

Article

Expenditure on Healthcare in the UK: 2013

This report provides figures for total UK healthcare expenditure in 2013, as well as updated figures for 1997 to 2012. The time series, which starts at 1997 and runs to 2013, is used to analyse the main features of total healthcare expenditure, examining trends in healthcare expenditure per person and as a percentage of gross domestic product (GDP). Additional analysis looks at the split between current and capital spending and the division of spending between public and private sectors, as well as presenting an analysis of the composition of household healthcare expenditure.

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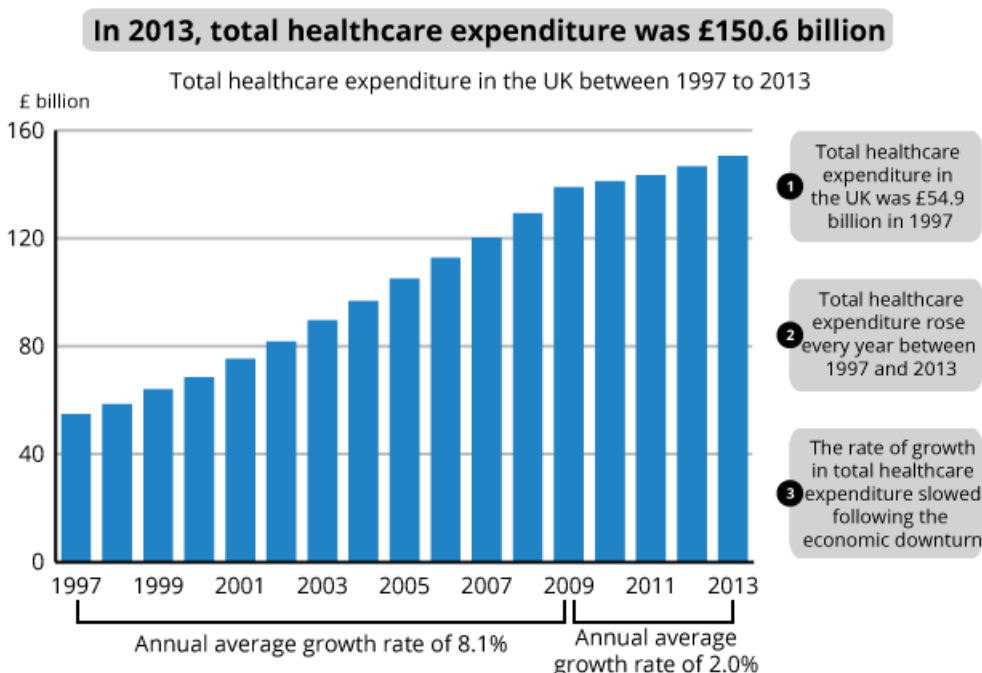
1. Main points

- Total healthcare expenditure in the UK, from both public and private sectors, was £150.6 billion in 2013, having increased by 2.7% between 2012 and 2013
- Total spending per person on healthcare was £2,350 in 2013, more than two and a half times the level in 1997, when £941 was spent for each UK resident
- Total healthcare expenditure in the UK accounted for 8.8% of gross domestic product (GDP) in 2013. Total healthcare expenditure as a percentage of GDP rose sharply between 2008 and 2009, as GDP fell, but has decreased since 2009
- Public sector spending on healthcare totalled £125.5 billion in 2013 and accounted for 83.3% of total healthcare expenditure in the UK, with the remaining £25.1 billion being private sector spending
- Public sector healthcare expenditure grew by 3.2% between 2012 and 2013, while private sector expenditure grew by 0.3%
- Over two-thirds of private healthcare expenditure was household consumption in 2013, with the largest categories of household healthcare consumption being pharmaceutical products, therapeutic appliances and equipment, and hospital services
- In 2013, current healthcare expenditure was £144.9 billion, which equated to 96.2% of total healthcare expenditure. The remaining £5.8 billion was capital expenditure

2. Total healthcare expenditure in the UK

Figure 1 shows total healthcare expenditure in the UK, from public and private sectors, between 1997 and 2013. As with all figures in this report, Figure 1 displays spending in current prices – the price of goods or services at the time they were purchased, unadjusted for inflation. In 2013, total healthcare expenditure was £150.6 billion, the highest level recorded in the series, having been £54.9 billion in 1997.

Figure 1: Total healthcare expenditure in the UK, 1997 to 2013



Note: All figures are in current prices, unadjusted for inflation

Total healthcare expenditure increased every year between 1997 and 2013. The average annual rate of growth¹ in total healthcare expenditure for the period 1997 to 2009 was 8.1%, compared with 2.0% between 2009 and 2013. Between 2012 and 2013, total healthcare expenditure increased by 2.7%.

