Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 142 - 144

Topic: GDP Spent on Health Care

Hansard Page: Written

Senator BROWN asked:

142. How does the proportion of GDP spent on health care across countries correlate with health outcomes?

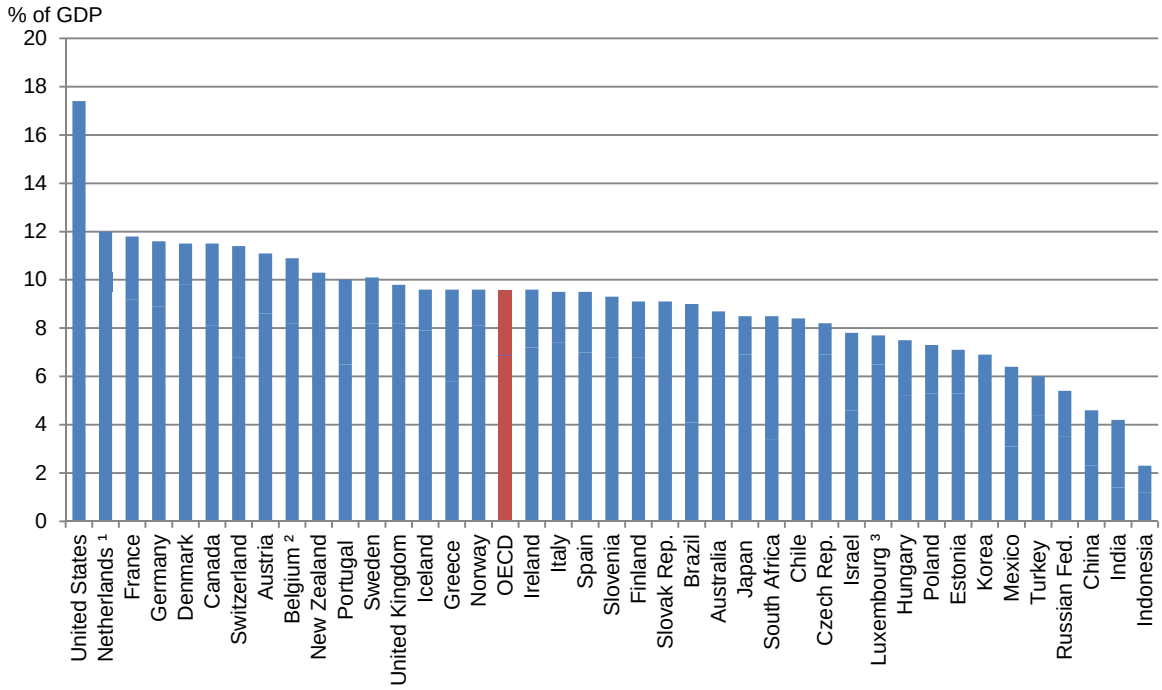
143. How does the proportion of health care provided publicly rather than privately across countries correlate with health outcomes?

144. What conclusions about causation can be inferred?

Answer:

142. The proportion of GDP spent on health care varies widely across OECD countries. Chart 1 below shows the US spends significantly more on healthcare than any other country (17.4 per cent of GDP). In contrast, the rapidly developing economies of China and India currently spend a much lower than average proportion of GDP on healthcare (4.5 and 4.2 per cent respectively).

Chart 1: Total health expenditure as a share of GDP, 2009 (or nearest year)



Source: OECD Health Data 2011; WHO Global Health Expenditure Database.

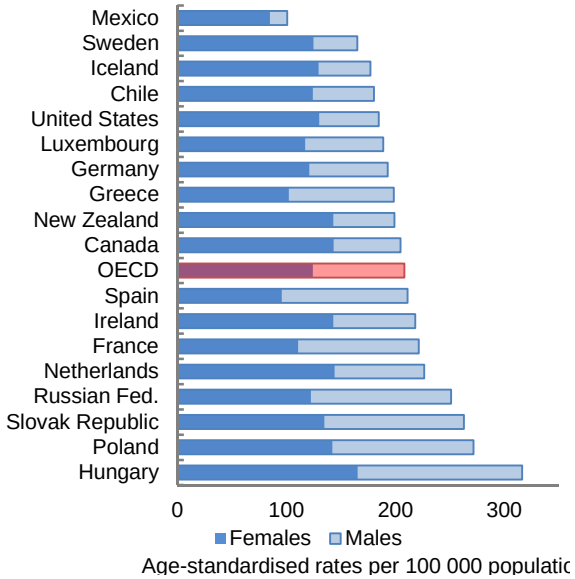
There are a number of issues which render it problematic to make any generalised statements on the correlation between health care expenditure and health outcomes. Whilst in a static analysis it can be said that higher health care expenditure does not necessarily correlate with better health outcomes, over time growth in health care expenditure has tended to lead to better health outcomes.

- For example, Japan spends far less on health care than the United States (8.5 per cent of GDP vs 17.4 per cent of GDP), yet achieves a higher level of life expectancy at birth (83.0 years vs 78.2 years). Over time, however, increased Japanese expenditure on health care (from around 3.0 per cent of GDP in 1960 to around 8.5 per cent in 2008) has corresponded with a significant increase in life expectancy over the same period (an increase of 15.2 years).

