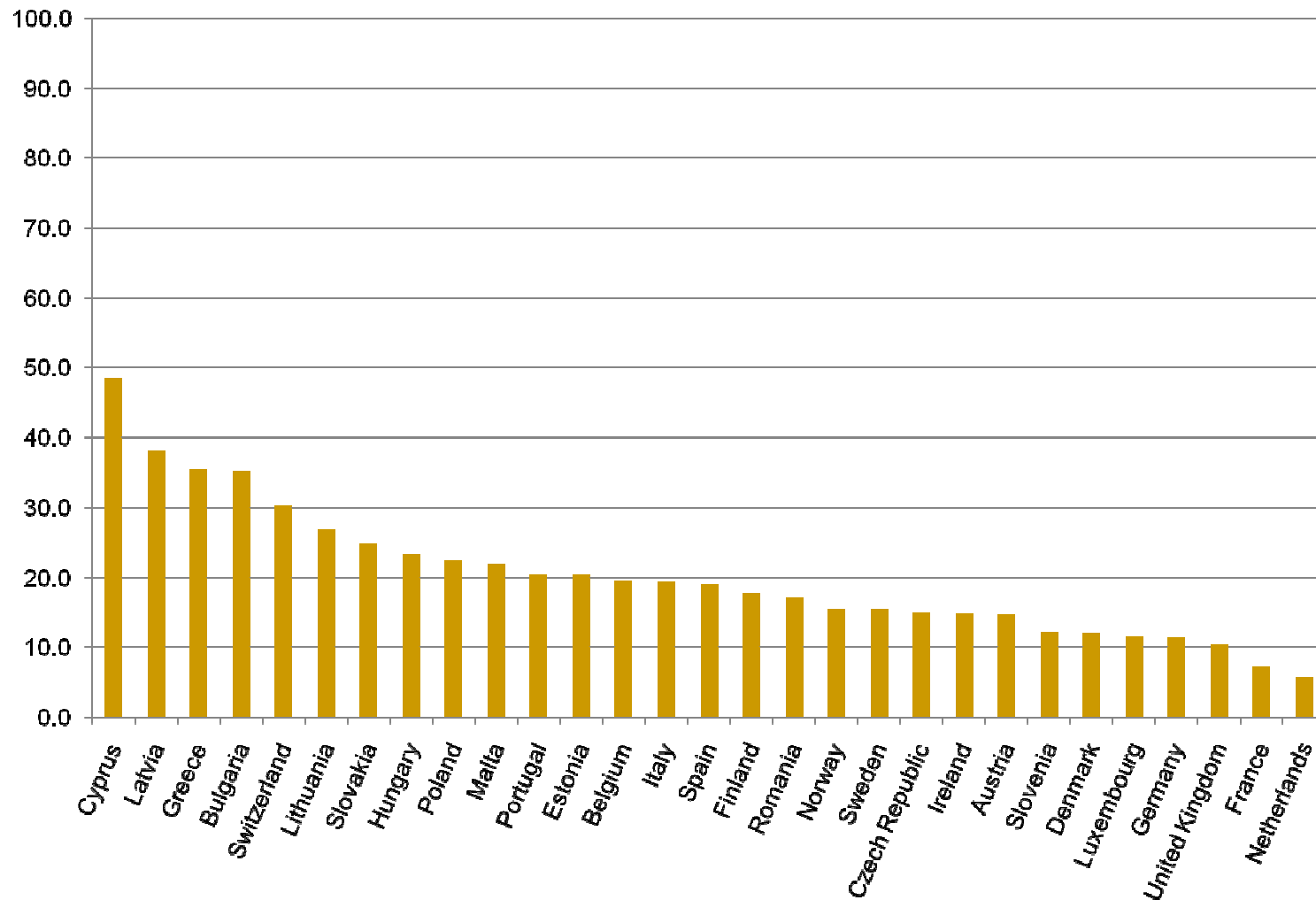


## OOP as % of private expenditure, 