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1. Introduction

This article contains the first data from the UK Health Accounts, providing figures for 2013 and 2014. Health accounts are a set of statistics analysing healthcare expenditure by three dimensions:

- financing scheme – the source of funding for healthcare
- function – the type of care and mode of provision
- provider organisation – the type of healthcare provider in which care is carried out

The UK Health Accounts are produced according to the System of Health Accounts 2011 (SHA 2011), which provides internationally standardised definitions both for total current healthcare expenditure and the analysis of this spending by financing scheme, function and provider organisation. The SHA 2011 definitions 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), and will be used to measure healthcare expenditure by almost all OECD and European Economic Area (EEA) member states from 2016.

The definition of healthcare used in health accounts is broader than that used in previous UK healthcare expenditure analyses (including the Office for National Statistics' (ONS’s) “Expenditure on Healthcare in the UK” publication) and includes a number of services which are typically considered as social care in the UK. More information about the definitions of health accounts and the differences between health accounts and other healthcare expenditure analyses is available in “An introduction to health accounts”.

Health accounts measure current expenditure on healthcare only and exclude expenditure on capital, although the cost of consumption of capital is included in the health accounts. All figures contained in this article are for current expenditure only, with the exception of Appendix 2, which contains figures for current and capital expenditure produced using the definitions from ONS’s previous “Expenditure on Healthcare in the UK” analysis.

All figures in this article are reported in current prices; that is, the price of goods or services at the time they were purchased, unadjusted for inflation. Health accounts data are currently available for 2 calendar years – 2013 and 2014, and will be produced annually henceforth.

2. Main points

Total current expenditure on healthcare in the UK was £179.4 billion in 2014, 4.2% higher than in 2013.

Total current expenditure on healthcare in 2014 was worth 9.9% of GDP, the same proportion as in 2013.

In 2014, 56.6% of healthcare expenditure funded curative/rehabilitative care, while 18.0% of healthcare expenditure was on long-term care.

Government expenditure on healthcare was £142.6 billion in 2014, which accounted for 79.5% of all healthcare expenditure, up from 79.4% in 2013.

Out-of-pocket expenditure was the second largest mode of financing in 2014 after government expenditure, accounting for 14.8% of healthcare spending, followed by voluntary insurance which accounted for 3.6%.

Expenditure on long-term care was £32.2 billion in 2014; 67.0% of long-term care was financed by government expenditure, while out-of-pocket payments accounted for 29.4% and non-profit institutions serving households 3.6%.
3. Total current healthcare expenditure in the UK

In 2014, total current healthcare expenditure in the UK was £179.4 billion.

This figure covers both government and non-government expenditure on healthcare. In line with the System of Health Accounts 2011 (SHA 2011) definitions, this measure also includes long-term care services consumed where the need for care is primarily due to a health condition (including old-age related conditions), and where care supporting basic Activities of Daily Living (ADLs, such as bathing, dressing and walking) makes up a substantial element of the service provided. This includes some local authority social care services such as residential and nursing care homes and domiciliary home care. More information on the elements of long-term care included in health accounts is available in “An introduction to health accounts” and Section 11: Long-term care.

Total current healthcare expenditure increased by 4.2% between 2013 and 2014 from £172.2 billion in 2013. Total current healthcare expenditure accounted for 9.9% of gross domestic product (GDP) in 2014, unchanged from 2013.

4. Healthcare expenditure by financing scheme

Figure 1 shows the proportion of healthcare expenditure funded by each of the financing schemes in health accounts. More detail on the definitions of each financing scheme can be found in the background notes.

Government expenditure on healthcare, which includes spending by the NHS, local authorities and other bodies providing healthcare, was £142.6 billion in 2014, accounting for 79.5% of total current healthcare expenditure.

Figure 1: Total current healthcare expenditure in the UK by financing scheme, 2014

Source: Office for National Statistics

Notes:

1. All figures are provided in current prices, unadjusted for inflation.
In 2014, the largest of the non-government financing schemes was out-of-pocket expenditure, which accounted for £26.5 billion of healthcare expenditure – 14.8% of total spending. Health expenditure from voluntary insurance was the third largest mode of healthcare financing accounting for £6.4 billion in 2014, or 3.6% of total healthcare spending.

Healthcare spending by non-profit institutions serving households (NPISH), which covers charity expenditure funded through voluntary donations, grants and investment income, excluding purchases of care by clients and by other organisations, accounted for 1.6% of total current healthcare expenditure in 2014. The remaining financing schemes, enterprise finance and compulsory insurance accounted for 0.6% and 0.1% of total current healthcare expenditure respectively in 2014.

5. Healthcare expenditure by function

The health accounts financing classification system analyses healthcare expenditure by purpose, differentiating between curative/rehabilitative care, long-term care, ancillary services, medical goods, preventive care and healthcare governance and financing administration. Definitions of each of these categories can be found in the background notes.

Of the £179.4 billion spent on healthcare in the UK in 2014, £101.5 billion or 56.6% of total current healthcare expenditure was on curative and rehabilitative care. Expenditure on long-term care, which covers care for patients with chronic conditions, where an improvement in their health is not anticipated, and includes old-age and disability-related health issues, and palliative care, was £32.2 billion in 2014 accounting for 18.0% of total current healthcare expenditure.

