Global Trends in Public Health Spending and the Outlook

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Objectives of presentation

- Examine public health spending trends in the past 40 years

- Provide country-specific projections of public health spending for both advanced and emerging economies
Led by public sector, large spending increases in advanced economies over past 40 years.
Increases have varied by country

Selected Advanced Economies, 1980-2008

Percent of GDP

United States, Portugal, Korea, New Zealand, Greece, United Kingdom, Iceland, France, Canada, Finland, Netherlands, Austria, Australia, Japan, Spain, Germany, Norway, Luxembourg, Denmark, Ireland, Sweden
Increases in public health spending were much smaller in emerging economies…

Health Spending in 23 Emerging Economies, 1970-2008

Percent of GDP (PPP weighted)
...and varied by country as well
Main drivers of public health spending

- Population aging—explains about one fourth of the increase in spending-to-GDP ratios

- Excess Cost Growth (ECG) —the difference between real health expenditure growth and real GDP growth—explains the rest

- Technology

- Health policies and institutions
Recent health reforms unlikely to alter long-term trends

- In the United States, 2010 health care reform expands coverage; net effect on expenditure is small

- In Europe, cuts in health employment and compensation; long-term impact uncertain

- Pharmaceuticals reforms in Europe unlikely to have a major effect in the long run
Methodology for projecting public health spending

- For advanced economies, country-specific estimates of ECG from econometric analysis
- Reflects varying success of countries’ health systems in containing costs
- For emerging economies, common ECG of 1.0 percent assumed, similar to historical average
Econometric estimates of ECG for advanced economies

- Estimates of ECG vary significantly by country, ranging from -0.9 percent (Czech Republic) to 3.5 percent (Korea).

- The average is comparable with the ECG estimates in the literature, from around 1.0 percent to 1.5 percent.

- The ECG estimates were capped between zero and 2.0 percent in spending projections.
Public spending pressures in advanced countries are substantial and varies across countries. The graph shows projected increases in public health spending from 2011 to 2030, broken down by aging and excess cost growth. The weighted average is 3.0, and the unweighted average is 2.2. The graph includes data for various countries, indicating the varying impacts across different nations.
Spending pressures are larger in the longer term

Projected Increases in Public Health Spending

- **2011-2030**: 3% of GDP
- **2011-2050**: 6% of GDP
Projected increases higher than those of EC’s aging report

United States
IMF advanced EU estimate
European Commission advanced EU estimate
Spending pressures in emerging Europe higher than emerging economy average

![Projected Increases in Public Health Spending, 2011-2030](image)

- **Aging**
- **ECG**

- Weighted average all emerging = 1.0
- Weighted average emerging Europe = 1.3
Summary of findings

- **For advanced economies**
  - Projected increases in public health spending are large
  - The projected increases vary by country, with the United States facing the largest increase

- **For emerging economies**
  - Projected increases in public health spending are moderate
  - Spending pressures in emerging Europe are higher than emerging economy average
Thank you!