

Trends in health care expenditure could tolerate further reform

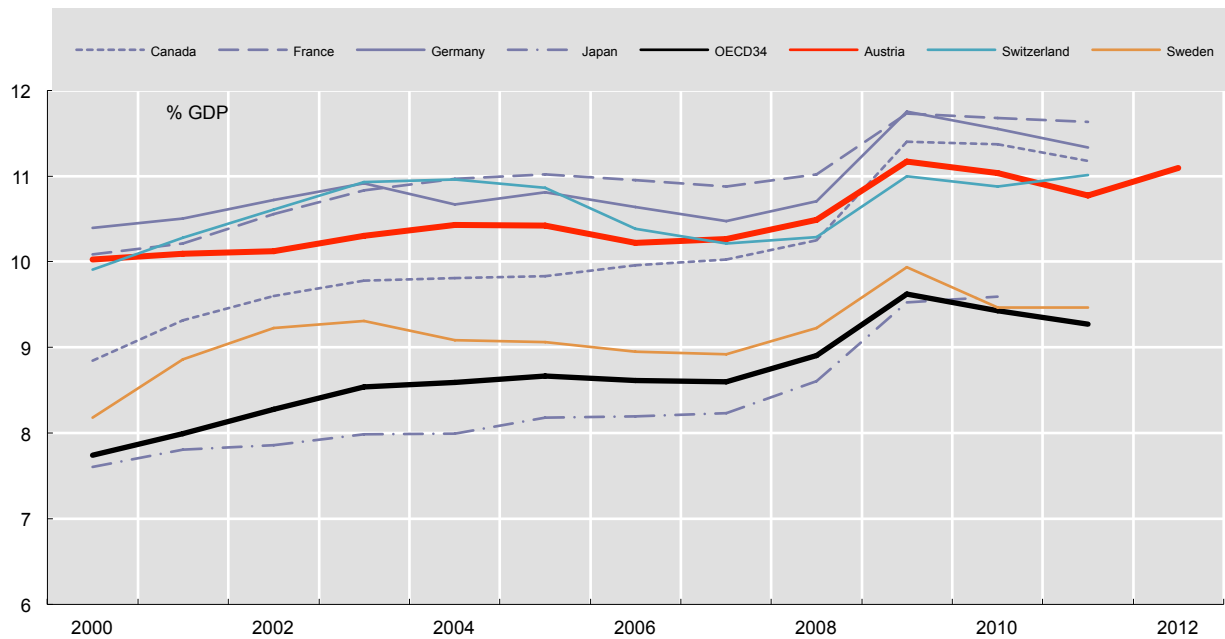
Summary

After slumping in 2010 and 2011 Austrian health expenditure increased again in excess to GDP growth. This likely jeopardizes efforts to contain cost growth through a global budget cap on public health expenditure introduced in 2013. While the development of public expenditure is slower and less volatile when compared to private spending, growth differentials reflecting imbalances persist. In fact, public spending growth of hospitals including rehabilitation and long-term care facilities is strong probably indicating that capacity is not fully utilized. On the contrary spending growth of ambulatory care run by private doctors is modest. To realize health sector expenditure to grow in line with GDP requires better utilization of existing hospital capacity and further measures to improve multi-stakeholder relations including merging sickness funds, better pooling of resources and targeted allocation of funds. This would imply important structural reforms of the current governance model, a change that is unlikely to happen in the near future.