The third largest functional category in 2014 was medical goods (which covers goods acquired for consumption outside of a care setting), on which £26.6 billion was spent. In the same year, £7.4 billion was spent on preventive care services aimed at reducing the risk of illness or injury and early disease detection programmes, while £4.3 billion was spent on governance and health system and financing administration.

Figure 2: Total current healthcare expenditure by healthcare function, UK, 2014
6. Government healthcare expenditure

In 2014, government expenditure on healthcare was £142.6 billion, which was an increase of 4.3% on 2013.

Government expenditure by function

Figure 3 shows how government healthcare expenditure was split between the functional categories of health accounts. As with the overall healthcare expenditure figures, the largest four functional categories of government healthcare expenditure in 2014 were: curative/rehabilitative care, long-term care, medical goods and preventive care.

The majority of government expenditure on healthcare was on curative/rehabilitative care, which totalled £91.5 billion in 2014, or 64.1% of government expenditure. Government-funded long-term care, which includes local authority expenditure on residential and nursing care and domiciliary home care, as well as NHS continuing care and palliative care services, accounted for 15.1% of government healthcare expenditure.

Spending on medical goods, including prescription pharmaceuticals, accounted for 10.6% of government healthcare expenditure in 2014. Preventive care, which includes public health services, screening programmes and elements of the Food Standards Agency, Health and Safety Executive and Department for Transport relating to analysis of risk and information campaigns (to reduce the risk of accident and injury), accounted for 3.9% of government expenditure in 2014.

Governance and health system administration, which covers expenditure on bodies responsible for the strategic governance of the healthcare system, setting and monitoring standards of care and developing healthcare regulations, made up 1.5% of government healthcare expenditure.
Health accounts also analyse curative/rehabilitative care by four modes of provision:

- inpatient care
- day care (including day case procedures, and regular day and night admissions)
- outpatient care
- home-based care

Table 1 shows that inpatient and outpatient care combined accounted for 86.0% of government-funded curative/rehabilitative care in 2014, with outpatient care accounting for a slightly larger proportion of spending.

Government expenditure on each of inpatient, day care, outpatient and home-based curative/rehabilitative care grew between 2013 and 2014, although the elements did not grow at the same rate. Table 1 shows that between 2013 and 2014, inpatient expenditure as a proportion of total curative/rehabilitative expenditure fell, while the proportion made up by day care and home-based care increased slightly. The proportion made up by outpatient care was the same in 2013 and 2014.
Government expenditure by provider

The UK Health Accounts also analyse government healthcare expenditure by type of provider organisation.

Figure 4 shows that in 2014, the provider type which made up the largest share of government-funded healthcare was hospitals which accounted for £68.0 billion of spending or 47.7% of government healthcare expenditure.

The ambulatory providers category, which includes general practitioners, dentists and community health services accounted for £34.5 billion or 24.2% of government healthcare expenditure.

Providers of medical goods, including pharmacies, accounted for the next largest share of government healthcare expenditure – 10.2%, followed by residential long-term care facilities such as residential and nursing homes, which made up 8.1% of government healthcare spending.

The “rest of economy” providers category covers healthcare provided by organisations whose primary activity is not healthcare, and includes the police, non-specialist providers of patient transport and households providing care who are in receipt of Carer’s Allowance. Government healthcare expenditure through “rest of economy” providers in 2014 was £2.7 billion, accounting for 1.9% of government healthcare expenditure.

The “rest of the world” providers category covers organisations based outside the UK providing services to UK residents. This includes healthcare providers based in countries opted into the EEA medical costs scheme who have provided care to UK residents experiencing illness or injury while temporarily visiting their country. This was the smallest category of provider in 2014, accounting for £281 million or 0.2% of government healthcare expenditure.

Figure 4: Government-funded healthcare expenditure by healthcare provider, UK, 2014

Source: Office for National Statistics

Notes:
1. All figures are provided in current prices, unadjusted for inflation.
2. Figures may not sum due to rounding.

**Government expenditure on ambulatory providers**

The UK Health Accounts breakdown government expenditure on ambulatory providers by four subcategories:

- offices of general medical practitioners
- dental practices
- providers of home healthcare services, which includes home care services provided by local authorities and independent sector specialist home care providers
- all other ambulatory providers, including community health services

Figure 5 shows that, in 2014, government expenditure on general practitioners was £11.6 billion, dental practices, £2.8 billion, home healthcare providers £7.6 billion and other ambulatory providers £12.4 billion.

**Figure 5: Government-funded ambulatory healthcare providers by healthcare function, UK, 2014**

Source: Office for National Statistics

Notes:

1. All figures are provided in current prices, unadjusted for inflation.
2. Figures may not sum due to rounding.

Figure 5 shows that over 80% of government expenditure on general practices was on curative/rehabilitative outpatient care in 2014. Home-based curative/rehabilitative care accounted for 4.3% of government expenditure on general practices, while preventive care services such as monitoring patients with a high risk of illness, accounted for 3.9%.
Curative/rehabilitative care also accounted for the majority of government spending on dental practices at 68.1% of expenditure, while preventive care services such as routine check-ups and scaling and polishing accounted for 31.4% of expenditure.

