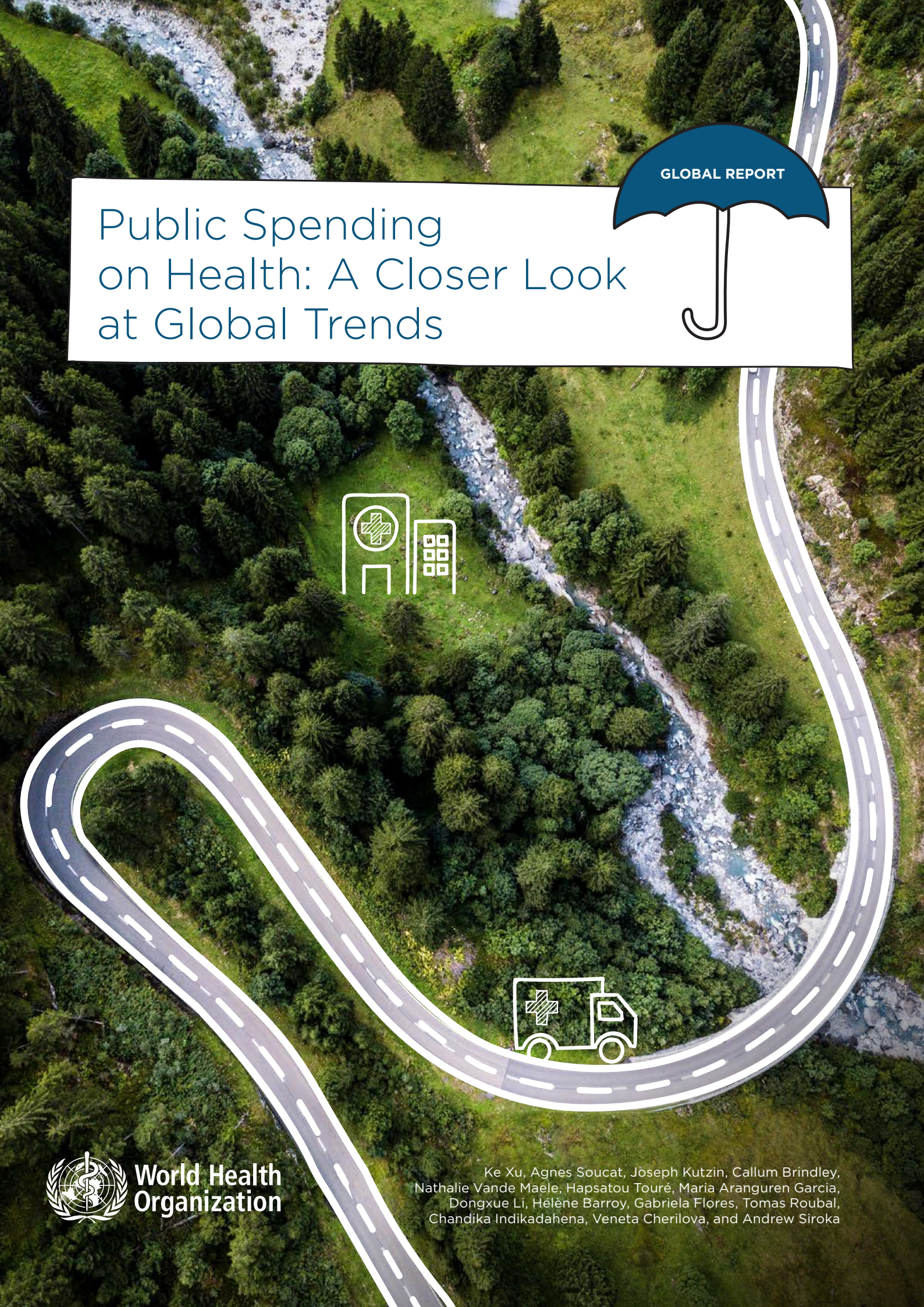

Public Spending on Health: A Closer Look at Global Trends

World Health Organization

Ke Xu, Agnes Soucat, Joseph Kutzin, Callum Brindley, Nathalie Vande Maele, Hapsatou Touré, Maria Aranguren Garcia, Dongxue Li, Hélène Barroy, Gabriela Flores, Tomas Roubal, Chandika Indikadahena, Veneta Cherilova, and Andrew Siroka

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Key Messages

1. Global trends in health spending confirm the transformation of the world's funding of health services

- Total health spending is growing faster than gross domestic product, increasing more rapidly in low and middle income countries (close to 6% on average) than in high income countries (4%).
- Health system resources are coming less from households paying out-of-pocket and more through pooled funds, in particular from domestic government sources.
- External funding (aid), represents less than 1% of global health expenditure and is a small and declining proportion of health spending in middle income countries, but it is increasing in low income countries.

2. Public spending on health is central to universal health coverage, but there is no clear trend of increased government priority for health

- Globally, public spending on health increased as country income grew, but low income countries are lagging behind.
- In middle income countries, average per capita public spending on health has doubled since 2000, as these countries progress in their transition to domestic funding.
- Governments in high income countries increased their allocations to health, even after the economic crisis of 2008–2009.

3. Primary health care is a priority for expenditure tracking

- This report contains the first-ever comparable measures of primary health care spending in low and middle income countries.
- Low and middle income countries devote more than half of health spending to primary health care.
- Public spending accounts for less than 40% of primary health care spending.