2009



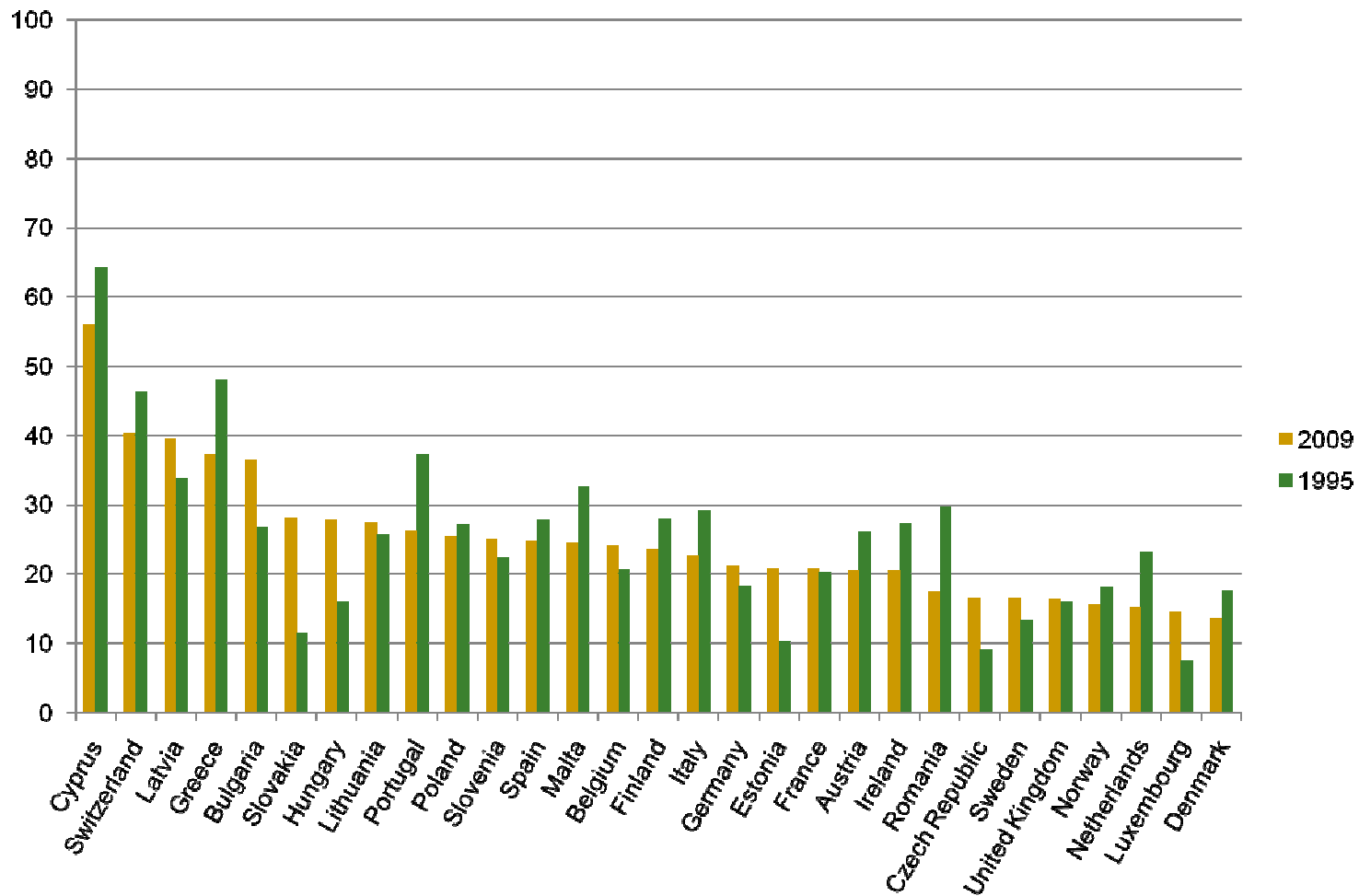
Source: GHO (2011)