Government expenditure on home healthcare providers was mainly on long-term home care services funded through local authorities and direct payments. Curative/rehabilitative home care services, including NHS-funded services delivered by non-NHS providers, accounted for 11.2% of the expenditure by this provider type.

Of other providers of ambulatory care, 57.2% of expenditure was spent on curative/rehabilitative outpatient care, 32.6% on curative/rehabilitative home-based care and 8.2% on preventive care.

7. Voluntary health insurance expenditure

Expenditure on voluntary insurance funding healthcare stood at £6.4 billion in 2014, 2.5% higher than in 2013. Voluntary health insurance includes spending on:

- private medical insurance
- employer self-insurance schemes where employers bear the risk of claims
- health cash plans
- dental insurance and dental capitation plans
- the health element of travel insurance

Figure 6: Share of health expenditure from voluntary health insurance by healthcare function, UK, 2014

Source: Office for National Statistics, LaingBuisson and Association of British Insurers

Notes:

1. Figures may not sum due to rounding.
Figure 6 gives the breakdown of voluntary health insurance expenditure by function and shows that, in 2014, 60.1% of voluntary health insurance expenditure was on curative/rehabilitative care.

The costs associated with the administration and financing of voluntary health insurance accounted for 31.8% of expenditure in 2014. This included the administrative costs of insurance, interest earned on insurance reserves, profit and the cost of Insurance Premium Tax.

Preventive care accounted for 3.0% of voluntary health insurance expenditure in 2014 and 1.5% of voluntary health insurance expenditure was for medical goods. The remaining 3.6% of voluntary health insurance expenditure could not be classified by function, largely due to a lack of information on how the healthcare element of travel insurance claims are spent.

Currently, no pre-funded long-term care insurance policies are available in the UK. Immediate care annuities, where an individual pays a one off lump-sum for care needs, are available to purchase but these are considered to be out-of-pocket spending (see Section 9: Out-of-pocket healthcare expenditure).

8. Healthcare expenditure by non-profit institutions serving households (NPISH)

In 2014, £2.8 billion of healthcare expenditure was funded by the NPISH (non-profit institutions serving households) financing scheme. This financing scheme covers the expenditure of charities which is funded through voluntary donations, grants and investment income, and excludes charity expenditure funded through client contributions (classed as out-of-pocket expenditure in health accounts) and purchases of care by public and NHS bodies (classed as government expenditure in health accounts). Healthcare expenditure by NPISH grew at 7.0% between 2013 and 2014, up from £2.6 billion in 2013.

Figure 7: Share of health expenditure by NPISH by healthcare function, UK, 2014

Source: Office for National Statistics

Notes:

1. Figures may not sum due to rounding.
Curative/rehabilitative care accounted for the largest share of NPISH healthcare expenditure at 42.5%, while long-term care charities, such as care homes and hospices accounted for 41.2% of the expenditure of this financing scheme.

Of the other categories, 8.0% of NPISH expenditure was on medical goods such as durable aids and appliances, 3.8% was on preventive care services such as sexual health awareness and screening services for high-risk individuals, and 3.4% was on ancillary services, including air ambulances.

Expenditure on governance and health system administration in the NPISH financing scheme covers charities whose aim is to improve care standards or practices and accounts for 1.2% of NPISH healthcare expenditure.

9. Out-of-pocket healthcare expenditure

In 2014, the amount of health expenditure funded by consumer out-of-pocket payments was £26.5 billion, having grown by 4.0% between 2013 and 2014.

Figure 8: Share of out-of-pocket expenditure on healthcare by healthcare function, UK, 2014

Expenditure on medical goods constituted the largest function of out-of-pocket spending, accounting for 42.4% of the expenditure in this financing scheme. Approximately two-thirds of out-of-pocket medical goods expenditure was on pharmaceuticals and other non-durable medical goods, while the remaining third was spent on durable goods.

Around £9.5 billion or 35.9% of out-of-pocket expenditure was for long-term care services including residential care and domiciliary home care. This category includes both privately-arranged care and client contributions for local authority care.

Source: Office for National Statistics and LaingBuisson

Notes:

1. Figures may not sum due to rounding.
In contrast to government, insurance and NPISH financing schemes, where curative/rehabilitative care was the largest element, curative/rehabilitative care accounted for only 18.5% of out-of-pocket healthcare spending. Most expenditure on out-of-pocket curative/rehabilitative care was on outpatient care such as private GP services, dentistry, the services of specialist health professionals and hospital outpatient visits.

The remaining 3.2% of out-of-pocket expenditure in 2014 funded preventive care, including dental routine check-ups and scaling and polishing, and hospital-based screening services.

These figures, and all other elements of health accounts, exclude cosmetic treatments obtained for purely aesthetic reasons.

10. Other non-government financing schemes

There are two further financing streams in the health accounts framework which fund healthcare in the UK: compulsory health insurance and enterprise financing schemes.