Key points

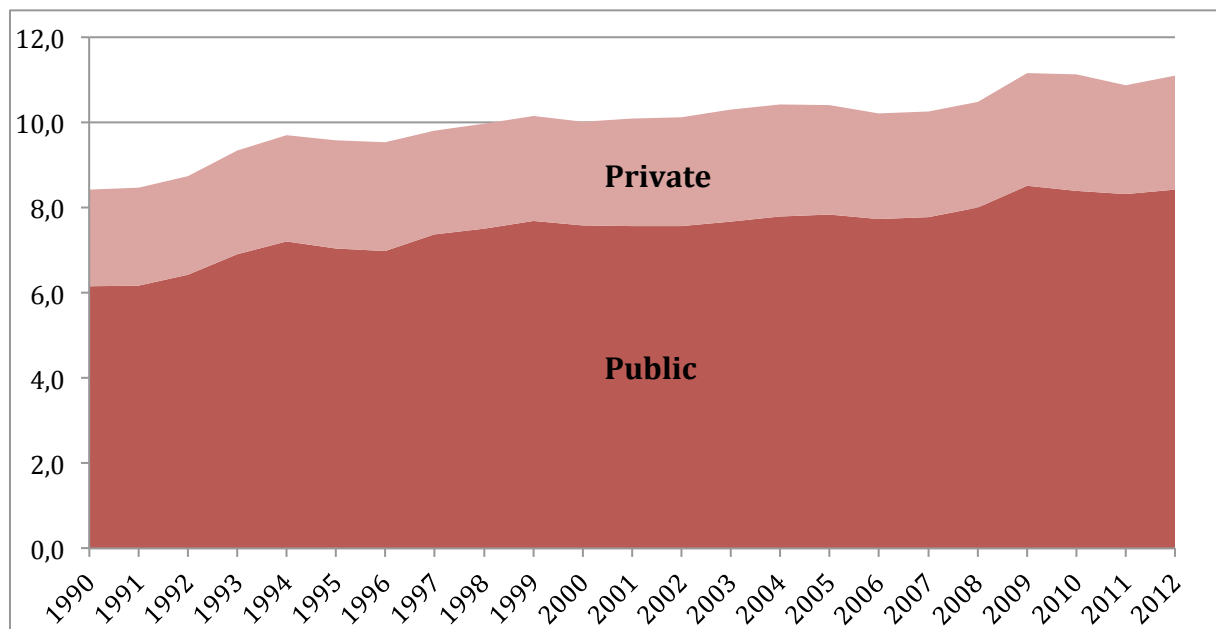
- At 11.1 per cent of GDP in 2012 total health expenditure was up again from 10.9 per cent in 2011 and reached the 2010 level (Figure 1) owing to relatively strong private spending growth.
- Private spending adds to the GDP share spent from public sources about 3 percentage points annually in recent years (Figure 2), corresponding to roughly 24 per cent as a proportion of total health spending. About two third of total private spending goes to doctors, hospitals and drugs, co-payments for these areas make up around 12 per cent, and supplementary private health insurance predominantly used in hospitals to about 20 per cent.
- Between 2009 and 2012 the most important driver of private spending growth was household out-of-pocket expenses for therapeutically appliances and other medical durables including orthopaedic appliances, other prosthetics and glasses, however these items only represent a small fraction of total current out-of-pocket spending (about 12%).
- Within public spending in the same period expenses on rehabilitation clinics and nursing homes grew strongest, at a slightly lower pace growth was also robust on e.g. paramedical practitioners and providers of alternative medicine; these items also represent only a small fraction of total current public spending (about 11%).
- As everywhere real health expenditure growth was down in 2010 and in 2011 (Figure 3). The pattern of growth in comparison with the OECD average growth is similar from 2007 on even though the Austrian decline was less sharp. 2011 growth picked up pace reaching about 2 per cent in public expenditure and almost 3 per cent in total expenditure in 2012.
- Low growth at the beginning of 2000 in Austria likely resulted from the implementation of DRG-financing in public hospitals in concert with a partial budget cap and binding capacity plans. Improved pharmaceutical pricing, harmonization of contribution rates across occupational groups and budgeting of private hospitals seem to have helped lowering growth from 2004 onwards which decelerated further until 2006 likely owing to the impact of structural reform measures implemented in 2005, e.g. regional health platforms, "reform pools".
- Both public and total spending on health in real terms have exceeded GDP growth in 2012 at a margin of about 2,5 percentage points. This likely indicates that fiscal targets as stipulated in the 2013 health reform will be hard to achieve. To realize health sector expenditure to grow in line with GDP, which is the centrepiece of health reform 2013, requires further measures unless GDP grows strongly in the years to come.