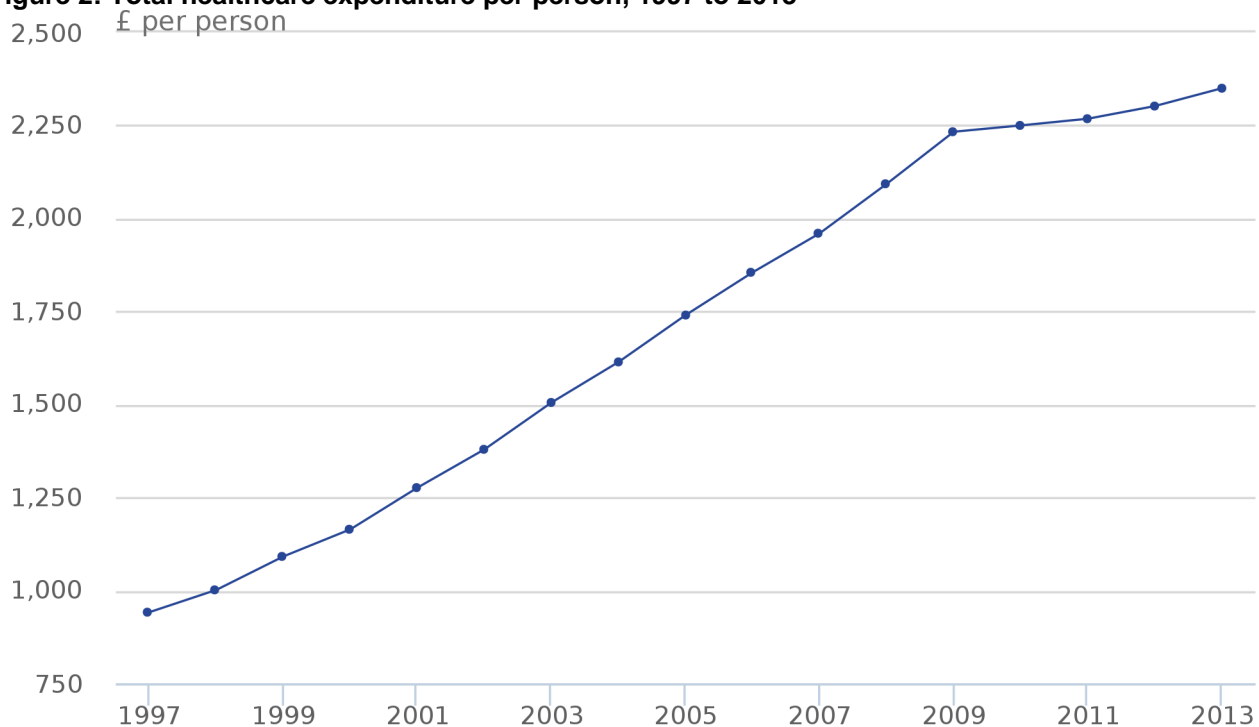
Notes for total healthcare expenditure in the UK

1. All average percentage changes reported in this bulletin are calculated as compound means.

3. Total healthcare expenditure per person

In 2013, total healthcare expenditure per person was £2,350, which was 2.1% higher than in 2012. Healthcare expenditure per person in 2013 was two and a half times higher than in 1997, when total healthcare expenditure was £941 per person.

Figure 2: Total healthcare expenditure per person, 1997 to 2013



Source: Office for National Statistics

Notes:

1. Total healthcare expenditure per person was £941 in 1997
2. Between 1997 and 2009, total healthcare expenditure per person grew by an average of 7.5% per year
3. Since 2009, healthcare spending per person has increased by an average of 1.3% per year
4. By 2013, total healthcare spending had increased to £2,350 per person
5. Growth rates used are compound growth rates

Between 1997 and 2009, total healthcare expenditure per person more than doubled, increasing by 7.5% on average each year. By comparison, between 2009 and 2013, the growth in total healthcare expenditure per person slowed considerably, increasing on average by only 1.3% each year in this period. The primary cause of

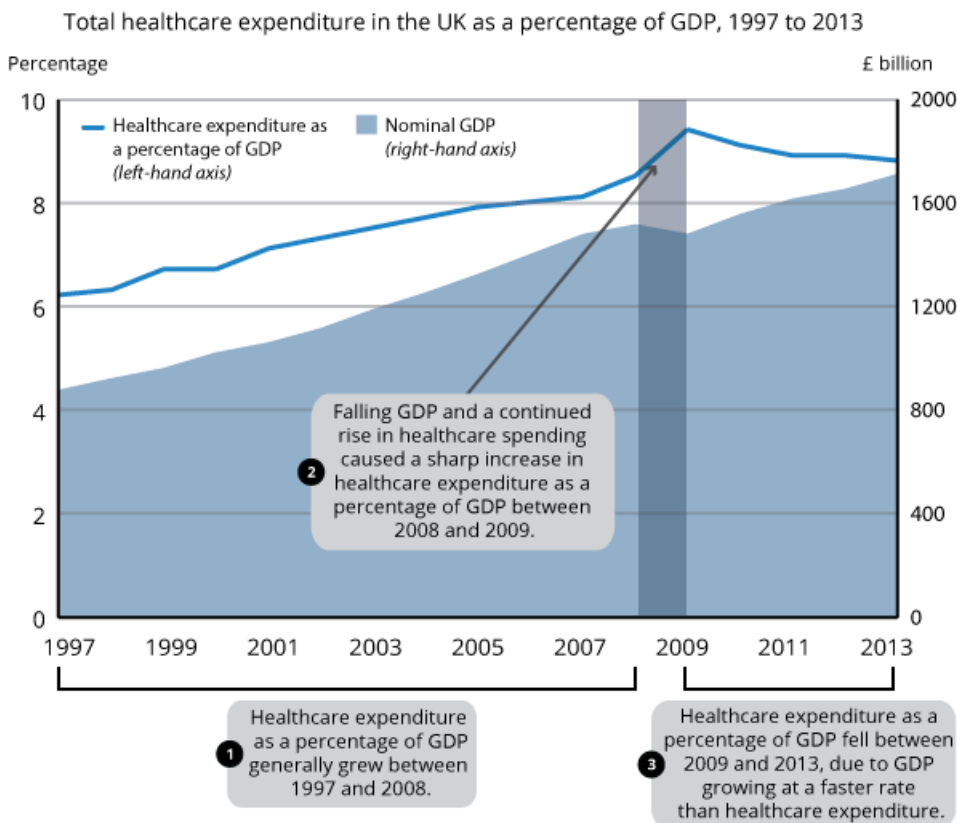
the slowdown in the growth of healthcare spending per person was the slowdown in growth of total healthcare expenditure, with changes in population growth having only a small effect on the growth rate of healthcare spending per person.