Compulsory insurance differs from voluntary insurance in that it covers insurance schemes which are mandatory by law. For the UK, this applies to the healthcare elements of motor insurance and employers’ liability insurance, which enable the NHS to reclaim the costs of treatment from the insurers of motorists or employers deemed liable for injury. Compulsory insurance accounted for £180 million of healthcare expenditure in 2014, 6.6% lower than in 2013, and predominantly funded curative/rehabilitative care.

Healthcare expenditure funded by enterprise financing schemes was £990 million in 2014, having increased from £935 million in 2013. Enterprise financing covers healthcare expenditure that is directly funded by organisations for their employees, excluding employer-provided insurance schemes which are included in voluntary insurance. Most enterprise spending was on preventive care, covering occupational healthcare services.

11. Long-term care expenditure

Total spending on long-term healthcare in the UK was £32.2 billion in 2014, up 1.9% from £31.6 billion in 2013. Long-term care accounted for 18.0% of UK healthcare expenditure in 2014.

Care services are classified as healthcare and included in the health accounts where the need for care is primarily due to a health condition (including old-age related conditions) and where care supporting basic Activities of Daily Living (ADLs, such as bathing, dressing and walking) makes up a substantial element of the service provided. In addition to NHS care services, expenditure by local authorities on residential and nursing care, home care and direct payments are included in long-term care in the health accounts.

Excluded from health accounts are social care services for which the care component is primarily made up of support with Instrumental Activities of Daily Living (IADLs, including shopping, cooking and managing finances), such as day care and supported accommodation.

Expenditure is classified under the long-term care function category in health accounts where the care is provided with the primary purpose of alleviating pain and suffering and reducing or managing the deterioration of health in patients with chronic conditions, where an improvement in their health is not anticipated.
Figure 9 shows how long-term care was split by financing scheme. In 2014, 67.0% of long-term care was government-funded, including both local authority and NHS expenditure, while 29.4% of long-term care was financed through out-of-pocket payments, covering the fees of private residential and home care, and client contributions for local authority care services.

The remaining 3.6% of long-term care expenditure was financed through the non-profit institutions serving households (NPISH) financing scheme, covering charity expenditure funded through voluntary donations, grants and investment income. The NPISH financing scheme excludes charity expenditure on care funded through client contributions, which is classed as out-of-pocket expenditure and purchases of care by local authorities and other public bodies, which is classed as government expenditure.
Figure 10: Share of long-term care expenditure by mode of provision, UK, 2014

Source: Office for National Statistics and LaingBuisson

Notes:

1. Figures may not sum due to rounding.

Figure 10 shows how all long-term care services included in the health accounts are split between the four modes of provision:

- inpatient care
- day care
- outpatient care
- home-based care

In 2014, approximately two-thirds of long-term care spending was on inpatient care services such as residential and nursing care. Almost all remaining long-term care expenditure was home-based care, which includes local authority and privately organised care, including care funded by direct payments and Carer’s Allowance. Less than 0.5% of long-term care expenditure included in the health accounts was provided through outpatient and day settings, which included palliative care provided by hospitals and GPs. Local authority day care services are excluded from the health accounts due to the personal care services involved being primarily classed as Instrumental Activities of Daily Living (see “An introduction to health accounts” for more information).

Government expenditure on long-term care

Figure 11 shows the analysis of government expenditure on long-term care services by the provider categories of health accounts. Over half, 53.1%, of government-funded long-term care was provided in residential care facilities, while ambulatory care providers, such as providers of home care services accounted for approximately one-third of government long-term care expenditure. Of government long-term care expenditure, 11.1% funded household provision of care through Carer’s Allowance, which is classed in the “rest of economy” provider.
category of health accounts under households as providers of home healthcare. The remaining 4.0% of long-term care expenditure was on hospitals, and included palliative care services and patients discharged from acute care, but not yet transferred home or to a specialist long-term care facility.

Figure 11: Share of government expenditure on long-term care by provider type, UK, 2014

Source: Office for National Statistics

Notes:

1. Figures may not sum due to rounding.

12. Expenditure on medical goods

In 2014, purchases of medical goods made up £26.6 billion or 14.8% of UK healthcare expenditure. The medical goods category in health accounts only covers products acquired by patients for treatment outside of a care setting. Pharmaceuticals and other products consumed as part of a wider course of treatment are included in the costs of that treatment. For example, drugs consumed by a patient as part of an inpatient hospital episode will be included in the expenditure on hospital inpatients.

Of expenditure on medical goods, 82.4% was on pharmaceuticals and other medical non-durable goods, such as plasters and contraceptives, and 17.6% was on durable medical goods such as spectacles and orthopaedic footwear.
Figure 12a: Share of expenditure on pharmaceuticals and other medical non-durable goods by financing scheme, UK, 2014

Source: Office for National Statistics

Notes:
1. Figures may not sum due to rounding.

Figure 12b: Share of expenditure on therapeutic appliances and other durable medical goods by financing scheme, UK, 2014

Source: Office for National Statistics

Notes:
1. Figures may not sum due to rounding.
Figure 12 shows how the sources of funding differed between the two subcategories of medical goods. Government sources accounted for 65.5% of expenditure on pharmaceuticals and other medical non-durable goods, with the remaining 34.5% financed through private out-of-pocket payments.