# OOP as % of total expenditure, 2009



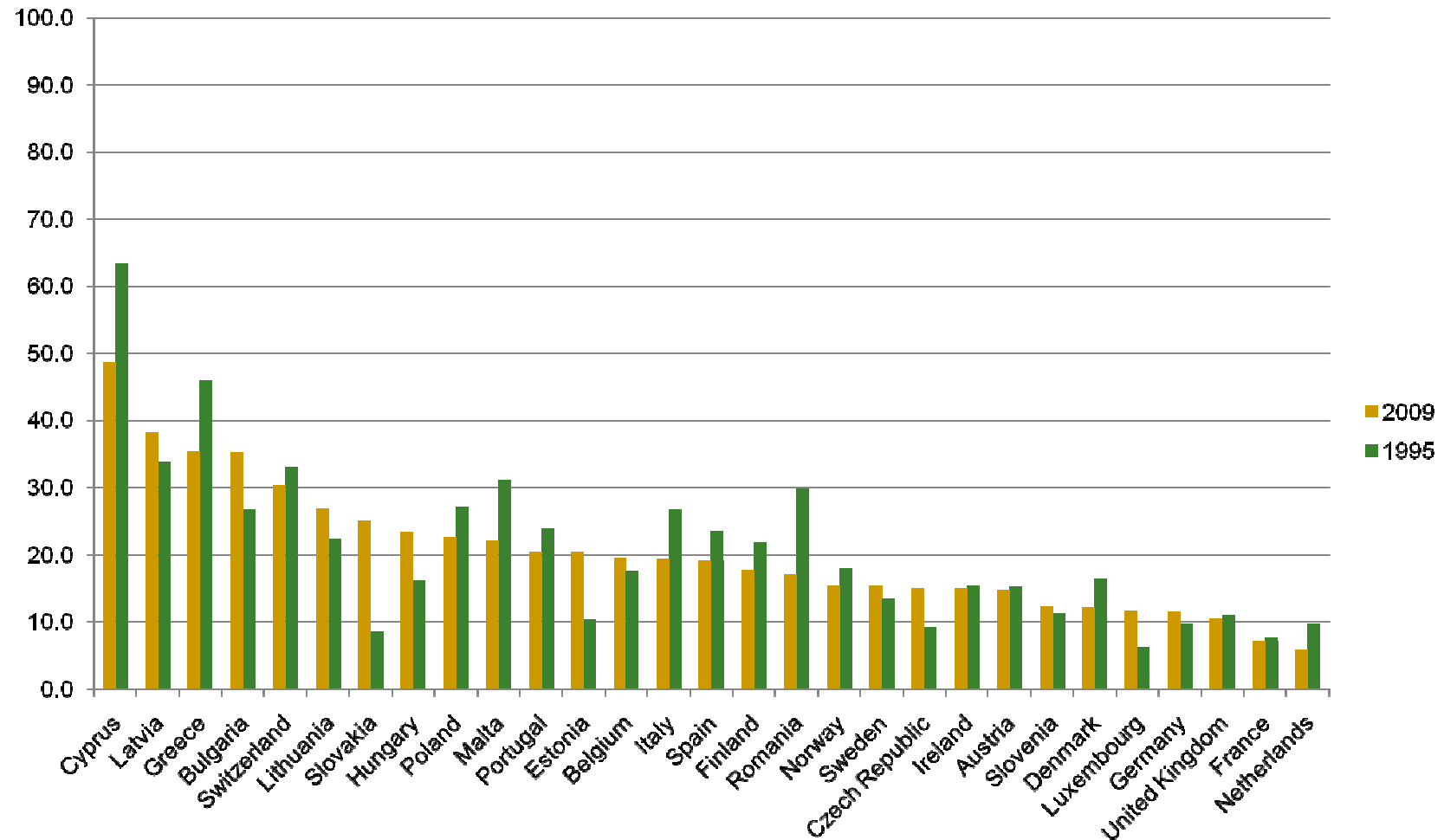
Source: GHO (2011)

# Private health expenditure as % of total, 1995 and 2009



Source: GHO (2011)

## OOPs as % of total, 1995 and 2009



Source: GHO (2011)

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## A slight decline!

- **Between 1995 and 2009, private expenditure** on health as a % of total health expenditure declined **from 25.3% to 24.8%** across the EU, Norway and Switzerland
  - In the same period, **out-of-pocket payments** as a % of total health expenditure declined **from 20.8% to 20.2%**
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## The same holds true for EU only

- For EU countries only, the share of private expenditure as % of total expenditure declined **from 24.8% in 1995 to 24.6% in 2009**
  - The share of OOPs in total health expenditure increased **from 20.5% in 1995 to 20.0% in 2009**
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## Not population-weighted, but...