4. Allocations across diseases and interventions differ between external and government sources

- Across a set of aid receiving countries, 46% of external funds for health and 20% of public spending on health went to combat HIV/ AIDS, malaria and tuberculosis.
- External funding to combat HIV/AIDS does not have a clear relationship with national prevalence or income level.
- Immunization spending still relies heavily on external sources of funding in most low income countries.

5. Performance of public spending on health can improve

- Service coverage is driven more by income than by the share of public spending in total health spending.
- A larger share of public spending on health in total health spending does not always improve equity in access to health services.
- A health system with higher public spending on health tends to improve financial protection for individuals.

Overview

Three years after the international community adopted the Sustainable Development Goals at the 2015 UN General Assembly, the global health landscape has been transformed. In the journey towards realizing the ambitious goal of universal health coverage, more countries are expanding benefits, creating institutional arrangements and allocating public funds to expand health services coverage. Countries from all regions and at all levels of income are implementing health financing reforms to expand coverage. The health sector has become one of the main sectors of the global economy, linked to economic growth, demographic change and technological change. The demand for health sector jobs is expanding rapidly, and labour shortages are evident almost everywhere as the supply of health skills trails demand.(1) Now more than ever, this calls for strengthening public policy instruments to shape the expansion of the sector and achieve the goals of universality and equity in health. As more money is devoted to health, the question becomes one of better health for the money. Achieving this requires a clearer understanding of spending patterns in relation to the goal of universal health coverage.

This report, which builds on the WHO report New Perspectives on Global Health Spending for Universal Health Coverage,(2) analyses the latest data for 2016 and identifies issues of global relevance. Global spending on health is on a transformation trajectory, with increasing domestic public funding and declining external financing. This report also presents, for the first time, spending on primary health care and specific diseases and looks closely at the relationship between spending and service coverage.

Confirmation of broad patterns and trends in global health spending

In 2016, the world spent US$ 7.5 trillion on health, representing close to 10% of global GDP. The average per capita health expenditure was US$ 1,000, but half of the world's countries spent less than US$ 350 per person. The patterns and trends identified in last year's report are confirmed by the 2016 data published in WHO's Global Health Expenditure Database. As described in section 1, health spending is growing faster than the overall economy globally as well as in most countries, particularly in low and middle income countries. Despite the growth in low income countries, the gap across country income groups remains wide. The share of spending from prepaid sources is also growing, with a concomitant smaller share coming from direct out-of-pocket payments made at the point of use—both welcome trends.

At the aggregate level, external aid is a small share (less than 1%) of global health spending, and it has declined as a percentage of health spending in middle income countries. However, its share of health spending in low income countries is increasing. As in last year's report, the data suggest fungibility between external aid and public spending on health from domestic sources, particularly in low income countries, where aid was considerable. While aid per capita for health more than doubled across low income countries over 2000–2016, from US$4 to US$10, public spending on health increased only slightly (by about US$3 per capita), and the share of health in overall domestic public spending declined.

As noted in section 2, public spending on health has been growing globally, both in level and as a share of the total health spending. This trend has been driven mainly by growth in real per capita GDP and an increase in overall public spending as a share of that increasing GDP. The prioritization of health in overall domestic public spending was less responsible for these changes, and growth patterns differed across income groups. In low income countries, this share was lower in 2016 (6.8% on average) than it was in 2000 (7.9%), with aid fungibility as a potential cause.

This decline in low income countries was an important contributor to the slower growth, on average, in their public spending on health relative to spending in other country income groups. There was a slight increase (about 1%) in domestic health prioritization in lower-middle income countries, a larger increase in upper-middle income countries (about 2%) and the largest increase in high income countries (3.3%). On average, public spending on health increased in high income countries

immediately after the economic crisis of 2008–2009 faster than overall public spending and certainly faster than GDP, suggesting that countercyclical spending policies were in effect. Of course, for this finding and the other points made above, the averages mask considerable cross-country variation.

New insights from the report

For the first time, the report analyses data for a subset of countries not only on the sources of spending but also on how the money was used—in particular on primary health care and by specific disease priority and intervention category.

The analysis of primary health care spending (section 3) uses a common health expenditure tracking framework, based on the classifications in the System of Health Accounts 2011, to produce the first comparable and comprehensive tracking of these expenditures derived from actual country data for low and middle income countries. Expenditure tracking for primary health care was a high priority in the context of the 40th anniversary of the Alma Ata Declaration at the International Conference on Primary Health Care and of growing recognition of the importance of strengthening primary health care in achieving universal health coverage.

There were many obstacles to generating these estimates. Perhaps most notable is that countries organize primary health care in different ways, and the System of Health Accounts 2011 classifications

Section 4 presents estimates of expenditure by disease and specific intervention categories, based on data from 40 countries, 29 of them in the WHO African Region. Sixteen are low income countries, and 24 middle income countries. Given this subset of countries, and as for the primary health care spending estimates, the findings should be treated as preliminary.

The data indicate that nearly half of donor funds for health and about 20% of public spending on health went to combat HIV/AIDS, malaria and tuberculosis. Further, the external funding for HIV/AIDS interventions does not show a clear relationship with national prevalence or income level. About one-third of domestic public spending went towards injuries and noncommunicable diseases, which received comparatively little external funds. The shares of external and domestic sources of health spending for reproductive health were very similar. In contrast, and particularly in low income countries, immunization spending relied heavily on external sources.

Section 5 explores the relationship between health spending patterns and universal health coverage indicators and tracers. This required combining the health spending data with data from the 2017 Global Monitoring Report on tracking universal health coverage. The data show clearly that country per capita income is a key driver of health service use, which is in turn a prerequisite for service coverage. Notably, the analysis suggests that total current health expenditure, not