

Health care spending

In the United States public spending on health care came to 3.9% of GDP in 1980, and rose to 6.3% by 1995. Most countries saw some increase too, but a few countries saw their ratios fall, notably Sweden (8.7% to 7.1%) and Ireland (7.1% to 5.2%). The country with the highest ratio of public health care spending to GDP in 1995 was Germany, with 8.1%. US public spending on health care was about average for the 21 countries in the table, but the United States spends as much again on private healthcare. As a result US total spending on health care stood at 13.6% of GDP in 1995, significantly higher than any other OECD country.

Comparison of expenditure on health care

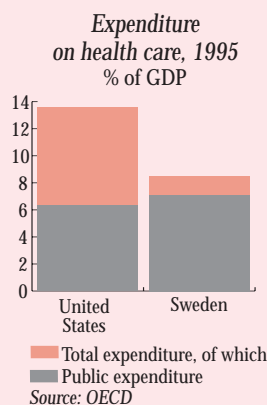
% of GDP

	Public expenditure		Total expenditure	
	1980	1995	1980	1995
Australia	4.6	5.8	7.3	8.6
Austria	5.3	5.8	7.7	7.9
Belgium	5.4	6.9	6.5	7.9
Canada	5.5	6.6	7.3	9.3
Denmark	7.7	6.5	8.7	7.6
Finland	5.1	5.7	6.5	7.6
France	6.0	7.3	7.6	9.8
Germany ¹	7.0	8.1	8.8	10.4
Japan	4.5	5.6	6.4	7.2
Netherlands	5.9	6.7	7.9	8.8
Norway	5.9	6.6	7.0	8.0
Sweden	8.7	7.1	9.4	8.5
United Kingdom	5.0	5.8	5.6	6.9
United States	3.9	6.3	9.1	13.6
Greece	2.9	4.4	3.6	5.8
Ireland	7.1	5.2	8.7	7.0
Italy	5.6	5.4	7.0	7.7
Luxembourg	5.7	6.2	6.2	6.7
Portugal	3.7	5.0	5.8	8.2
Spain	4.5	5.8	5.6	7.3
Switzerland	4.6	6.9	6.9	9.6

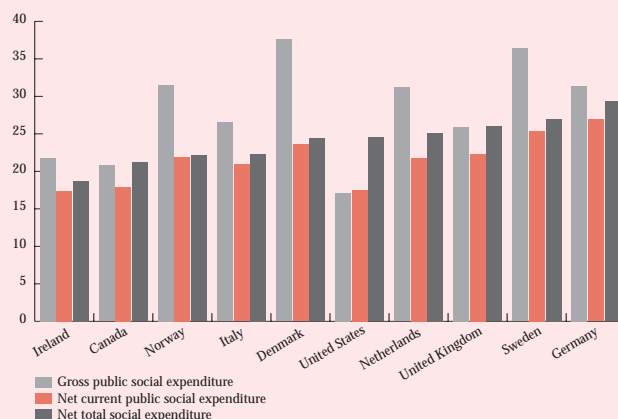
1. The old Länder until 1990.

Source: OECD

The effect of private spending on total health care expenditure is shown in the chart comparing the United States and Sweden, the latter having had the highest total spending on healthcare as a percentage of GDP in the OECD area in 1980.



Social expenditure in selected OECD countries, 1995



International comparisons of social expenditure: these are usually based on gross public expenditure data. This gives only a limited view of the whole picture, since by definition gross public expenditure does not include the effects of taxation and private spending on unemployment insurance, health care schemes and pension plans. The OECD has constructed a set of indicators to provide a more exact picture of the extent of social spending across its member countries.

In the chart, the first column from the left represents gross public social expenditure according to national accounts definitions. The middle column accounts for the effects of taxation, and is therefore expressed as net public social spending as a percentage of GDP at factor cost. The third column adds on both mandatory and voluntary private social benefits.

To get from gross to net public social expenditure taxes paid on benefits by recipients are excluded and the value of tax breaks provided for social purposes – tax exemptions in health insurance premiums and pension fund contributions – are added. The main effect of these adjustments is to reduce the actual net size of government transfers in countries with high public spending, such as Sweden, Denmark, Norway and the Netherlands, compared with lower spending ones, such as Canada and the United States. In the United States net public spending is slightly higher than the gross amount because the revenue forgone from tax breaks on employer-provided health and pension benefits is larger than the value of taxation on public benefits.

Net total social expenditure includes private social benefits and excludes individual arrangements, which are not regarded as social support as they are determined by market prices. Private social benefits predominantly concern employer-provided pension and health-care benefits. These health-care benefits represent as much as 5.5 % of GDP at factor cost in the United States. Private social pension benefit payments exceed 3% of GDP at factor cost in Canada, the Netherlands, the United Kingdom and the United States. When the effect of these outlays on employer-funded benefits are reflected in calculating the total cost of social protection, then OECD expenditure levels converge. And in the United States, total net social spending is in fact higher than even in Norway or Denmark, as the dark columns show.