In contrast, out-of-pocket payments accounted for over three-quarters of expenditure on therapeutic appliances and other durable medical goods, with government expenditure accounting for 15.0% of the total. The remainder made up by the NPISH and voluntary insurance financing schemes.

As a result of pharmaceuticals and other medical non-durable goods making up the majority of expenditure on medical goods, government sources accounted for the largest share of spending on medical goods overall – £15.1 billion. Out-of-pocket payments financed £11.2 billion of medical goods expenditure and the combined expenditure from NPISH and voluntary insurance financing schemes was £320 million.

13. Appendix 1 - International comparisons of healthcare expenditure

As a result of the adoption of the SHA 2011 guidelines by almost all OECD and EEA member states from 2016, it will for the first time, be possible to consistently compare UK healthcare spending with most other European and OECD countries.

Figure 13 shows the total spending on healthcare as a percentage of gross domestic product (GDP) for a selection of OECD member states.

At the time of publication of this analysis, data produced to the SHA 2011 standard do not form the basis of the figures published for all member states by the OECD, although data for many OECD member states are available based on health accounts according to the earlier System of Health Accounts 1.0 (SHA 1.0).

Along with the UK, Figure 13 shows figures from a number of nations which already produce health accounts.

The nations selected for this comparison have piloted the new SHA 2011 definitions, and have found that adoption of these definitions, relative to their existing measure of total current healthcare expenditure, has had little or no effect on total current healthcare expenditure.

Figure 13 shows that healthcare as a proportion of GDP in the UK was at a similar level to that in Austria and Canada and around one percentage point of GDP lower than Germany and France.
Figure 13: Comparison of total current healthcare expenditure as a percentage of GDP between comparable OECD member states, 2014 (or latest year)

(* indicates 2013 figure)

Source: Office for National Statistics and Organisation for Economic Co-operation and Development (OECD)

Notes:

1. OECD member states included in this comparison are those which have piloted the new SHA 2011 definitions, and have found that adoption of these definitions, relative to their existing measure of total healthcare expenditure, has had little or no effect on total current healthcare expenditure.

14. Appendix 2 - Data from the "Expenditure on Healthcare in the UK" series (1997 to 2014)

Figure 14 shows the growth of current and capital healthcare expenditure between 1997 and 2014, using data series from the previous ONS analysis – “Expenditure on Healthcare in the UK”. These figures differ from the health accounts, and exclude spending on local authority-organised long-term care. Information on how the figures in Figure 14 differ from the health accounts can be found in the background notes and “An introduction to health accounts”.

Figure 14 shows that total healthcare expenditure increased from £53.8 billion in 1997 to £158.8 billion in 2014, growing at an average annual rate of 6.6%. In 2014, current healthcare expenditure using this measure was £153.2 billion and capital expenditure was £5.6 billion.
1. All figures are provided in current prices, unadjusted for inflation.

The data from the “Expenditure on Healthcare in the UK” series are revised annually, as a result of revisions in the national accounts. Overall, revisions to the total healthcare expenditure series between the figures above and those in last year’s “Expenditure on Healthcare in the UK” publication, have resulted in changes to total healthcare expenditure of no more than 2.5% in any given year. The revisions have tended to be downwards in nature and are primarily a result of revisions to the national accounts measures of capital expenditure on health and private household expenditure. The revisions to total healthcare expenditure estimates are available in the datasets accompanying this release.

15. Appendix 3 - Reconciliation between health accounts and "Expenditure on Healthcare in the UK"

Table 2 details the differences between the total healthcare expenditure measure in health accounts and in “Expenditure on Healthcare in the UK” in 2014 and the size of these changes as a percentage of GDP.

**Table 2: Reconciliation of “Expenditure on Healthcare in the UK” and health accounts for 2014**

<table>
<thead>
<tr>
<th></th>
<th>£billions</th>
<th>as a % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Expenditure on Healthcare in the UK”</td>
<td>158.8</td>
<td>8.7</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>-5.6</td>
<td>-0.3</td>
</tr>
</tbody>
</table>

Changes to government expenditure:
Addition of healthcare services provided by government bodies other than health departments1 0.4 0.0
Addition of health-related social care 13.5 0.7
Addition of Carer's Allowance 2.4 0.1
Other changes to government expenditure2 0.9 0.1

Changes to out-of-pocket expenditure:
Transfer of health insurance claims from out-of-pocket expenditure to insurance expenditure -2.7 -0.1
Addition of long-term care 9.5 0.5
Other changes to out-of-pocket expenditure3 -0.4 0.0

Changes to voluntary insurance expenditure:
Transfer of health insurance claims from out-of-pocket expenditure to insurance expenditure 2.7 0.1
Other changes to insurance expenditure4 1.5 0.1

Changes to other financing schemes:
Changes to expenditure by NPISH -2.7 -0.1
Addition of compulsory insurance expenditure 0.2 0.0
Addition of enterprise-financed expenditure 1 0.1

Health accounts 179.4 9.9

Source: Office for National Statistics

Notes:
1. Includes Health and Safety Executive and policy custody suites
2. Includes revisions to the measurement of education and training, and research and development expenditure deducted from health accounts
3. Includes data source changes
4. Includes the addition of employer self-insurance schemes (where the employer assumes the risks associated with cover), dental capitation plans, the healthcare element of travel insurance and Insurance Premium Tax on eligible products, and the removal of accident insurance
5. Figures may not sum due to rounding

Capital expenditure is not part of health accounts and consequently the £5.6 billion of capital expenditure from the “Expenditure on Healthcare in the UK” data series is removed.