Figure 1: Health expenditure as a share of GDP, 2000-2011/2012, selected countries



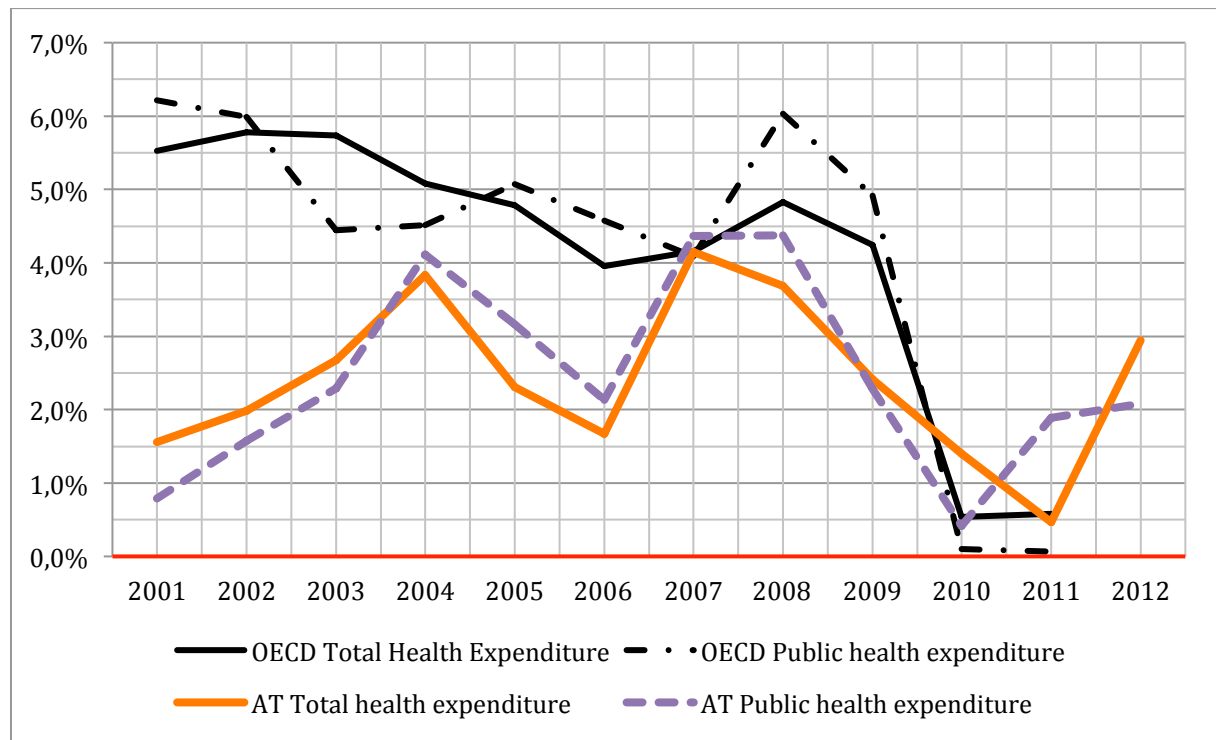
Source: OECD Health Statistics 2013, Statistik Austria 2014

Figure 2: Evolution of Austrian health expenditure in % of GDP



Source: Statistik Austria 2014

Figure 3: Average Austrian and OECD health expenditure growth rates at constant 2005 prices, 2000 to 2012 for Austria, 2000-2011 for the OECD, public and total



Source: OECD Health Statistics 2013, Statistik Austria 2014

For more information:

- Hofmarcher M., Austria: Health system review. Health Systems in Transition, 2013; 15(7): 1-291.
- Hofmarcher, M.M. (2013a), Health policy approaches in the 2013 Austrian coalition agreement: All you need is a health reform! http://www.healthsystemintelligence.eu/docs/MMH_Fast_Track-2013-Austrian_Government_Programme.pdf
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