The wide variety of possible health outcomes which can be measured further complicates any analysis. Whilst a country may perform poorly on one measure, it is quite possible for it to perform well on another.

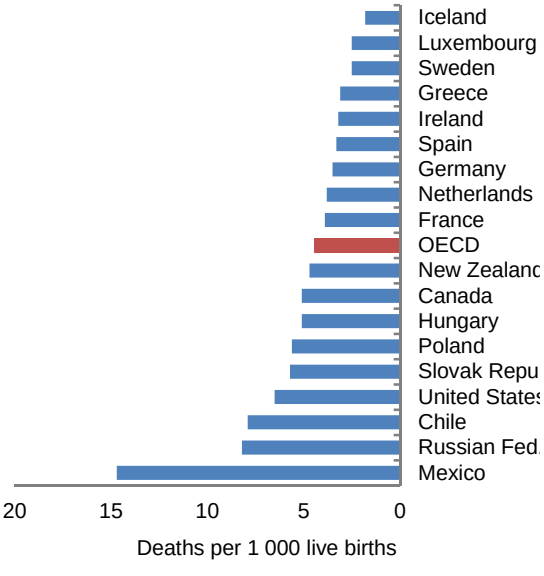
- For example, Mexico has the lowest cancer mortality rate in the OECD but has very poor levels of infant mortality (see charts 2 and 3 below).

Chart 2: All cancers mortality rates, males and females, 2009 (or nearest year)



Source: OECD Health Data 2011

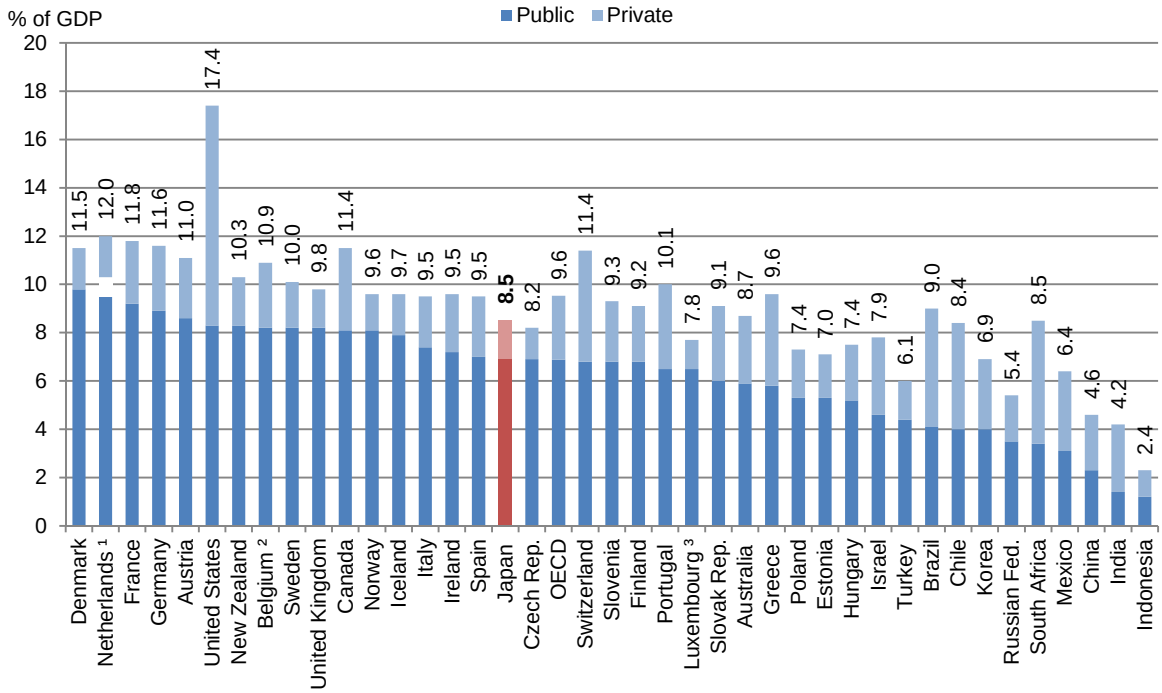
Chart 3: Infant mortality rates, 2009 (or nearest year)



Source: OECD Health Data 2011

143. The proportion of total health care expenditure funded by the public sector also varies across OECD countries. Chart 4 below shows that Indonesia has the lowest level of public expenditure on health care at 1.2 per cent of GDP, whilst Denmark has the highest at 9.8 per cent of GDP. Broadly speaking, higher levels of public sector health expenditure correlate with higher levels of total health expenditure.

Chart 4: Public and private sharees of health expenditure as a share of GDP, 2009 (or nearest year)



Source: OECD Health Data 2011; WHO Global Health Expenditure Database.

For the same reasons as detailed in the response to question 142 above, it is difficult to make generalisations about the correlation between public health expenditure and health outcomes.

144. There is a large degree of difficulty in precisely identifying the effect of public and/or private health expenditure on health services (which can be considered an input) on an individual's overall health status (which can be considered an output). This arises in part because health care expenditure is only one of many quantitative and qualitative factors that contribute to health outcomes. Consequently, the statistical evidence for a causal link between differing levels of public versus private health care expenditure and health outcomes is extremely difficult to determine.