The largest additions to the government-financed elements of health accounts are the additional £13.5 billion spent on health-related social care and £2.4 billion spent on Carer’s Allowance. An additional £0.4 billion of expenditure is added from the inclusion of health spending by organisations outside the remit of the NHS and healthcare departments. Other changes increase healthcare expenditure by £0.9 billion, with the largest differences in this category due to revisions in the methodology behind the deductions for education and training, and research and development expenditure.
Non-government expenditure is £9.0 billion higher in the health accounts than in “Expenditure on Healthcare in the UK”. The largest increase to non-government expenditure is as a result of additional out-of-pocket expenditure on long-term care services, which totals £9.5 billion. The out-of-pocket expenditure measure has been reduced, and the insurance expenditure measure is increased, by £2.7 billion as a result of the transfer of claims from household (out-of-pocket) expenditure measure in “Expenditure on Healthcare in the UK” to voluntary insurance expenditure in health accounts.

Voluntary insurance expenditure is increased by a further £1.5 billion. This is the combined result of the addition of employer self-insurance schemes (where the employer assumes the risks associated with cover), dental capitation plans, the healthcare element of travel insurance and Insurance Premium Tax on eligible products, and the removal of accident insurance.

In health accounts, expenditure by NPISH only covers expenditure financed by donations, grants and investment income, and excludes expenditure financed by sales and charges, resulting in a health accounts NPISH expenditure figure £2.7 billion lower than in the “Expenditure on Healthcare in the UK” publication. Compulsory insurance and enterprise financing were not part of the “Expenditure on Healthcare in the UK” series, therefore these financing streams are added to reconcile to health accounts.

More information on the changes can be found in Background Note 5 - Summary of the differences between total healthcare expenditure in UK health accounts and the previous “Expenditure on Healthcare in the UK” publication, and in “An introduction to health accounts”.

16. References


OECD health statistics database, (retrieved 11 April 2016)


ONS (2016), An introduction to health accounts

ONS (2016) UK health accounts methodology


17. Background notes

1. Definitions of health accounts classification system

The UK Health Accounts have been produced according to the definitions of the System of Health Accounts 2011, jointly produced by the Organisation for Economic Co-operation and Development (OECD), Eurostat – the statistical office of the European Union, and the World Health Organisation (WHO).

Health accounts analyse expenditure by three dimensions:

- financing scheme – the source of funding for healthcare; categories include government-funded, private out-of-pocket payments and private healthcare insurance.

- function – the type of care and mode of provision; categories include curative/rehabilitative care, long-term care and preventive care

- provider organisation – the type of healthcare provider in which care is carried out; categories include hospitals, residential and nursing homes, and ambulatory providers
The following categories are used in the analysis of financing scheme (HF code denotes classification in the SHA 2011 definitions).

Government-financed expenditure (HF.1.1) covers healthcare spending by the NHS, local authorities and other government bodies involved in the provision of healthcare. Figures are reported net of client contributions which are included in the out-of-pocket financing scheme (HF.3) and grants to charities which are included in the NPISH (non-profit institutions serving households, HF.2.2) financing schemes.

Compulsory health insurance schemes (HF.1.2) cover the healthcare elements of motor insurance and employers' liability insurance\(^1\). Such insurance is a legal requirement for motorists and employers, and the NHS can reclaim the costs of treatment from the insurers of motorists or employers deemed liable for injury.

Voluntary health insurance schemes (HF.2.1) cover private medical and dental insurance, employer self-insurance schemes, health cash plans, dental capitation plans and the healthcare element of travel insurance.

NPISH financing schemes (non-profit institutions serving households, HF.2.2) cover charity expenditure funded through voluntary donations, grants and investment income, excluding charity expenditure funded through client contributions (classed as out-of-pocket expenditure in health accounts) and purchases of care by public and NHS bodies (classed as government expenditure in health accounts).

Enterprise financing schemes (HF.2.3) cover healthcare activity funded by organisations (primarily employers) outside of an insurance scheme, such as occupational healthcare.

Out-of-pocket payments (HF.3) cover consumer expenditure on healthcare goods and services, outside of health insurance schemes. This includes client contributions for local authority and NHS provided services and prescription charges.

The following categories are used in the analysis of healthcare functions (HC code denotes classification in the SHA 2011 definitions).