- Adjusted for population, there was a decline in OOP as % of total health expenditure in the EU **from 17.4% in 1995 to 15.6% in 2009**



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## Outliers in change of OOP as % of total, 1995-2009

- Largest decreases in:
    - Cyprus (-14.7%)
    - Romania (-12.6%)
    - Greece (-10.7%)
  - Largest increases in:
    - Slovakia (+16.6%)
    - Estonia (+10.2%)
    - Bulgaria (+8.6%)
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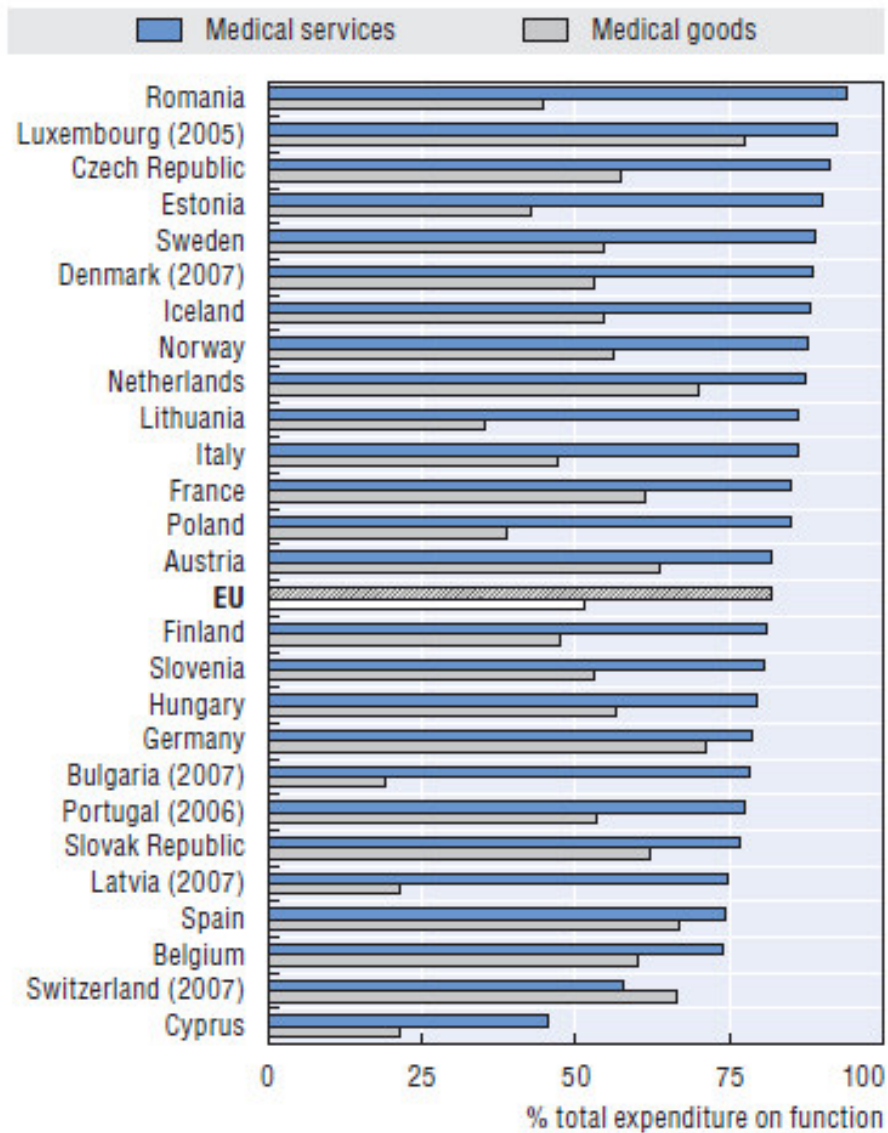
## Relative and absolute expenditure

- This may seem contrary to the popularly held belief that European individuals increasingly have to bear a higher share of the health financing burden
  - However, this does not mean that private financing is decreasing; it means that it is **less rapidly rising** than public expenditure...
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## What is private money spent on?

- In terms of medical services, particularly **dental care** requires co-payments and about two thirds of spending in the EU comes from private sources
  - Medical **goods rather than services**, with the difference greatest in Bulgaria, Latvia and Cyprus
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**Public share of expenditure on medical services and goods (2008)**

Source: OECD Health Data 2010

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## Causes

- Lack of public expenditure on health, leading to waiting lists or poor quality care (e.g. Greece)
  - Limited scope and depth of coverage, for example with regard to pharmaceuticals
  - Co-payment policies
  - Poor regulation of private sector
  - Informal sector (e.g. CEE, Greece)
  - Growth in disposable incomes (at least for some...)
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# Consequences

- Equity and financial protection
  - Perverse incentives to providers
  - Lack of accountability
  - Poorer efficiency than when purchased from third parties
  - Poorer quality
  - Cost escalation
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# Acknowledgements

- This presentation draws on work done by the LSE hub of the European Observatory on Health Systems and Policies
  - Special thanks go to Sarah Thomson
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**Thank you for your attention!**