4. Total healthcare expenditure in the UK as a percentage of GDP

Figure 3 shows nominal GDP¹ and total healthcare expenditure as a percentage of gross domestic product (GDP). In 2013, total healthcare expenditure accounted for 8.8% of GDP, the lowest percentage since 2008. In 1997, total healthcare expenditure in the UK accounted for 6.2% of GDP.

Figure 3: Total healthcare expenditure as a percentage of GDP, 1997 to 2013

In 2013, total healthcare expenditure accounted for 8.8% of GDP



Note: Nominal GDP is GDP in current prices, unadjusted for inflation

Between 1997 and 2008, both GDP and total healthcare expenditure grew each year with total healthcare expenditure growing faster than GDP. This caused an increase in the share of GDP attributed to healthcare expenditure. Between 2008 and 2009, GDP fell, while healthcare expenditure continued to grow at a similar rate to the preceding years. This resulted in a sharp increase in healthcare expenditure as a percentage of GDP, from 8.5% to 9.4%. Since 2009, growth in healthcare expenditure has been slower than growth in GDP, resulting in healthcare spending as a percentage of GDP falling back to 8.8%.

Notes for total healthcare expenditure in the UK as a percentage of GDP

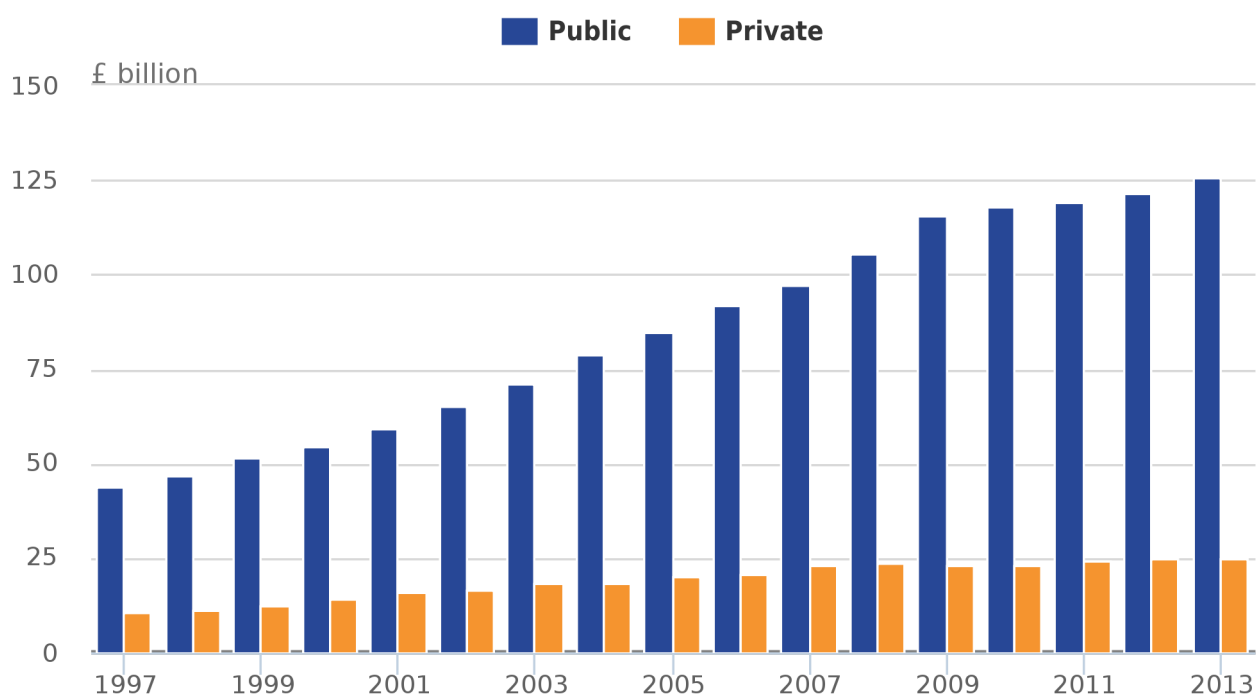
1. GDP in current prices, unadjusted for inflation.

5. Growth in public and private sector healthcare expenditure

Figure 4 shows public and private sector healthcare expenditure. Public sector expenditure includes spending by the NHS and other government spending, such as healthcare in prisons and the armed forces. Private sector spending is made up of a number of components including private households, private medical insurance and spending by non-profit institutions such as charities.

In 2013, public sector healthcare expenditure was £125.5 billion, 3.2% higher than in 2012, while private sector healthcare expenditure was £25.1 billion, having grown 0.3% from 2012. Public sector healthcare expenditure has almost trebled since the start of the series, from £44.1 billion in 1997 to £125.5 billion in 2013. Private sector expenditure has more than doubled during the same period, increasing from £10.8 billion in 1997 to £25.1 billion in 2013.

Figure 4: Public and private sector healthcare expenditure in the UK, 1997 to 2013



Source: Office for National Statistics

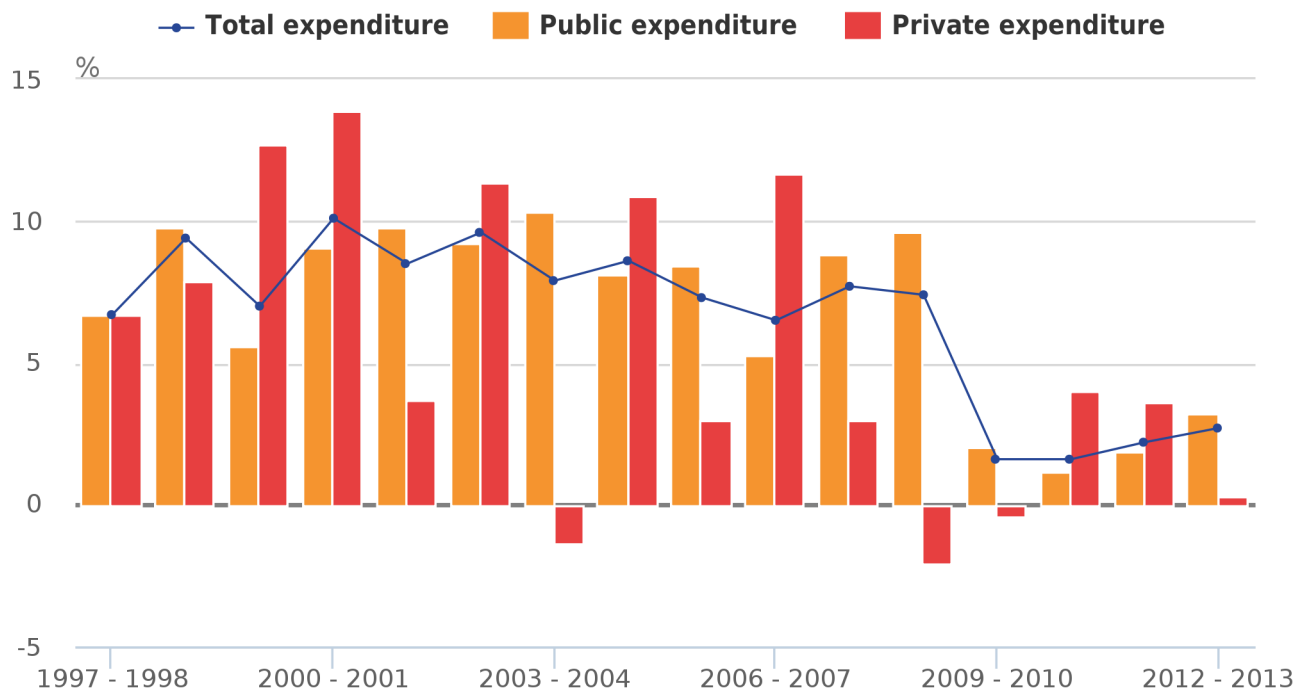
Notes:

1. Public sector healthcare expenditure increased from £44.1 billion in 1997 to £125.5 billion in 2013
2. Private sector healthcare expenditure increased from £10.8 billion in 1997 to £25.1 billion in 2013
3. Following the economic downturn in 2008, private sector healthcare spending fell in 2009 and 2010, but public sector spending continued to increase
4. In 2013, public sector healthcare expenditure was £125.5 billion, while private sector healthcare spending was £25.1 billion

Figure 5 shows the annual growth rates of public, private and total healthcare expenditure between 1997 and 2013. From 1997 to 2009, the annual rate of growth in public sector healthcare expenditure ranged from 5.3% to 10.3%, averaging 8.4%. Between 2009 and 2013, the growth rate of public sector healthcare expenditure was considerably lower, averaging 2.1% per year over the period.

The growth rates of total healthcare expenditure were similar to the growth rates in public sector healthcare expenditure, as a result of the high proportion of healthcare expenditure that comes from the public sector.

Figure 5: Annual percentage increase in total, public and private sector healthcare expenditure in the UK, 1997 to 2013



Source: Office for National Statistics

Notes:

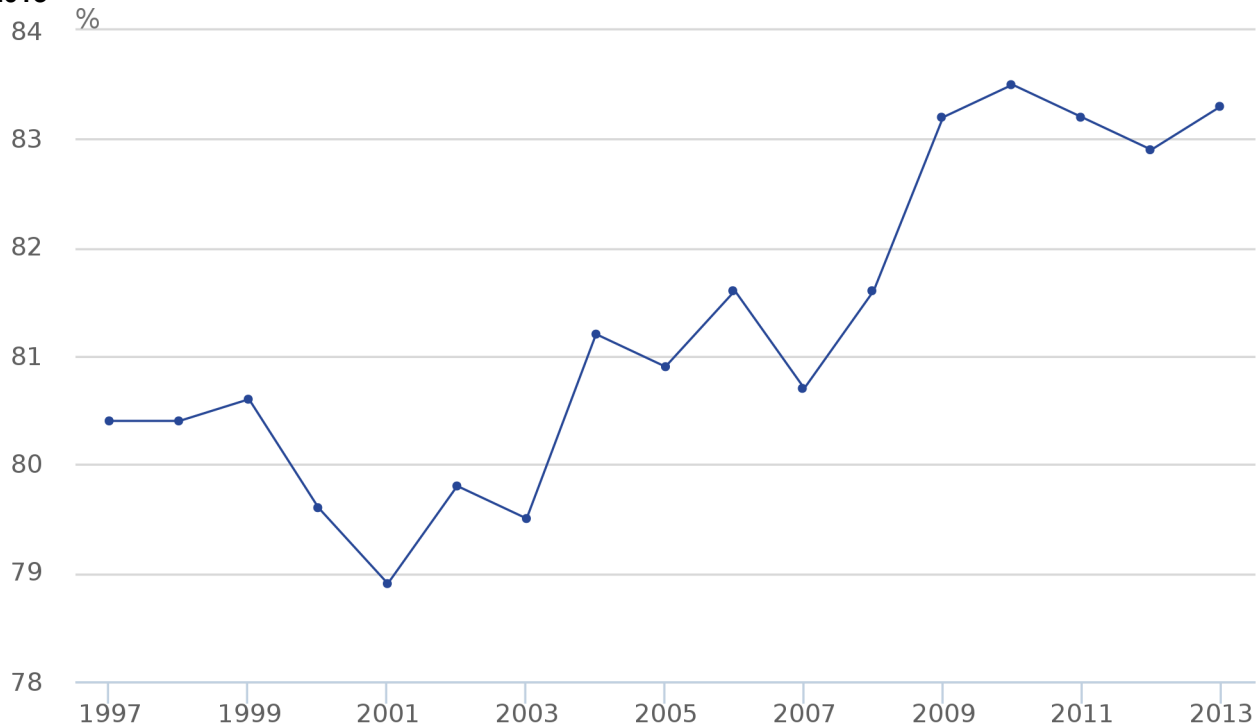
1. Chart shows growth between years
2. Between 2012 and 2013, public sector healthcare expenditure grew by 3.2%, while private sector expenditure grew by 0.3%

Growth in private sector healthcare expenditure averaged 7.5% between 1997 and 2008. However, private sector healthcare expenditure fell between 2008 and 2010, following the economic downturn, and between 2010 and 2013 grew at a slower average rate of 2.6% per year.

6. Share of total healthcare expenditure from public and private sector

Public healthcare expenditure in the UK in 2013 accounted for 83.3% of total healthcare expenditure, slightly up from 2012 when the share was 82.9%.

Figure 6: Percentage of total healthcare expenditure that is public sector healthcare expenditure, 1997 to 2013



Source: Office for National Statistics

Notes:

1. In 1997, 80.4% of total healthcare expenditure came from the public sector
2. The share of public healthcare expenditure increased from 80.7% on 2007 to 83.2% in 2009 following the economic downturn
3. In 2013, the public sector accounted for 83.3% of total healthcare expenditure

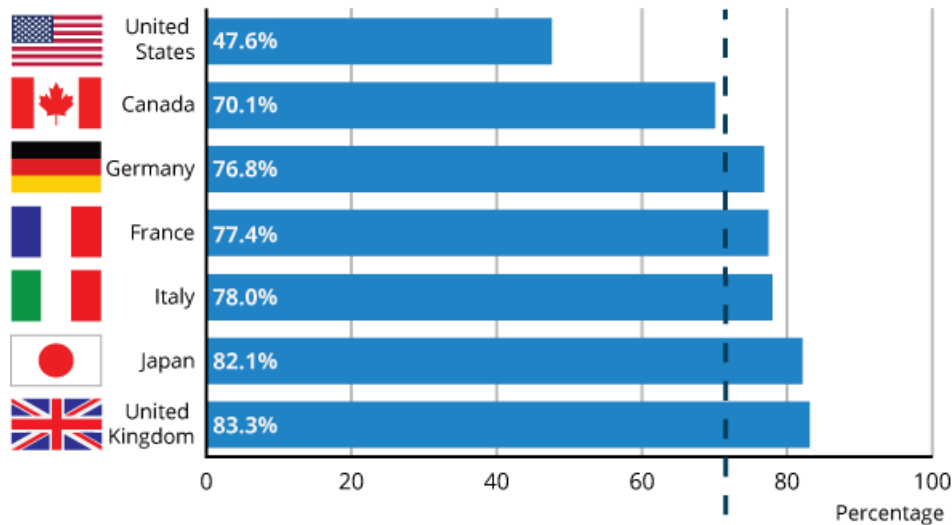
Between 1997 and 2007, the share of public healthcare expenditure fluctuated between 79.5% and 81.6% of total healthcare expenditure. However, there was a 2.5 percentage point increase in the share of public sector healthcare spending between 2007 and 2009, which was partly a result of the economic downturn reducing the amount of private sector spending. Since 2009, the relative healthcare expenditure of public and private sectors has experienced little change.

Figure 7 shows the percentage of total healthcare expenditure derived from public sector sources¹ for the G7 group of large, high-income countries. Of this group, the UK had the highest share of healthcare expenditure coming from public sources, followed by Japan and Italy, where public expenditure made up 82.1% and 78.0% of total healthcare expenditure respectively. The only country in the G7 where public spending made up less than 70% of total healthcare expenditure was the USA, where public sector expenditure accounted for 47.6% of total healthcare expenditure.

Figure 7: Public sector healthcare expenditure as a share of total healthcare expenditure in the G7 countries

The public sector accounted for a larger share of total healthcare expenditure in the UK than in any other G7 country

Share of total healthcare expenditure derived from the public sector for G7 countries



Note: Figures for 2012 for Canada, France, Japan and USA.
Figures for 2013 for Germany, Italy and the UK.

The average for OECD countries was **71.8%**

The UK also had a higher share of healthcare expenditure from the public sector than most other member states of the Organisation for Economic Co-operation and Development (OECD)², which had an average public sector share for healthcare spending of 71.8%.

Notes for Share of total healthcare expenditure from public and private sector

1. The OECD definition of general government expenditure (HF1) includes social security schemes where health insurance is a compulsory requirement for citizens. More information on OECD definitions of healthcare expenditure is available on the [OECD website](#).
2. Estimates for the percentage of public healthcare expenditure in OECD countries take the most current measure available at the time of reporting. In most instances this is 2012. For the Netherlands, the most recent estimate available is for 2002; consequently, the Netherlands is excluded from this analysis.

7. Household final consumption expenditure

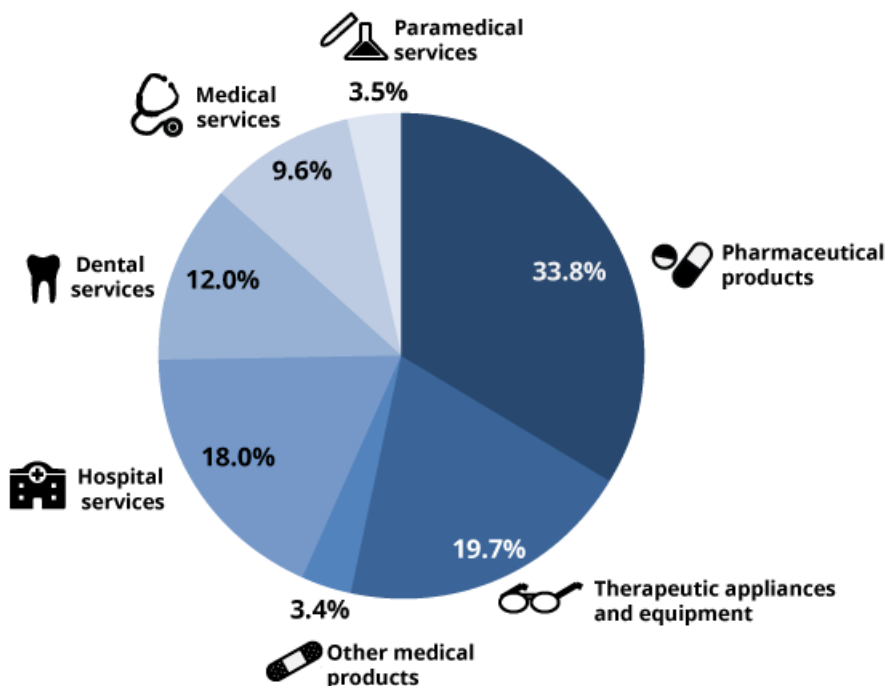
In 2013, 67.8% of private sector healthcare expenditure was from household final consumption expenditure, which includes both direct purchases of medical goods and services by households, and consumption of treatment funded through private medical insurance schemes.

Figure 8 shows the breakdown of household spending by the sub-categories of medical goods and services defined in the United Nations Classification of Individual Consumption by Purpose (COICOP) system.

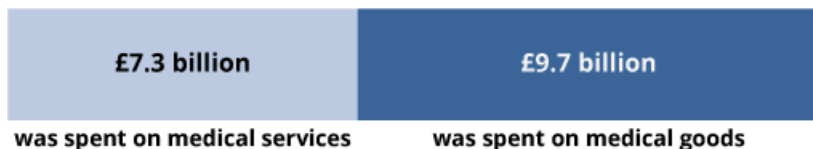
Figure 8: Household final consumption expenditure on medical goods and services, 2013

In 2013, 33.8% of household spending on medical goods and services was on pharmaceutical products

Breakdown of household final consumption expenditure on healthcare by type of expenditure, 2013



Of the £17.1 billion of health-related household spending on medical goods and services...



Note: Figures may not sum due to rounding

Pharmaceutical products accounted for the largest share of household healthcare expenditure, with over one-third of health-related household final consumption expenditure going on products in this category, such as medicinal preparations, drugs, medicines and vitamins. Therapeutic appliances and equipment, such as spectacles, hearing aids, prosthetics and wheelchairs, made up the next highest share, accounting for 19.7% of household consumption expenditure on healthcare.

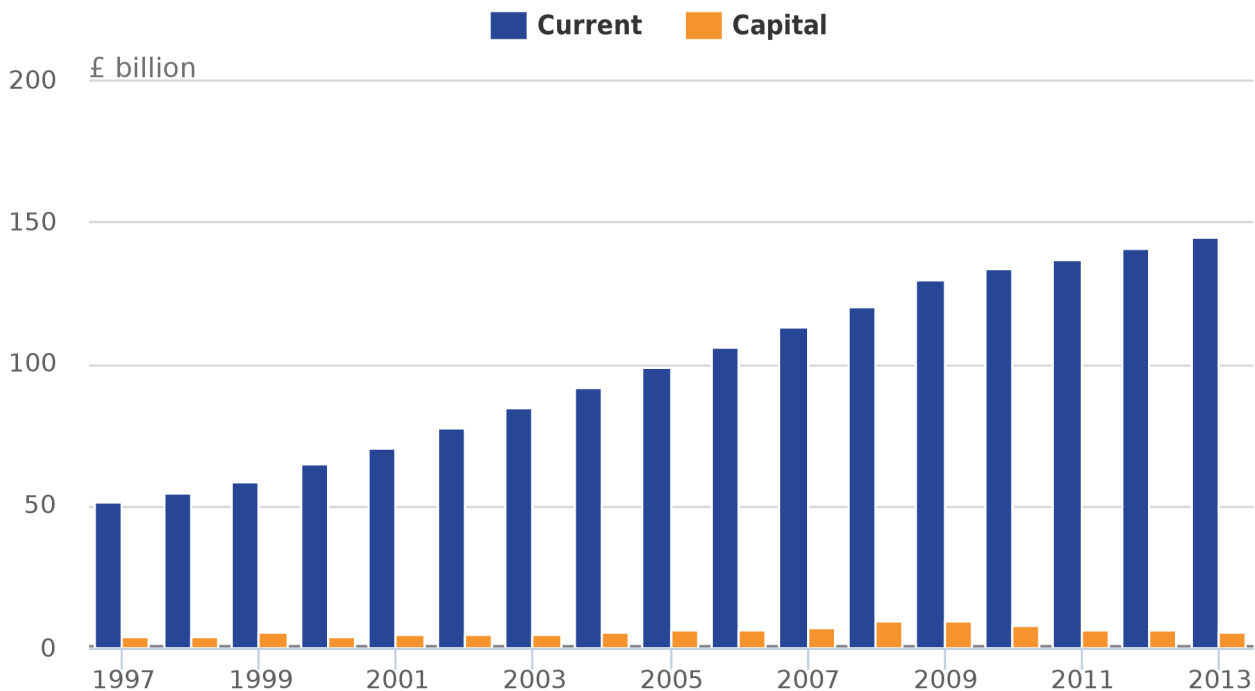
Hospital services, which include all in-patient hospital services such as medical care, meals and accommodation charges, accounted for 18.0% of household final consumption spending on healthcare, the third highest share. Other private medical services included dental services, which accounted for 12.0% of health-related household spending, out-patient medical services such as consultations with doctors or specialists, accounted for 9.6% and paramedical services, which include the services of private nurses, midwives, acupuncturists and other similar professionals, accounted for 3.5%.

8. Current and capital healthcare expenditure

Total healthcare expenditure can be split into current and capital spending. Capital expenditure is spending on items which are anticipated to be in use over several years and add to the stock of resources in the healthcare system, such as hospital buildings and ambulances. Current expenditure is spending on goods and services which are not considered part of capital spending, such as labour costs and utility services.

Since 1997, current expenditure has consistently made up the majority of total healthcare expenditure. In 2013, it accounted for 96.2% of total healthcare expenditure, compared with 93.0% in 1997. Current healthcare expenditure was £144.9 billion in 2013 and has increased each year since 1997. However, growth in current healthcare expenditure slowed from an average annual rate of 8.1% between 1997 and 2009 to a rate of 2.8% between 2009 and 2013.

Figure 9: Current and capital healthcare expenditure in the UK, 1997 to 2013



Source: Office for National Statistics

Notes:

1. In 2013, current healthcare expenditure was £144.9 billion, while capital expenditure was £5.8 billion
2. Current expenditure:
increased from £51.0 billion in 1997 to £144.9 billion in 2013
increased in every year between 1997 to 2013
3. Capital expenditure:
rose from £3.8 billion in 1997 to £5.8 billion in 2013
peaked at £9.3 billion in 2008 but fell in each subsequent year

In 2013, £5.8 billion was spent on capital healthcare expenditure, accounting for the remaining 3.8% of total healthcare expenditure. Capital expenditure increased from £3.8 billion in 1997 to a peak of £9.3 billion in 2008, but fell every year from 2008 to 2013, following the onset of the economic downturn.

9. Revisions

Overall revisions to the total healthcare expenditure series, from 1997 to 2012, have resulted in small changes to total healthcare expenditure of no more than 1.5% in any given year, compared to the figures published previously. The revisions have tended to be upwards in nature and are primarily a result of changes to the UK national accounts through the implementation of the new European System of Accounts 2010 (ESA 2010)¹. These changes were adopted to bring the UK into line with international standards adopted by all European Union (EU) member states and with worldwide best practice. The revisions to total healthcare expenditure estimates are available in the reference tables.

Notes for revisions

1. Details on the impact of ESA 2010 on UK National Accounts are available on the ONS website

10. The system of health accounts

From 2016, the Office for National Statistics (ONS) will be required by EU law to produce health accounts. These are a set of statistics which analyse healthcare expenditure by different types of function, provider organisation and financing method. The data produced for this output will provide a rich source of information on the structure of expenditure in the UK healthcare system.

The health accounts will be produced in line with a set of international definitions known as the System of Health Accounts 2011 (SHA 2011), which have been developed by the Organisation for Economic Co-operation and Development (OECD), Eurostat – the statistical office of the European Union, and the World Health Organisation (WHO). These definitions will be used by all member states of the EU from 2016 and are already in use by the majority of OECD member states. As a result, production of a UK System of Health Accounts will enable a consistent comparison of UK healthcare spending with other EU member states and most other large high-income countries.

Adopting the System of Health Accounts 2011 definitions is likely to result in a number of changes to the scope of healthcare, such as the inclusion of social care provided for health-related reasons, and the inclusion of more preventative healthcare activities aimed at reducing the occurrence of illness and injury.

While the first publication of the three core UK health accounts tables will be in March 2016, covering a major portion of the System of Health Accounts using data for 2014, we intend to produce a limited number of figures from the new System of Health Accounts in May 2015 using 2013 expenditure data. These figures will be published as experimental statistics in an article which will provide information on the specification of the System of Health Accounts and details about the methodology used.

Figures delivered by ONS for publication in the Eurostat and OECD databases in 2015, and in the OECD's annual Health at a Glance report, will again be drawn from the series currently used in Expenditure on Healthcare in the UK. In 2016, Eurostat and OECD will switch to publishing the new UK health accounts data.

While the 2016 publication of ONS healthcare expenditure statistics will analyse the new System of Health Accounts data, we are likely to update the existing series used in this publication and publish this alongside the new data, in order to maintain the current time series.

11. References

- OECD (2014). "[Health expenditure and financing](#)" in OECD Health Statistics 2014: Definitions, sources and methods, OECD Publishing.
- OECD (2000). [A system of health accounts](#), OECD Publishing.
- OECD, Eurostat, WHO (2011). [A system of health accounts](#), OECD Publishing.
- ONS (2014a). [Consumer Trends, Q3 2014](#).
- ONS (2014b). [Impact of ESA10 changes on current price GDP estimates](#), National Accounts articles.
- ONS (2014c). [Investment – impact analysis of changes to the estimation of gross fixed capital formation and business investment](#), National Accounts articles.
- ONS (2014d). [Gross fixed capital formation \(investment\) – improvements for Blue Book 2014 \(excluding ESA changes\)](#), National Accounts articles.
- United Nations (2008), [A System of National Accounts](#). United Nations, New York.

12. Background notes

1. Methodology

The estimates of healthcare expenditure for the UK in this article are based on OECD guidance from the System of Health Accounts in 2000 (SHA 2000). Estimates are comprised of elements of the UK National Accounts produced by ONS alongside some additional items provided by the Department of Health. A number of figures from Expenditure on Healthcare in the UK are sent to Eurostat (the statistical office of the European Union) and the OECD, and these are available from the statistical databases of both organisations.

Table 1: Components of total healthcare expenditure

Component	Adjustment	Source
Government healthcare expenditure	Base Series	National Accounts, ONS
Household expenditure on private healthcare	Added	National Accounts, ONS
Not-for-profit institutions serving households (NPISH) expenditure	Added	Department of Health
Expenditure on healthcare in prisons	Added	Department of Health
Expenditure on healthcare in the armed forces	Added	Department of Health
Capital expenditure by private sector healthcare providers	Added	Derived from National Accounts estimates for total capital expenditure and government capital expenditure on health
Education and training expenditure within the NHS	Deducted	Department of Health
Research and development expenditure from central and devolved Government	Deducted	Department of Health

Source: Office for National Statistics

2. Sources

Office for National Statistics:

Most data used in the production of this report come from series used in the compilation of the UK National Accounts. These include:

- total government healthcare expenditure (and breakdowns thereof)
- total household health expenditure (Available in [Consumer Trends](#))
- private health insurance (administrative spend)
- total capital healthcare expenditure

The system of National Accounts within the UK has recently undergone a number of developments to implement changes required under new international standards and guidance in the form of the new European System of National Accounts (ESA 2010). This has resulted in revisions to the series used for healthcare expenditure and upward revisions of GDP.

Department of Health:

Data collected by the Department of Health was used to complete the calculations involved in the production of total healthcare expenditure (See Table 1). These include the addition of health spending in the armed forces and prisons and the deduction of research and development expenditure from central government departments and devolved administrations. The Department of Health also provides an estimate for healthcare expenditure by non-profit institutions serving households (NPISH).

International comparisons:

Data from the Organisation for Economic Co-operation and Development (OECD) was used to compare estimates for government healthcare expenditure as a percentage of total healthcare expenditure across OECD member states. While the data for all countries are adapted to meet the international definitions, there are some differences between countries in terms of the scope of activities covered within healthcare expenditure. The remaining differences in the data used by different countries will be addressed by the implementation of the System of Health Accounts 2011 in all EU and the majority of OECD member states (see section: System of Health Accounts). The definition of public sector healthcare used by the OECD and in this article (see section: Share of total healthcare expenditure from public and private sector), includes both government expenditure and expenditure from health insurance schemes where membership is a compulsory legal requirement for all citizens.

3. Definitions

Current expenditure:

Current healthcare expenditure is recurrent spending on goods and services, necessary to sustain the production of healthcare services. Some small expenditure on items of equipment, below a threshold cost, is also included as current spending.

Capital expenditure

Capital expenditure is comprised of three components: government gross fixed capital formation, government healthcare capital transfers and capital expenditure by private sector providers.

- government gross fixed capital formation is measured by the total value of a producer's acquisitions, less disposals of fixed assets during the accounting period, plus certain specified expenditure on services that add to the value of non-produced assets (United Nations, 2008)
- government capital transfers are classified by national accounts as 'unrequited transfers where either the party making the transfer realises the funds involved by disposing of an asset (other than cash or inventories), relinquishing a financial claim (other than accounts receivable) or the party receiving the transfer is obliged to acquire an asset (other than cash) or both conditions are met' (United Nations, 2008)

- private sector capital expenditure is capital expenditure by private healthcare organisations

For further definitions of national accounts see the System of National Accounts, 2008 (United Nations, 2008)

Public sector expenditure:

Public sector expenditure on healthcare is made up of all governmental expenditure on healthcare including expenditure in prisons and defence. Research and development, and education and training in healthcare are not included.

Private sector expenditure:

Private sector expenditure is made up of four components;

- private households consumer spending on medical goods and services (as reported in Consumer Trends; ONS, 2014a)
- private healthcare insurance
- private healthcare capital expenditure
- spending by non-profit institutions serving households (NPISH)

NPISH are non-governmental, non-market producers mainly consisting of charities, although religious organisations and the majority of universities are also included. The estimates that ONS used for NPISH are provided by the Department of Health.

The measure of household final consumption expenditure used in this article (see section: Household final consumption expenditure, 2013) includes both direct household expenditure (out-of-pocket spending) and consumption and treatment of medical goods and services through private medical insurance schemes. This differs from the definitions used within the System of Health Accounts, where out-of-pocket expenditure and private medical insurance spending are accounted for separately. As a result, the figures included for household final consumption expenditure are not comparable with those published by the OECD and Eurostat for out-of-pocket household expenditure.

Final household consumption expenditure on medical goods and services is defined below.

Table 2: Definitions of household final consumption expenditure on medical goods and services

Component	Items included
Pharmaceutical products	This includes medicinal preparations, medicinal drugs, patent medicines, serums and vaccines, vitamins and minerals, cod liver oil and halibut liver oil, oral contraceptives. It excludes veterinary products and items for personal hygiene such as medicinal soaps.
Other medical products	This includes clinical thermometers, adhesive and non-adhesive bandages, hypodermic syringes, first-aid kits, hot-water bottles and ice bags, medical hosiery items (such as elasticated stockings), knee supports, pregnancy tests, condoms and other mechanical contraceptive devices.
Therapeutic appliances and equipment	This includes corrective eyeglasses and contact lenses, hearing aids, glass eyes, artificial limbs and other prosthetic devices, orthopaedic footwear, orthopaedic braces and supports, surgical belts, trusses and supports, neck braces, medical massage equipment and health lamps, powered and unpowered wheelchairs and invalid carriages, 'special' beds, crutches, devices for monitoring blood pressure.
Medical services	This includes consultations of physicians in general or specialist practice, including orthodontists. This excludes services of medical analysis laboratories and x-ray centres and the services of traditional medicine practitioners.
Dental services	

	This includes the services of dentists, oral hygienists and other dental auxiliaries. It includes the fitting costs of dentures but not dentures themselves, the services of orthodontic specialists or the services of medical analysis laboratories and x-ray centres.
Paramedical services	Services include medical analysis laboratories and x-ray centres, freelance nurses and midwives, freelance acupuncturists, chiropractors, optometrists, physiotherapists, speech therapists, services of practitioners of traditional medicine and outpatient thermal bath or sea-water treatments.
Hospital services	This covers services of general and specialist hospitals including services of medical centres, maternity centres, nursing homes and convalescent homes that cover inpatient care. These services include medical care, meals and accommodation charges.

Source: Office for National Statistics

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