Curative/rehabilitative care (HC.1/HC.2) comprises healthcare contacts for which the principal intent is to relieve symptoms of illness or injury, to reduce the severity of an illness or injury, to protect against exacerbation and/or complication of an illness and/or injury that could threaten life or normal function, and to aid the recovery of patients from illness and/or injury. Curative/rehabilitative care is divided between four "modes of provision" of treatment:

- HC.1.1/HC.2.1: inpatient care
- HC.1.2/HC.2.2: day cases (including regular day and regular night admissions)
- HC.1.3/HC.2.3: outpatient care
- HC.1.4/HC.2.4: home-based care

Long-term care (health) (HC.3) covers care provided with the primary purpose of alleviating pain and suffering and reducing or managing the deterioration of health in patients with chronic conditions, where an improvement in their health is not anticipated. This category includes old-age and disability-related health issues, and palliative care. As with curative/rehabilitative care, long-term care is divided between four "modes of provision":

- HC.3.1: inpatient care
- HC.3.2: day care (including regular day and regular night admissions)
- HC.3.3: outpatient care
- HC.3.4: home-based care

Ancillary services (non-specified by function) (HC.4) covers ambulance services and patient transport, as well as some laboratory services which cannot be allocated to another function.

Medical goods (non-specified by function) (HC.5) are subdivided into two categories.
- Pharmaceuticals and other medical non-durable goods (HC.5.1) cover prescription and over-the-counter drugs and other non-durable medical products such as plasters and syringes. This category only covers products acquired by patients for treatment outside of a care setting. Pharmaceuticals and other products consumed as part of a wider course of treatment are included in the costs of that treatment. For example, drugs consumed by a patient as part of an inpatient hospital episode will be included in the expenditure on hospital inpatients.

- Therapeutic appliances and other medical goods (HC.5.2) cover products such as spectacles and wheelchairs, again where these are not provided as part of a wider course of treatment.

Preventive care (HC.6) covers primary prevention – measures designed to reduce the risk of injury or illness, such as information campaigns and immunisation programmes; and secondary prevention – interventions aimed at the detection of disease enabling earlier treatment, such as screening programmes. Expenditure on tertiary prevention, that is, treatment aimed at reducing the risk of an established illness or injury worsening, is included elsewhere, typically in curative/rehabilitative care.

Governance, and health system financing and administration (HC.7) is subdivided into two categories:

- Governance and health system administration (HC.7.1) covers:
  - the strategic governance of the healthcare system
  - setting and monitoring standards of care
  - developing healthcare regulations
  - this category does not include expenditure on overhead services, such as commissioning, legal and procurement services, which can be carried out locally or at a shared or national level; expenditure on these services is apportioned pro-rata across the care function and provider categories of health accounts

- Administration of health financing (HC.7.2) is applicable to insurance schemes and covers expenditure on premiums which is not used to fund claims, instead covering the cost of insurance company administration, interest earned on reserves, profit and insurance premium tax.

The following categories are used in the analysis of healthcare providers (HP code denotes classification in the SHA 2011 definitions).

Hospitals (HP.1) cover general, specialist, teaching and mental health hospitals.

Residential long-term care facilities (HP.2) cover nursing and residential care homes.

Providers of ambulatory healthcare (HP.3) are subdivided into:
• Offices of general medical practitioners (HP.3.1.1) cover GP practices

• Dental practices (HP.3.2)

• Providers of home healthcare services (HP.3.5) include home care services provided by local authorities and independent sector specialist home care providers

• Other ambulatory care providers (HP.3.x) cover all other expenditure by providers of ambulatory healthcare not included in HP.3.1.1, HP.3.2 or HP.3.5, including providers of community health services

Ambulatory care providers (HP.4) primarily cover ambulance services.

Retailers and other providers of medical goods (HP.5) cover pharmacies, opticians and other medical goods suppliers.

Providers of preventive care (HP.6) include national public health bodies and the cost of preventive health services, such as information programmes, provided by bodies such as the Food Standards Agency and Health and Safety Executive.

Providers of healthcare system administration and financing (HP.7) cover bodies involved in the strategic governance of the healthcare system, setting and monitoring standards of care and developing healthcare regulations.

Rest of economy (HP.8) is subdivided into:

• Households as providers of home healthcare (HP.8.1) cover households in receipt of Carer’s Allowance

• All other industries as secondary providers of healthcare (HP.8.2) which covers healthcare provided by bodies whose primary purpose is not healthcare, including the police, schools (through the educational psychology service), and non-specialist transport providers (including taxis) reimbursed through hospital travel costs schemes

Rest of world (HP.9) covers healthcare provided abroad to UK residents

2. Use of health accounts for international comparisons

From summer 2016, health accounts data produced according to the System of Health Accounts 2011 definitions will be available from the OECD database for all European Economic Area member states and almost all other OECD nations.

The nations selected for the comparison in this article either produce health accounts on an SHA 2011 basis, or produce health accounts on a SHA 1.0 basis and have piloted the new SHA 2011 definitions, finding that adopting these definitions has little or no effect on total current healthcare expenditure, relative to their existing measure of total current healthcare expenditure.

3. Methodology and data sources

A description of the data sources and methodology used to produce the UK Health Accounts can be found in “An introduction to health accounts” and more information is available in the UK Health Accounts Quality and Methodological Information (QMI).

For in-depth detail about the methodology used, please see UK Health Accounts methodology.

Table 3 details the main sources of data for each of the financing schemes:

<table>
<thead>
<tr>
<th>Financing scheme</th>
<th>Main data sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>HM Treasury</td>
</tr>
<tr>
<td></td>
<td>Department of Health</td>
</tr>
<tr>
<td></td>
<td>Health and Social Care Information Centre</td>
</tr>
</tbody>
</table>
4. Changes to health accounts data sources and methods between 2013 and 2014

While the data sources used to produce health accounts are generally comparable across 2013 and 2014, it should be noted that there is a difference in the methodology used in the data source for adult social care services in England between these years. This is a result of the change in the HSCIC data collection for expenditure on these services, from the PSS-EX1 collection to the ASC-FR collection. A similar method for allocating expenditure from the ASC-FR return has been developed to that used for the PSS-EX1 data, minimising the effect of the change in source on total long-term care expenditure in the two years. However, it should be noted that the division of this spending by the categories of inpatient and home-based care is not comparable between 2013 and 2014.

5. Summary of the differences between total healthcare expenditure in UK Health Accounts and the previous “Expenditure on Healthcare in the UK” publication

Table 4: Changes between the old “Expenditure on Healthcare” series and the new health accounts measure

<table>
<thead>
<tr>
<th>Measure</th>
<th>Action</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total healthcare expenditure from “Expenditure on Healthcare in the UK” series</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Capital spending

Deducted  
Capital spending is not included in the health accounts, which is a measure of current healthcare expenditure.

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### Current healthcare expenditure from "Expenditure on Healthcare in the UK" series

<table>
<thead>
<tr>
<th>HF.1.1 – Government expenditure</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption of fixed capital</td>
<td>Methods change</td>
</tr>
<tr>
<td>Education and training within SHA</td>
<td>Methods change</td>
</tr>
<tr>
<td>Research and development (R&amp;D)</td>
<td>Methods change</td>
</tr>
<tr>
<td>Grants to NPISH</td>
<td>Deducted</td>
</tr>
<tr>
<td>EEA medical costs incurred by non-UK residents in the UK</td>
<td>Deducted</td>
</tr>
<tr>
<td>Social services spending within SHA 2011 boundaries</td>
<td>Added</td>
</tr>
<tr>
<td>Carer’s Allowance</td>
<td>Added</td>
</tr>
<tr>
<td>Healthcare delivered in police custody suites</td>
<td>Added</td>
</tr>
<tr>
<td>Scottish and Welsh government administration expenditure</td>
<td>Added</td>
</tr>
</tbody>
</table>
Preventive healthcare provided by other government bodies

Healthcare provided by government departments other than health departments. This is mainly preventive healthcare and includes part of the spending of the Health and Safety Executive and Food Standards Agency.

Treatment costs recovered from public bodies through compensation recovery schemes

Added

Treatment costs recovered by NHS bodies from public sector organisations (including local authorities) where they are liable for injury.

HF.2.1 – Voluntary insurance

Insurance claims

Added

Claims paid by insurers are included in voluntary insurance in health accounts, but were part of household expenditure in the "Expenditure on Healthcare in the UK" series.

Health insurance schemes (premremiums)

Methods change

A new source (LaingBuisson) is used to measure health insurance premiums. This data also incorporates employer self-insurance schemes and dental capitation plans.

Accident insurance

Deducted

Accident insurance is excluded from the health accounts.

Health element of travel insurance

Added

The element of travel insurance that relates to health is added.

Insurance Premium Tax

Added

Health accounts measure insurance expenditure gross of Insurance Premium Tax (IPT).

HF.2.2 – NPISH expenditure

SHA 2011 health expenditure

Methods change

Methods developed for measuring health accounts specifically cover charities providing services which fall under the SHA 2011 definitions of health, including those providing long-term care services.

Non-NPISH elements of third sector

Deducted

Whereas the third sector in the "Expenditure on Healthcare in the UK" series included all charity healthcare spending, health accounts include only spending funded through NPISH sources: donations, grants and investment income, in the NPISH measure.

HF.3 – Out-of-pocket expenditure

Insurance claims

Deducted

Household expenditure in the "Expenditure on Healthcare in the UK" series included claims on insurance which are included in the voluntary insurance financing scheme in health accounts.

Medical, dental and hospital services

Methods change

New data sources have been used in the health accounts, resulting in a change in expenditure.
Long-term care (inc. client contributions to personal social services) Added This includes out-of-pocket spending by patients or relatives on residential care homes and domiciliary home care, as well as client contributions to local authority social care services classified as healthcare in SHA 2011.

HF.1.2 – Compulsory insurance

Reimbursement of NHS expenditure through compulsory insurance schemes Added Compulsory insurance was not previously recorded in "Expenditure on Healthcare in the UK". This covers treatment costs recovered by NHS bodies from motor and employers’ insurance schemes where they are liable for the costs of injury.

HF.2.3 – Enterprise financing

Healthcare purchased directly by companies Added Enterprise financing was not previously recorded in "Expenditure on Healthcare in the UK".

Total current healthcare expenditure in UK Health Accounts

Notes: