Office for National Statistics

Statistical bulletin

# Healthcare expenditure, UK Health Accounts: 2018

Healthcare expenditure statistics, produced to the international definitions of the System of Health Accounts 2011.

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# 1 . Main points

- Total current healthcare expenditure in 2018 was £214.4 billion, equating to £3,227 per person.
- Total current healthcare expenditure in the UK accounted for 10.0% of gross domestic product (GDP) in 2018, compared with 9.8% in 2017 and 6.9% in 1997.
- Total current healthcare spending more than doubled in real terms, adjusted for inflation, between 1997 and 2018; in 2018, it grew by 3.2%, its strongest rate of annual growth since 2009.
- Government-financed healthcare expenditure was £166.7 billion in 2018, accounting for 78% of total healthcare spending.
- Government-financed healthcare expenditure, in real terms, grew by 2.0% in 2018, and accounted for the largest contribution to growth in total healthcare expenditure, while non-government healthcare financing grew by 7.6%, largely driven by an increase in out-of-pocket spending.
- Over the period 2014 to 2018, growth in long-term care expenditure exceeded that of current healthcare expenditure in real terms; however, spending on long-term care grew by only 2.6% in 2018, its slowest growth since 2014.

Data presented in this article cover the period 1997 to 2018 only. This article does not relate to health care spending during the Coronavirus (COVID-19) pandemic.

# 2 . Total current healthcare expenditure in the UK

## Healthcare expenditure in 2018

In 2018, spending on health care in the UK totalled £214.4 billion, equating to £3,227 spent per person. This includes both government and non-government spending on health care.

Healthcare expenditure can also be measured as a share of gross domestic product (GDP), to show healthcare spending relative to the whole economy. Healthcare expenditure represented 10.0% of GDP in 2018, up from 9.8% in 2017. This increase was a result of healthcare expenditure growing at a faster rate than GDP.

The share of GDP attributed to health care in 2017 has been revised upward from 9.6% in the previous edition of the UK Health Accounts. There have been upward revisions both to GDP and healthcare expenditure; however, the revisions to healthcare expenditure were greater, resulting in a slight change to healthcare expenditure as a share of GDP. For a full breakdown of revisions to figures, see Section 9: Revisions.

The UK Health Accounts are a set of healthcare expenditure statistics for the UK that are produced to internationally standardised definitions, meaning that they can be used to compare UK healthcare spending with other countries. The headline statistics concern current healthcare expenditure. The UK Health Accounts break healthcare expenditure down by a range of dimensions; the core ones being:

- healthcare financing – the mechanism through which health care is financed
- healthcare function – the type of care accessed and mode of provision
- healthcare provider – the setting in which healthcare goods or services are delivered

The UK Health Accounts are produced according to the System of Health Accounts 2011 framework; a set of internationally standardised definitions for healthcare expenditure. These definitions are broader than those used in other UK analyses, and include some services typically considered social care in the UK.

## Healthcare expenditure in 2018 grew at its fastest rate since 2009

Health spending in nominal terms grew by 5.3% between 2017 and 2018 and by 15.6% between 2014 and 2018. Growth in healthcare expenditure in 2018 was the fastest rate of growth since 2009.

Table 1: Spending on healthcare has increased each year between 2014 and 2018 both in total and per person, in both nominal and real terms
Expenditure and growth rates in total current healthcare, UK, 2014 to 2018

| | | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| **Nominal terms** | Expenditure (£ billions) | 185.4 | 189.9 | 196.9 | 203.5 | 214.4 |
| | Growth rates (%) | 4.3% | 2.4% | 3.7% | 3.4% | 5.3% |
| | Expenditure per person (£ per person) | 2,870 | 2,916 | 2,999 | 3,082 | 3,227 |
| **Real terms (2018 prices)** | Expenditure (£ billions) | 198.1 | 201.7 | 204.8 | 207.8 | 214.4 |
| | Growth rates (%) | 2.4% | 1.8% | 1.6% | 1.5% | 3.2% |
| | Expenditure per person (£ per person) | 3,067 | 3,097 | 3,120 | 3,147 | 3,227 |

Source: Office for National Statistics - UK Health Accounts

Notes

1. Growth rates for a single year are given as the growth between the stated year and previous year.. Back to table

The real terms spending growth figures are produced using the GDP deflator. As a general, whole economy price deflator, this is not a measure of average healthcare inflation, nor will it account for the variation in price inflation across different components of health spending.

When these figures are adjusted for general price inflation, the increase in spending was reduced to 3.2% between 2017 and 2018 and 8.2% over the period 2014 to 2018 (Table 1). The real terms growth in healthcare spending between 2017 and 2018 was still the fastest rate since 2009. The lower growth in real terms expenditure demonstrates the effects of controlling for inflation.

## Healthcare expenditure since 1997

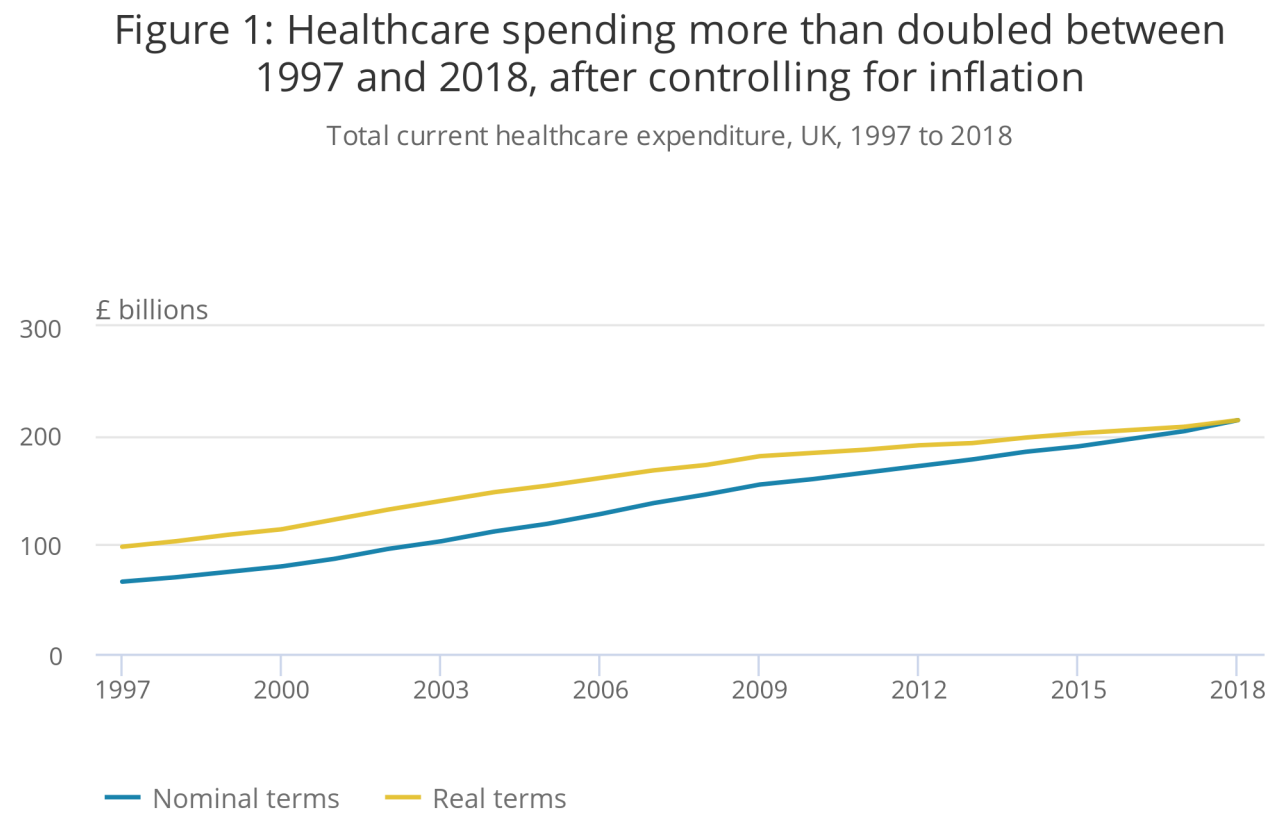
In this edition of the UK Health Accounts, healthcare expenditure consistent with the definitions of the System of Health Accounts 2011 (SHA 2011) has been estimated back to 1997 for the first time (Figure 1). Health spending between 1997 and 2018, in nominal terms, trebled, with the average annual rate of growth being 5.8%.

Controlling for inflation, healthcare expenditure more than doubled over the same period, experiencing an average annual rate of growth of 3.8%. Breaking this down into healthcare spending before and after the impact of the 2008 economic downturn, healthcare spending grew by an average rate of 5.3% per year between 1997 and 2009, slowing to an average of 1.9% between 2009 and 2018.

Estimated healthcare spending per person, in real terms, almost doubled between 1997 and 2018, rising from £1,672 per person in 1997 to £3,227 in 2018, as healthcare expenditure growth greatly exceeded population growth. Spending per person grew by an average of 4.7% per year between 1997 and 2009, falling to an average of 1.2% between 2009 and 2018.

**Figure 1: Healthcare spending more than doubled between 1997 and 2018, after controlling for inflation**

**Total current healthcare expenditure, UK, 1997 to 2018**




**Source: Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures are presented in real terms, adjusted for inflation using the gross domestic product (GDP) deflator (series: IHYS).

# 3 . How health care in the UK is financed

## Healthcare expenditure is mostly financed through government expenditure

Government expenditure on health care, which includes spending by the NHS, local authorities and other public bodies financing health care, was £166.7 billion in 2018 (Figure 2). This equated to just under four-fifths (78%) of total current healthcare expenditure, an increase from 75% in 1997. The share of healthcare expenditure financed through government schemes was highest in 2009 at 82%, as a result of falls in non-government healthcare expenditure, following the 2008 economic downturn.

Non-government expenditure was financed through four categories:

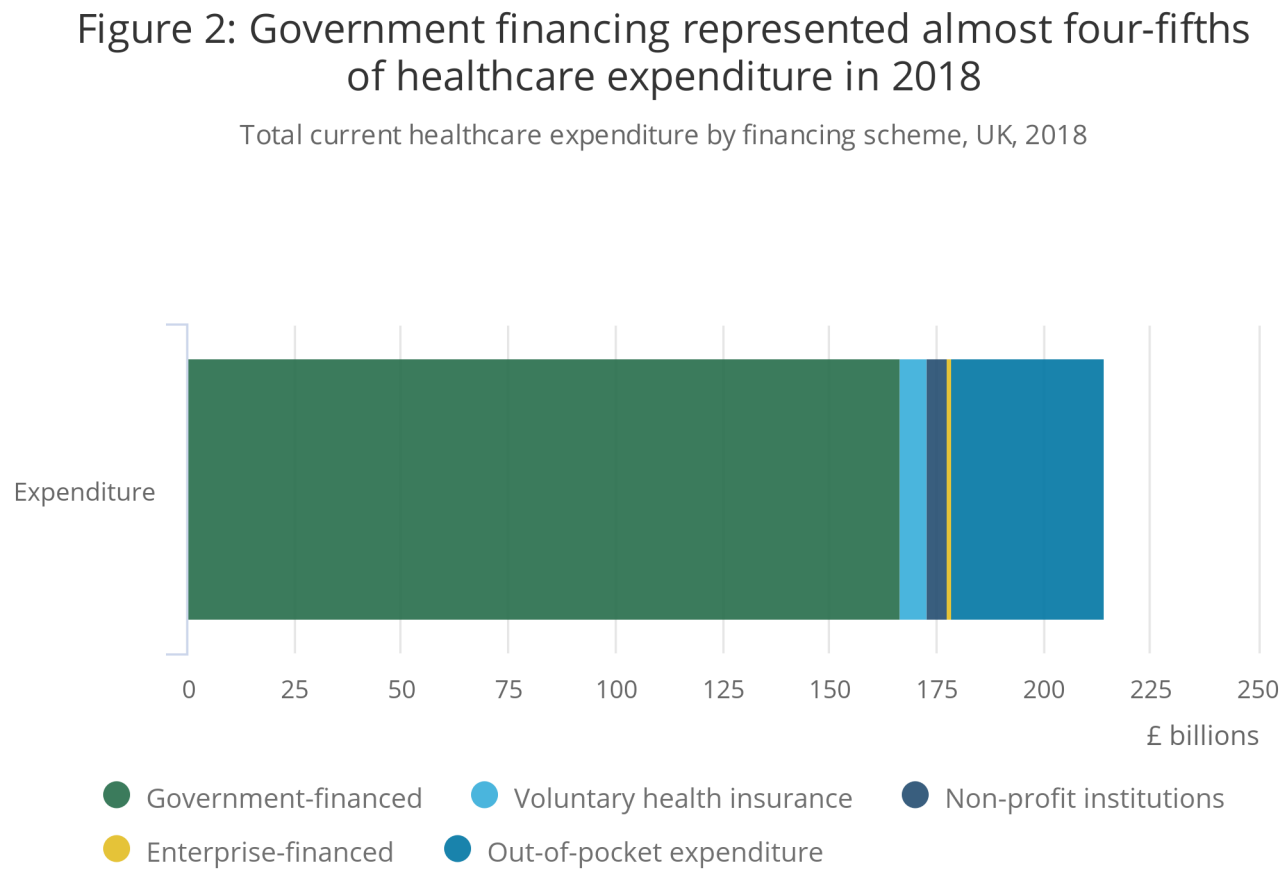
- out-of-pocket expenditure – covering spending by individuals on healthcare goods and services, including client contributions for local authority and NHS-provided services and prescription charges but excluding healthcare costs claimed back through insurance
- voluntary health insurance – covering healthcare insurance such as private medical and dental insurance, employer self-insurance schemes, health cash plans, dental capitation plans (dental plans where monthly premiums are typically set by dentists based on patients' dental history), and the element of travel insurance relating to healthcare cover
- charitable financing, referred to as non-profit institutions serving households (NPISH) – covering charity expenditure funded through voluntary donations, grants and investment income, excluding charity expenditure funded through client contributions (classed as out-of-pocket expenditure) and purchases of care by public and NHS bodies (classed as government expenditure)
- enterprise financing – covering healthcare activity funded by organisations (primarily employers) outside of an insurance scheme, such as occupational health care

More information on these schemes can be found in Introduction to health accounts and UK Health Accounts: methodological guidance.

The largest of the non-government financing arrangements in 2018 was out-of-pocket expenditure, which accounted for 17% of overall spending or £35.8 billion. Voluntary health insurance accounted for 3% of overall spending on health care, or £6.3 billion, and NPISH and enterprise financing were the smallest financing schemes, accounting for 2% and less than 1% respectively.

**Figure 2: Government financing represented almost four-fifths of healthcare expenditure in 2018**

**Total current healthcare expenditure by financing scheme, UK, 2018**




**Source: Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures are given in nominal terms, unadjusted for inflation.

## Growth in healthcare expenditure in 2018 was driven by growth in government expenditure

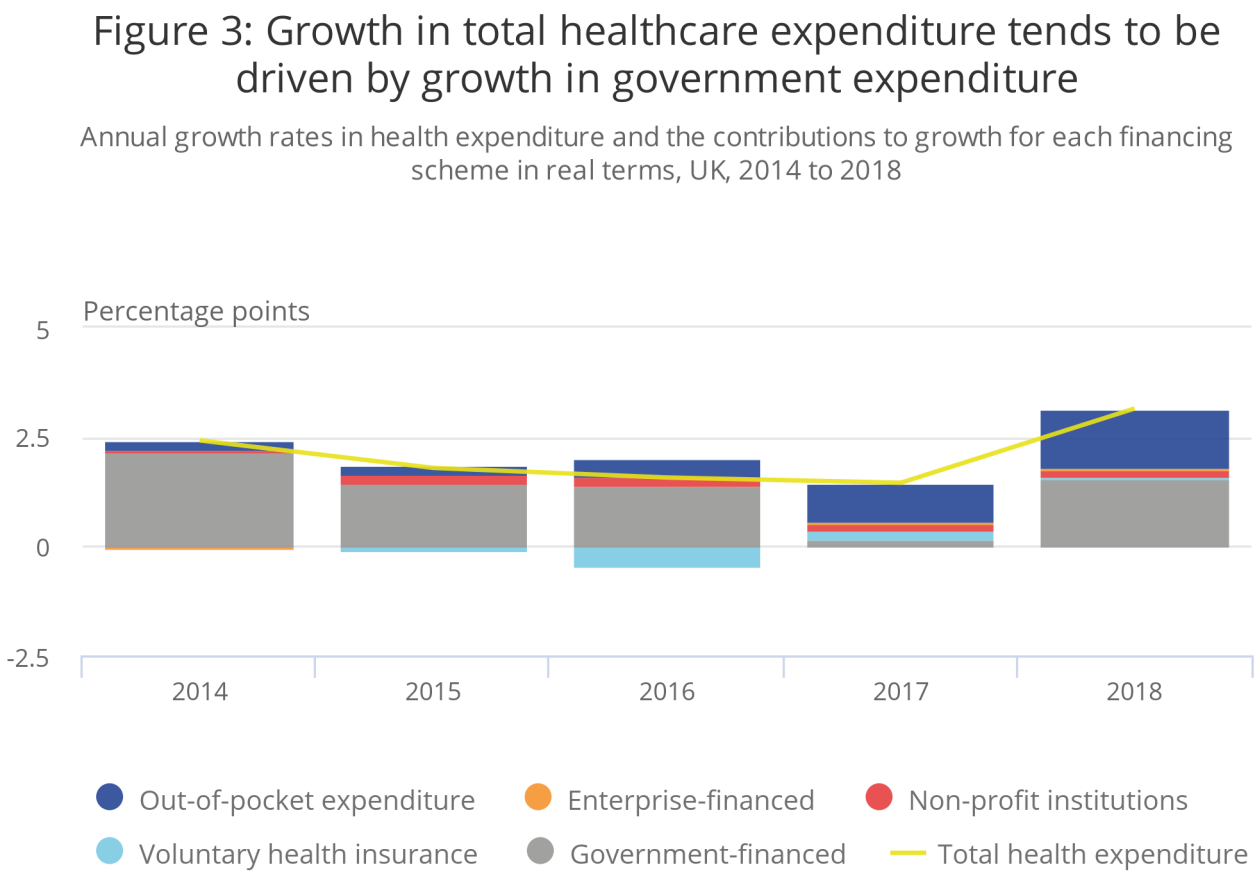
Adjusting for inflation, expenditure on all financing schemes grew in 2018 (Figure 3). Government expenditure grew by 2.0% in 2018, compared with 7.6% for the combined total of all the non-government financing schemes. Non-government financing of health care was largely driven by an increase in out-of-pocket spending, which grew by 8.5% in real terms between 2017 and 2018.

Government expenditure accounted for more of the increase in overall healthcare expenditure in 2018 than any other financing scheme, despite growing at a slower rate than non-government financing schemes. Changes in overall growth in healthcare expenditure are generally driven by increases or decreases in government expenditure, because of its size.

Over the whole period between 2014 and 2018, increases in government expenditure were largely responsible for driving the increase in overall healthcare expenditure. Lower rates of growth in 2017 were similarly driven by smaller growth in government expenditure. Out-of-pocket expenditure tended to have the second highest contribution to growth over the period 2014 to 2018.

**Figure 3: Growth in total healthcare expenditure tends to be driven by growth in government expenditure**

**Annual growth rates in health expenditure and the contributions to growth for each financing scheme in real terms, UK, 2014 to 2018**




**Source: Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures are provided in real terms, adjusted for inflation using our gross domestic product (GDP) deflator (series: IHYS).

2. Contributions to growth may not sum to overall growth because of rounding.

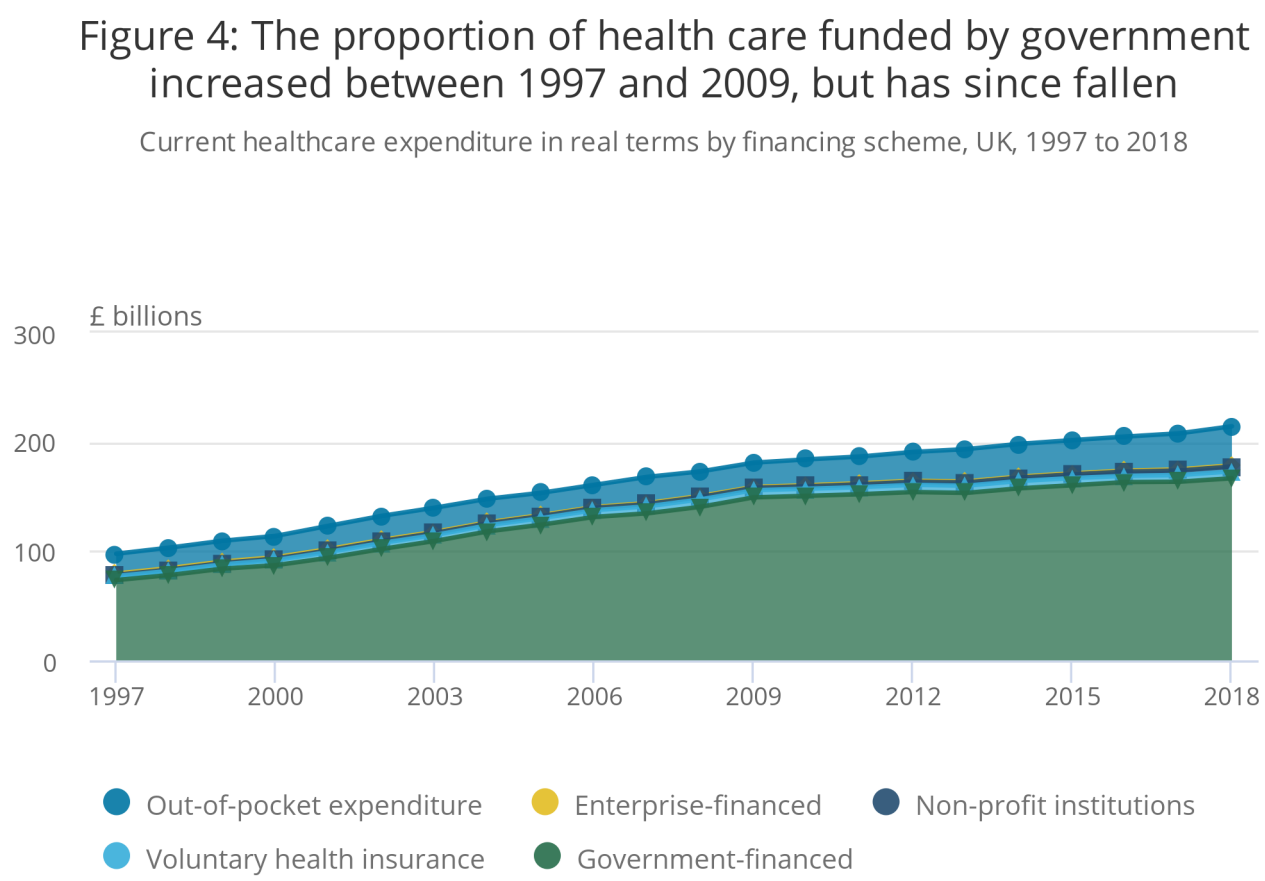
## How financing schemes have changed since 1997

While we have previously produced health accounts consistent with international definitions only for the period 2013 onwards, this bulletin includes additional estimates for healthcare expenditure, consistent with the System of Health Accounts 2011 (SHA 2011) guidelines, for the period back to 1997. These estimates provide analysis of healthcare expenditure by financing scheme, though not by provider and function (or type) of care. The estimates show how healthcare expenditure has changed over a long-running period, including the 2008 economic downturn. More information on the methodology used to estimate healthcare expenditure for the period 1997 to 2012 can be found in Estimating the 1997 to 2012 UK Health Accounts time series – methodology guidance .

Figure 4 presents real-terms expenditure on health care by financing scheme between 1997 and 2018. While total healthcare expenditure grew by an average annual rate of 3.8%, in real terms, between 1997 and 2018, the rate of growth differs between the various financing mechanisms through which healthcare was accessed. Over this period, government expenditure grew by an average annual rate of 4.0%, similar to total growth, but the growth in non-government schemes was more varied.

**Figure 4: The proportion of health care funded by government increased between 1997 and 2009, but has since fallen**

**Current healthcare expenditure in real terms by financing scheme, UK, 1997 to 2018**




**Source: Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures are presented in real terms, adjusted for inflation using the gross domestic product (GDP) deflator (series: IHYS).

Between 1997 and 2018, out-of-pocket spending on health care grew, in real terms, by an average annual rate of 3.3%, while voluntary health insurance schemes and health care financed through charities (NPISH) grew by an average rate of 2.6% and 7.0% respectively. In real terms, spending by enterprise financing schemes has fluctuated but decreased over the period by an average of 0.9% per year.

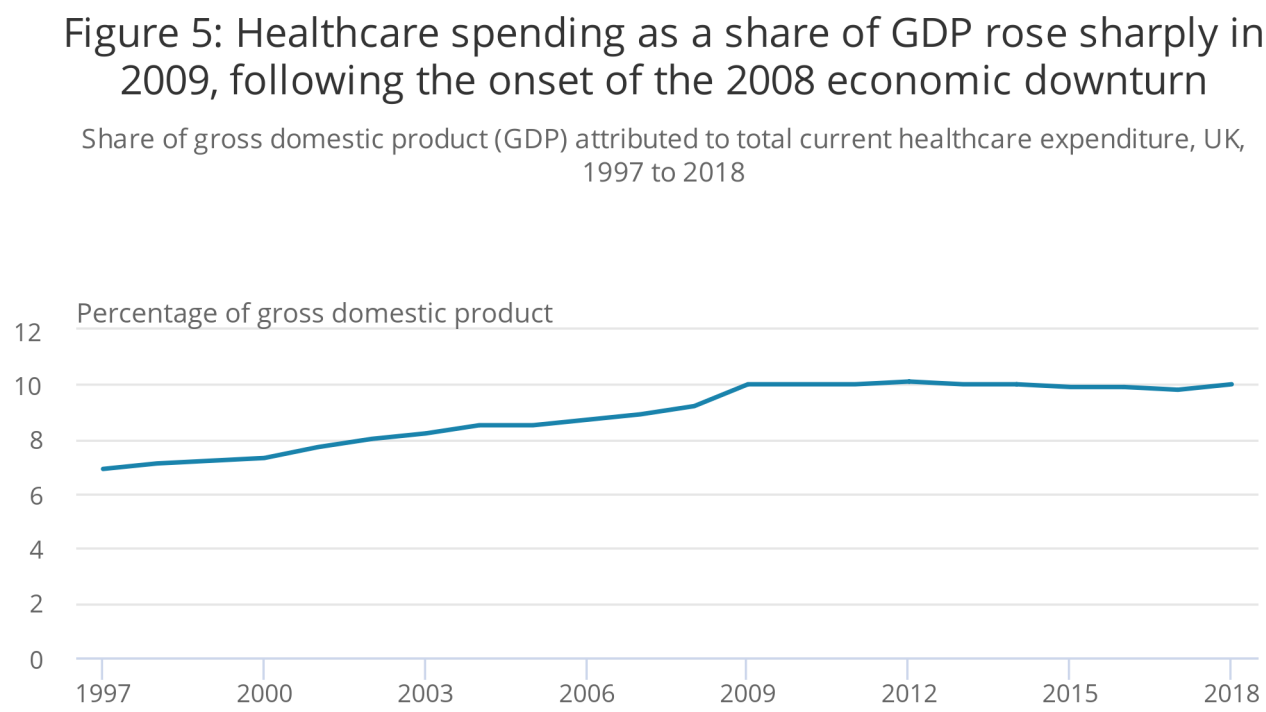
The 2008 economic downturn had a differing impact on growth in different financing schemes. Between 2008 and 2009, government expenditure on health care increased in real terms by 6.1%, whereas spending for all non-government means of financing health care decreased by 2.0% combined. This perhaps reflects the fact that government health budgets over this period are set in advance and that demand is less economically led, whereas non-government demand for healthcare services may be more reactive to economic trends.

The average annual rate of growth in government healthcare expenditure was substantially lower after the 2008 economic downturn than the rate before, at 1.2% between 2009 and 2018, compared with 6.1% between 1997 and 2009. By contrast, non-government financing of health care increased by an average annual rate of 2.3% between 1997 and 2009 and 4.6% between 2009 and 2018. Lower growth in overall UK healthcare expenditure following the 2008 economic downturn reflects the wider international trend of slowed growth during this period ( Health at a Glance 2017, Organisation for Economic Co-operation and Development)

The share of gross domestic product (GDP) attributed to health care has also changed over time. Figure 5 shows that healthcare expenditure in 1997 equated to 6.9% of GDP, and this share grew steadily up to 2008, as a result of total healthcare expenditure growing faster than GDP. This followed a commitment in 2000 from the then government to increase healthcare expenditure as a percentage of GDP to levels around the EU average.

**Figure 5: Healthcare spending as a share of GDP rose sharply in 2009, following the onset of the 2008 economic downturn**

**Share of gross domestic product (GDP) attributed to total current healthcare expenditure, UK, 1997 to 2018**




**Source: Office for National Statistics – UK Health Accounts**

Following the 2008 economic crisis, GDP fell in 2009, but healthcare expenditure continued to increase, resulting in a sharp increase in the share of GDP associated with health care, from 9.2% in 2008 to 10.0% in 2009. Since 2009, growth in healthcare spending has been lower than before the economic crisis, but largely matched the increase in overall GDP, resulting in healthcare expenditure as a percentage of GDP remaining fairly constant between 2009 and 2018 at around 10%.

## Public revenues accounted for around four-fifths of the revenues funding UK health care in 2018

There are a range of approaches to raising revenues to fund healthcare provision. These can be categorised into public sources of revenue, such as revenues raised through taxation or national insurance, and private sources of funding, such as payments made by individuals on their own health care and employers on the health care of employees. These revenues are used to fund the different health financing schemes through which health care is accessed, such as government schemes, health insurance schemes or individuals' out-of-pocket spending.

For the UK, around four-fifths (79%) of health expenditure is paid for through public revenues, mainly taxation. Public revenues fund nearly all of the government healthcare expenditure reported in Figure 2 and include government grants to charities financing health care. This means that public revenues funding health care in 2018 (at £168.5 billion) were slightly larger than government expenditure on health care itself (£166.7 billion).

# 4 . Government healthcare expenditure

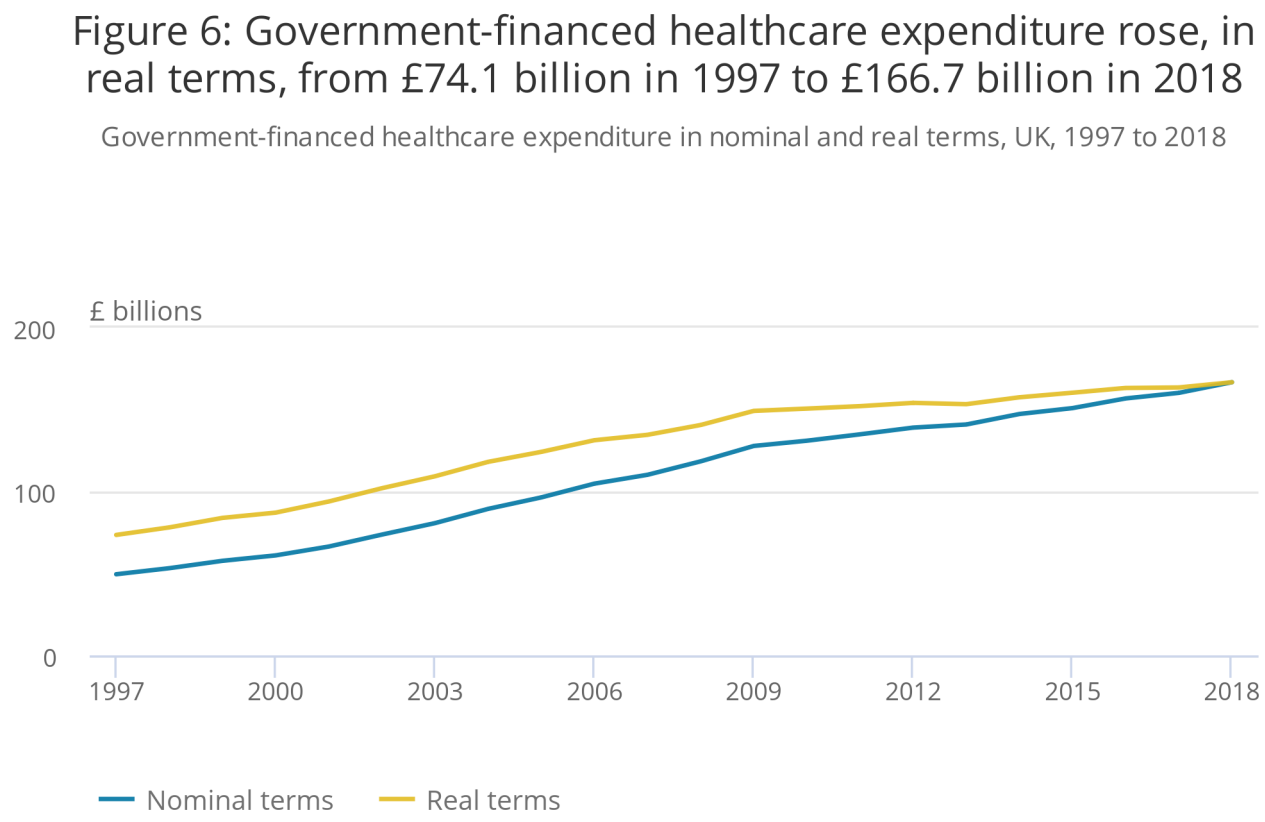
## Largest increase in government healthcare expenditure since 2014

Government expenditure on health care in 2018 was £166.7 billion, which equates to £2,510 per person. In nominal terms (the price of goods at the time they were purchased), this was a 4.1% increase on spending in 2017, and in real terms, when adjusting for inflation, an increase of 2.0%. Using both approaches, 2018 saw the largest increase in government spending since 2014.

Using definitions from the System of Health Accounts 2011 (SHA 2011), the coverage of government healthcare expenditure is broader than just NHS spending and includes elements of local authority-funded social care and preventive health care provided by other government departments.

**Figure 6: Government-financed healthcare expenditure rose, in real terms, from £74.1 billion in 1997 to £166.7 billion in 2018**

**Government-financed healthcare expenditure in nominal and real terms, UK, 1997 to 2018**




**Source: .Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures are presented in real terms, adjusted for inflation using the gross domestic product (GDP) deflator (series: IHYS).

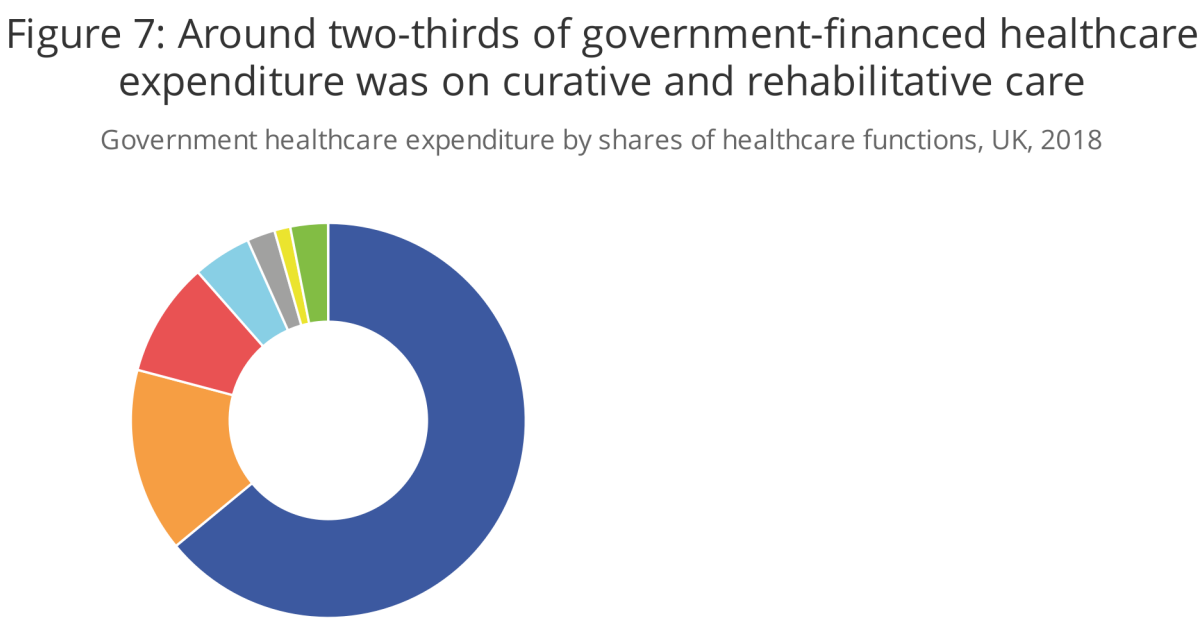
## Most government healthcare expenditure was spent on curative and rehabilitative care

Around two-thirds (64%) of government spending on health care relates to services providing curative or rehabilitative care. Health-related long-term care and the provision of medical goods made up the next largest elements, accounting for 15% and 9% of government healthcare expenditure respectively.

Preventive care, which covers activities designed to avoid diseases and risk factors (primary prevention) and the early detection of disease (secondary prevention), accounted for 5% of government healthcare expenditure; more detail on this expenditure can be found in the reference tables. Healthcare governance, which covers spending on central functions providing strategic governance and setting and monitoring standards of care, accounted for 1%.

**Figure 7: Around two-thirds of government-financed healthcare expenditure was on curative and rehabilitative care**

**Government healthcare expenditure by shares of healthcare functions, UK, 2018**




**Source: Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures may not sum because of rounding.

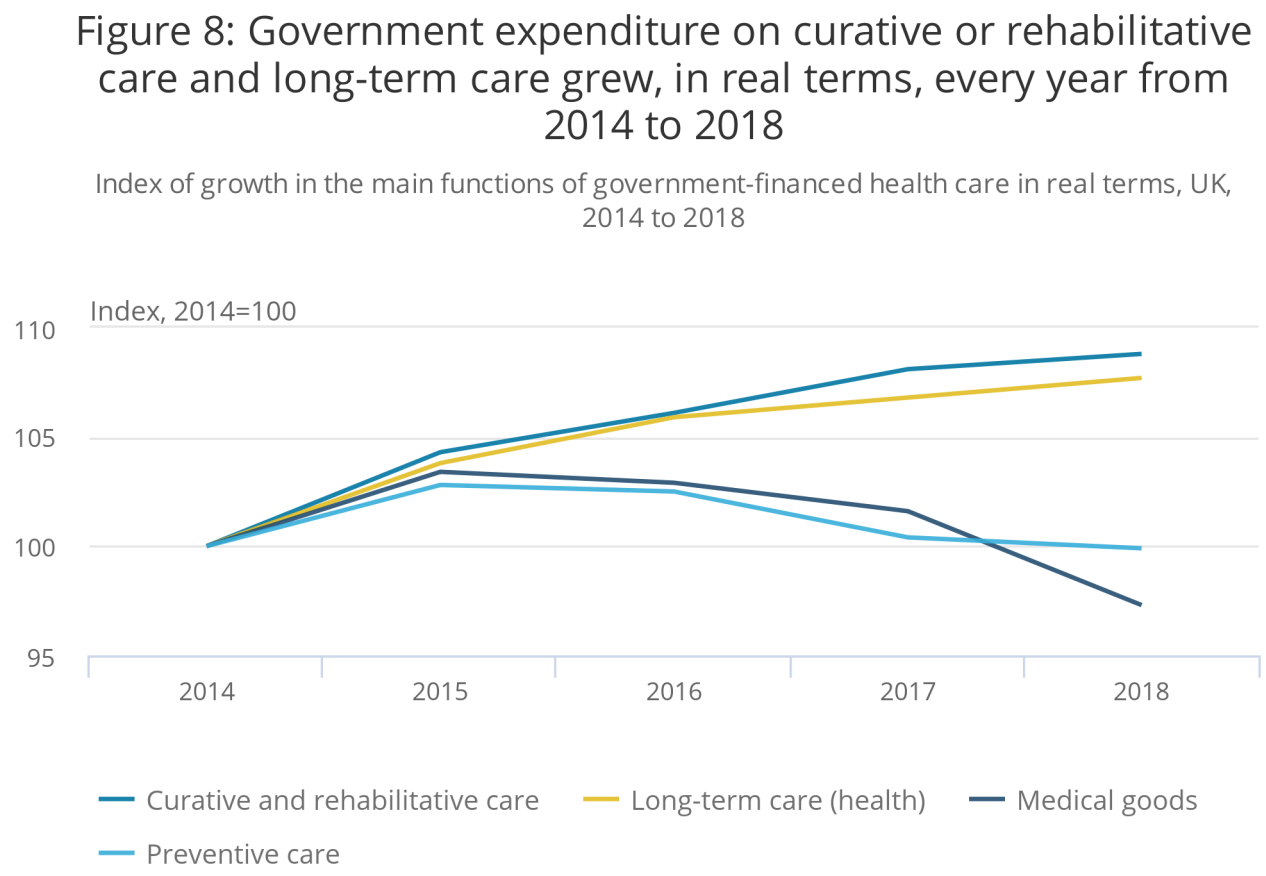
2. Medical goods excludes pharmaceuticals and other products used as part of a wider course of treatment, which are included in the costs of that treatment. For example, drugs consumed by a patient as part of an inpatient hospital episode will be included in the expenditure on hospital inpatients.

While real spending on the two largest categories, curative and rehabilitative care and long-term care (health), rose in every year between 2014 and 2018, spending on preventive care and medical goods (which excludes pharmaceuticals and other products that are used as part of a wider course of treatment) fell between 2016 and 2018 (Figure 8). The fall in medical goods spending reflects the aim of NHS England and the devolved health departments for efficiency in the procurement of medicines for the NHS. Examples of this include maximising the use of generic drugs where possible and negotiating the cost of branded medicines through non-contractual voluntary schemes or price cuts to medicines through statutory schemes for pharmaceutical companies opting out of the voluntary scheme.

The fall in preventive health care in 2018 has been driven by reductions in local authorities' spending on public health services. Local authority expenditure on public health in England fell, in nominal terms, from £3.5 billion in the financial year ending (FYE) 2017, to £3.3 billion in the FYE 2019.

**Figure 8: Government expenditure on curative or rehabilitative care and long-term care grew, in real terms, every year from 2014 to 2018**

**Index of growth in the main functions of government-financed health care in real terms, UK, 2014 to 2018**




**Source: Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures are presented in real terms, adjusted for inflation using the gross domestic product (GDP) deflator (series: IHYS).

Real-terms expenditure on health system governance fell between 2014 and 2017, before increasing in 2018.

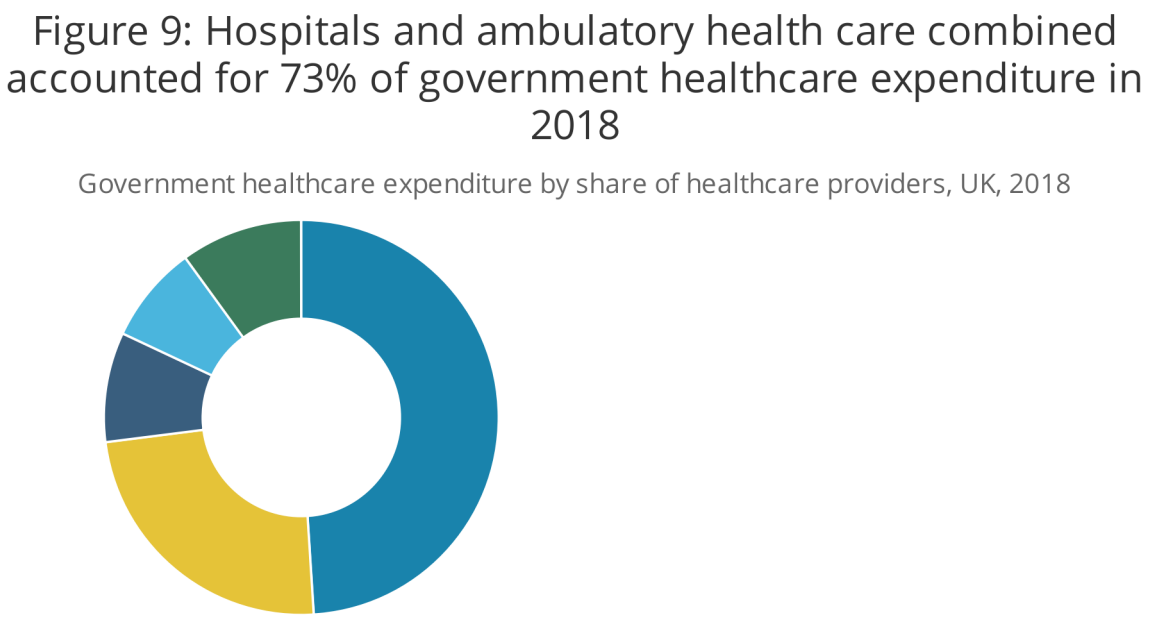
Curative and rehabilitative care tends to drive the direction of growth in government-financed health care more than other functions because of its dominant size compared with other categories of care spending.

## Care provided in hospitals accounts for the largest share of government healthcare spending

In 2018, the main provider type of government-financed health care was hospitals, comprising almost half (49%) of government healthcare expenditure (Figure 9). Providers of ambulatory healthcare, such as GP surgeries, dentists and home care providers, comprised nearly one-quarter (24%) of government expenditure, with the remaining categories of healthcare provider making up the rest; the largest being providers of medical goods (9%) and residential long-term care facilities (8%).

**Figure 9: Hospitals and ambulatory health care combined accounted for 73% of government healthcare expenditure in 2018**

**Government healthcare expenditure by share of healthcare providers, UK, 2018**




**Source: Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures may not sum because of rounding.

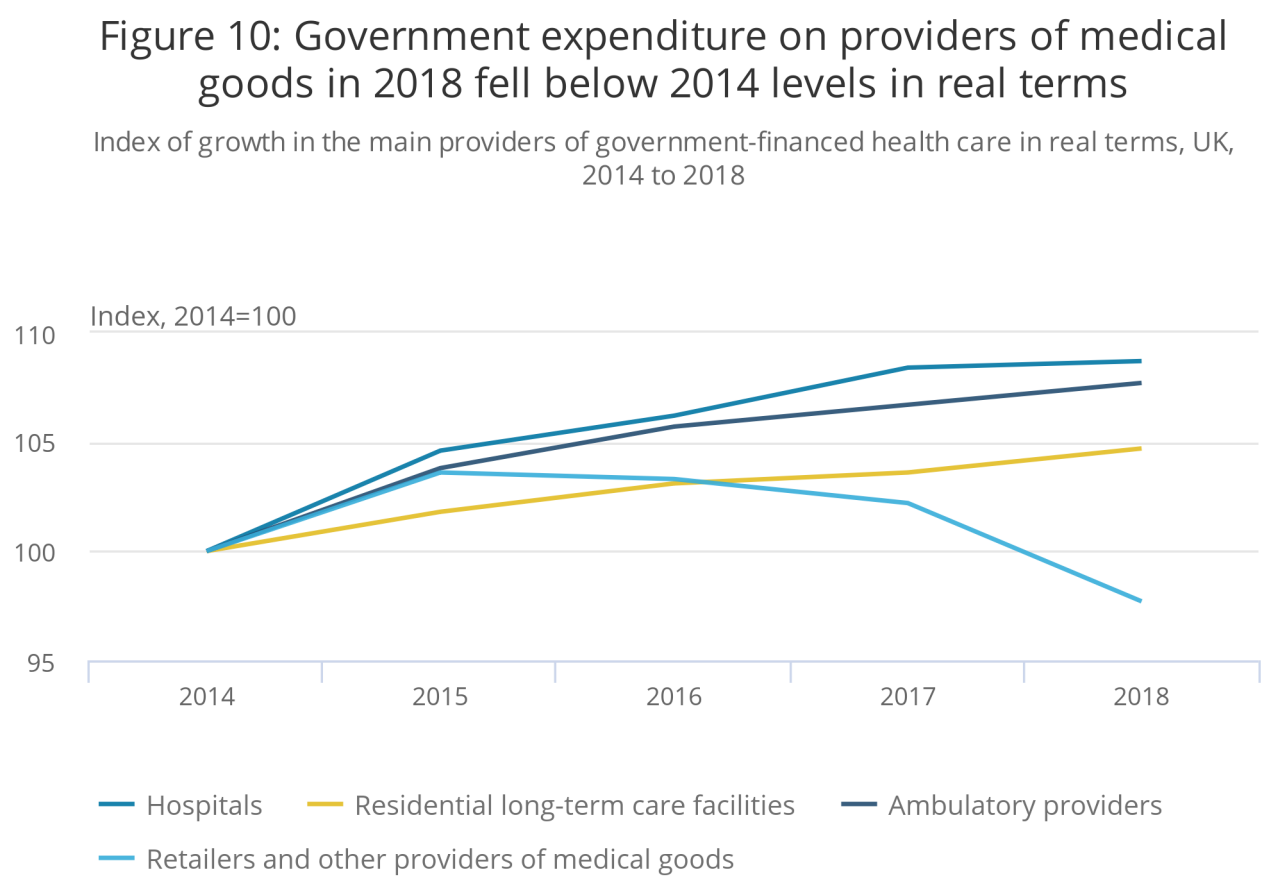
2. The category “other providers” includes providers of ancillary services, providers of preventative care, providers of healthcare system administration and financing, providers in the rest of the economy, providers in the rest of the world, and providers not elsewhere classified.

3. Expenditure on mental health services falls across a range of healthcare providers.

Of the four largest healthcare provider types, hospitals, ambulatory health care providers and residential long-term care facilities all grew each year during the period 2014 to 2018 (Figure 10). In 2018, expenditure on health care from providers of medical goods fell back to below 2014 levels, reflecting lower expenditure on medical goods, as seen in Figure 7. As mentioned earlier in this section, this reflects the aim of NHS England and the devolved health departments for the efficiency and procurement of medicines for the NHS.

**Figure 10: Government expenditure on providers of medical goods in 2018 fell below 2014 levels in real terms**

**Index of growth in the main providers of government-financed health care in real terms, UK, 2014 to 2018**




**Source: Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures are presented in real terms, adjusted for inflation using the gross domestic product (GDP) deflator (series: IHYS).

## Most government spending on care in hospitals goes on inpatient care

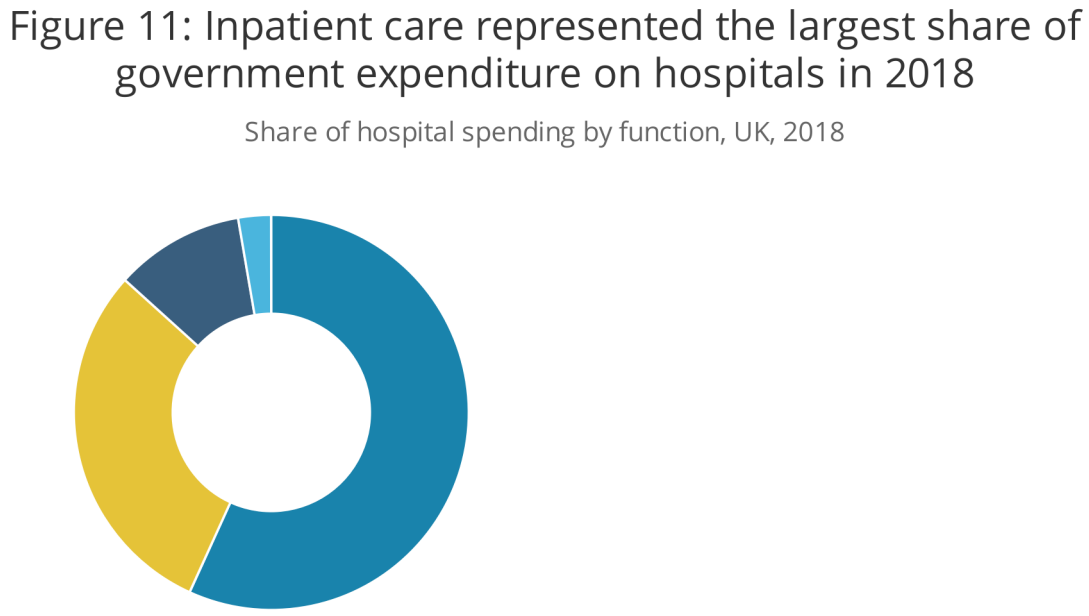
Government spending on care provided in hospitals accounted for £81.2 billion in 2018, making hospitals the provider type with the largest share of government spending (49%).

Figure 11 breaks down government hospital spending by type of health care consumed. It shows that in 2018, almost all (97%) hospital spending related to curative and rehabilitative care, with 57% spent on inpatient care and 11% on hospital day cases. Outpatient care (curative and rehabilitative) represented a further 30% of government hospital expenditure.

The remaining 3% of government hospital spending related to preventive healthcare services, such as screening tests conducted in hospitals and medical check-ups; long-term care, including palliative care and delayed transfers of patients to long-term care facilities; and a small amount of hospital transport services, not including ambulance services.

**Figure 11: Inpatient care represented the largest share of government expenditure on hospitals in 2018**

**Share of hospital spending by function, UK, 2018**




**Source: Office for National Statistics – UK Health Accounts**

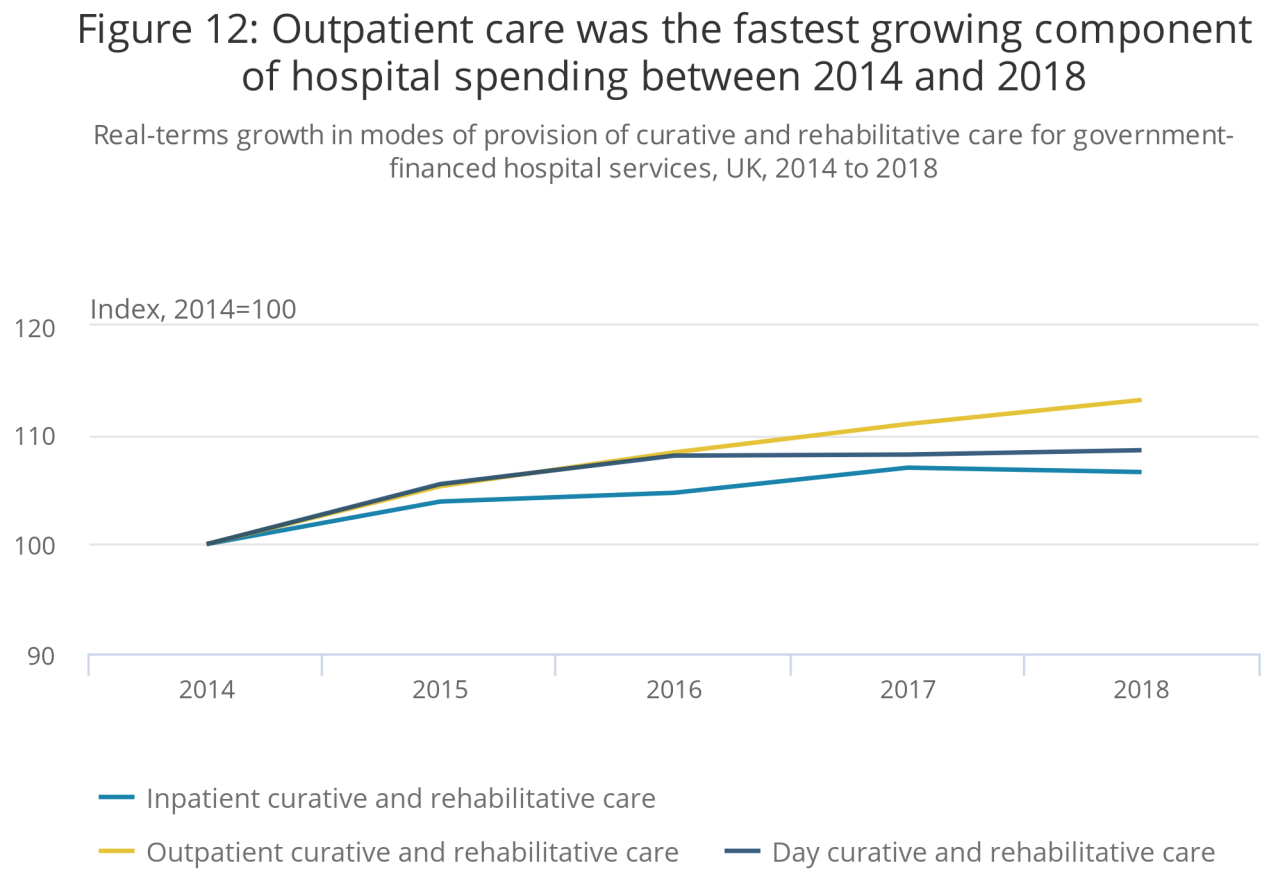
**Notes:**

1. Figures may not sum because of rounding.
2. "Other services" includes long-term care (health), preventive care and ancillary services.

Government-financed hospital spending grew by 0.3% in real terms in 2018, compared with real growth of 2.1% in 2017. Figure 12 shows that spending on inpatient care in hospitals in 2018 fell by 0.3% in real terms, but this was offset by an increase in hospital outpatient care, which rose by 2.0%.

**Figure 12: Outpatient care was the fastest growing component of hospital spending between 2014 and 2018**

**Real-terms growth in modes of provision of curative and rehabilitative care for government-financed hospital services, UK, 2014 to 2018**




**Source: Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures are presented in real terms, adjusted for inflation using the gross domestic product (GDP) deflator (series: IHYS).

Since 2014, real terms spending on hospital outpatient care has grown each year. Spending growth on hospital day cases has also exceeded growth in inpatient care over the period, although growth has been relatively flat since 2016. Expenditure relating to inpatient care provided in hospitals has also increased over the period in real terms, although growth has been weaker compared with spending on outpatient care and day cases.

# 5 . Non-government healthcare expenditure

## One-fifth of healthcare expenditure in the UK was financed through non-government schemes in 2018

In 2018, expenditure on health care financed through non-government schemes [1] totalled £47.6 billion, accounting for around one-fifth (22%) of overall health spending in the UK. These schemes relate to out-of-pocket expenditure, voluntary health insurance, non-profit institutions serving households (NPISH) and health care financed by organisations for their employees (enterprise financing).

## Largest share of out-of-pocket spending went on medical goods

Individuals' out-of-pocket spending represents the largest of the non-government financing schemes, at £35.8 billion in 2018. In 2018, individuals spent £15.4 billion on medical goods, accounting for 43% of household out-of-pocket spending on health care, with the remaining (57%) relating to spending on curative or rehabilitative care, long-term care, or other healthcare services.

Of out-of-pocket spending on medical goods, around three-fifths (61%) was on over-the-counter purchases of medicines bought in pharmacies or non-specialist retailers, such as supermarkets. Around 27% was spent on durable medical goods, including eyewear or hearing aids, while 9% was spent on non-durable products other than medicines, such as plasters, first-aid kits or contraception. Only 4% of out-of-pocket medical goods expenditure related to prescription fees charged on NHS prescriptions in England, compared with out-of-pocket spending.

Close to one-third (32%) of out-of-pocket spending on health care concerned health-related long-term care. Further analysis of long-term care is contained in Section 8: Long-term care expenditure.

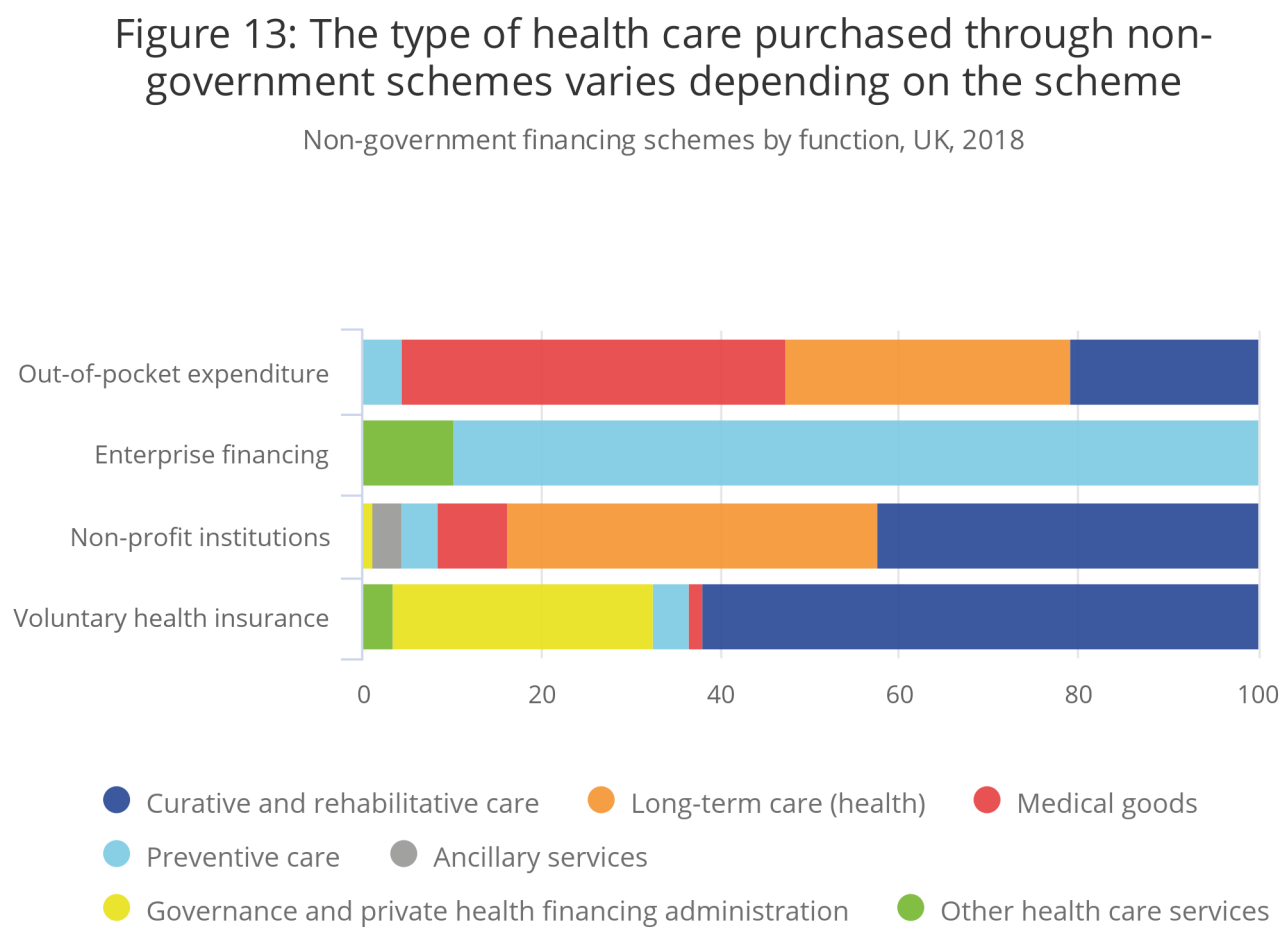
Out-of-pocket spending grew by 8.5% in real terms in 2018, faster than all other modes of financing health care. This was driven largely by increases in spending on medical goods (9.2%), especially the purchase of over-the-counter medicines and curative and rehabilitative care (15.2%), which includes self-funded hospital care, GP services and dental care.

## Spending by other non-government means of healthcare financing

In 2018, the remaining financing three schemes through which health care was accessed in the UK represented just 6% of overall healthcare spending. Figure 13 shows the variation in the type of health care purchased for these different schemes.

**Figure 13: The type of health care purchased through non-government schemes varies depending on the scheme**

**Non-government financing schemes by function, UK, 2018**




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

**Notes:**

1. Figures may not sum because of rounding.

While curative and rehabilitative care represent a substantial share of health care financed through voluntary insurance schemes or NPISH (charity spending), at 62% and 42% respectively, enterprise-financing schemes mostly fund preventive health care. This tends to be in the form of occupational healthcare services, either provided by organisations in-house or through specialist providers.

Unlike the other schemes, a large share of voluntary health insurance related to the administration of the financing scheme itself (29% in 2018). This accounts for the administrative costs of providing insurance as well as profits earned by insurers on policies. A large share of the activities of charities funding health care relate to health-related long-term care (41% in 2018).

## Notes for: Non-government healthcare expenditure

1. Non-government schemes refer to voluntary mechanisms of accessing health care, not to the private sector provision of healthcare services. Services provided by the independent sector on behalf of the government are part of government financing (see Section 6: Government healthcare expenditure).

# 6 . Long-term care expenditure

Long-term care expenditure accounts for services aimed at managing chronic health conditions related to long-term care dependency (including old-age and disability-related conditions) and reducing suffering where an improvement in health is not expected. Within the UK Health Accounts, long-term care is split into:

- long-term care (health), a health-related element that is included in our measure of total current healthcare expenditure
- long-term care (social), an element relating to assistance-based services, which sits outside the definition of healthcare within the UK Health Accounts and so is not included in our measure of total current healthcare expenditure

Services included in the long-term care (health) category cover care where a substantial proportion of the service involves support with basic activities of daily living (ADLs), which include activities such as bathing, dressing and walking. Long-term care (social), which is not included in the definition of total current healthcare expenditure, covers services where care predominantly consists of support with instrumental activities of daily life (IADLs), such as shopping, cooking and managing finances. In terms of care in residential settings, while long-term care (health) covers services provided in residential and nursing homes, long-term care (social) includes spending on supported housing and supported accommodation, which are services providing support for people to live independently and primarily relates to help with IADLs. Total long-term care is the combined total of these two elements - long-term care (health) and long-term care (social).

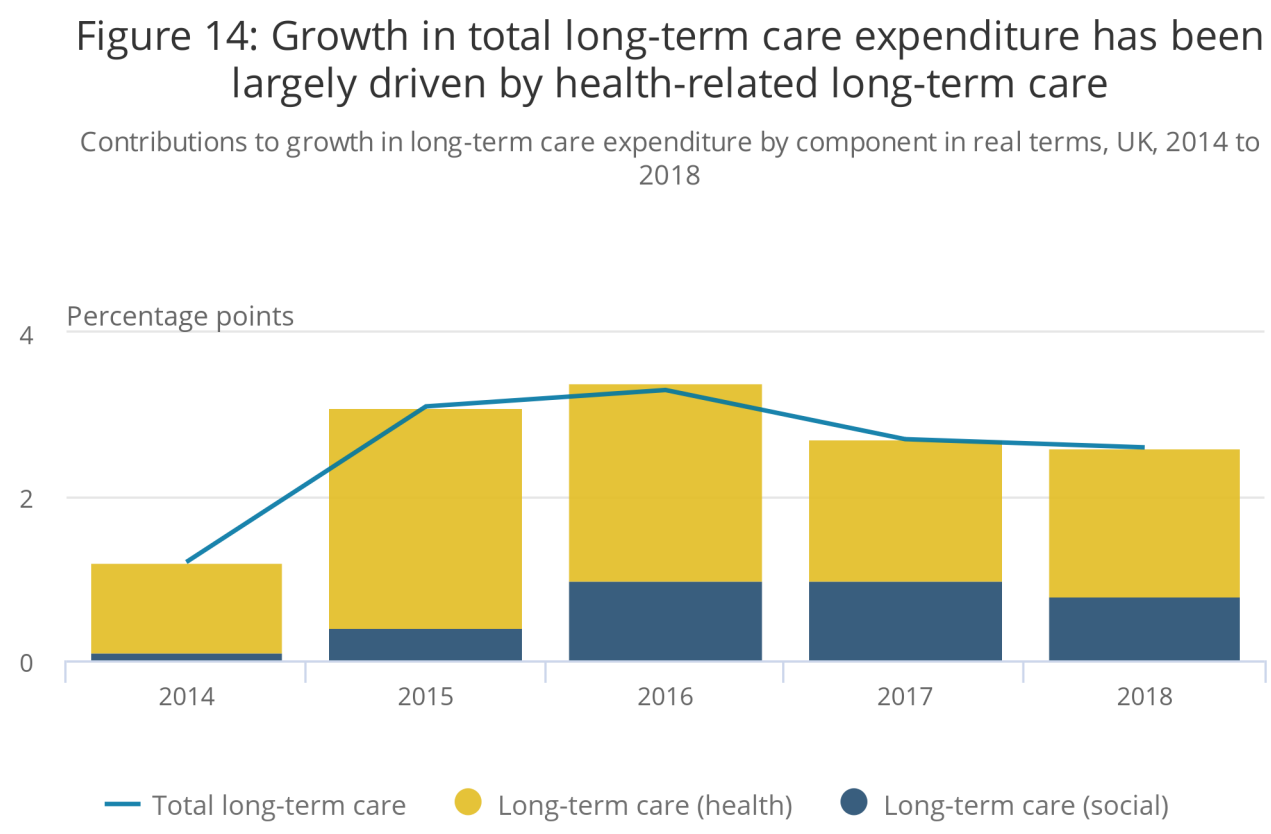
## Total long-term care spending grew at a faster rate than total healthcare expenditure

Total expenditure on long-term care in 2018 was £48.3 billion. This was an increase on 2017 of 4.8% in nominal terms, which equates to a real-terms increase of 2.6%. This was the slowest annual increase in long-term care expenditure since 2014.

However, between 2014 and 2018, average annual growth in total long-term care, in real terms, was 2.9%, exceeding the rate of growth in total healthcare expenditure, which was 2.0% over the same period.

**Figure 14: Growth in total long-term care expenditure has been largely driven by health-related long-term care**

**Contributions to growth in long-term care expenditure by component in real terms, UK, 2014 to 2018**




**Source: Office for National Statistics, LaingBuisson**

**Notes:**

1. Figures are presented in real terms, adjusted for inflation using the gross domestic product (GDP) deflator (series: IHYS).

2. Contributions to growth may not sum to overall growth because of rounding.

Long-term care (health) grew by 2.3% in real terms in 2018 and by an average annual rate of 2.7% over the period 2014 to 2018. This compares to growth in long-term care (social) spending of 4.1% in 2018 and an average annual rate of 4.0% between 2014 and 2018. While the “health” and “social” components of long-term care increased in both in nominal and real terms between 2014 and 2018, growth in total long-term care tended to be driven by the larger long-term care (health) component.

## Health and social care services are co-operating to manage the delivery of long-term care

Demographic changes in the UK, such as an ageing and expanding population, have led to an increase in the number of people with complex social care and healthcare needs. Efforts have been made to integrate health and social care services to manage the delivery of services to people. In England, legislation such as the Health and Social Care Act 2012 and the Care Act 2014 set out obligations for the health system to make it easier for health and social care services to work together. This has resulted in the establishment of programmes such as the Better Care Fund, which encourages greater collaboration between the NHS and local authorities through pooled budget arrangements and integrated spending plans.

Furthering this trend to greater integration of health and social care, sustainability and transformation partnerships started in 2016 with the aim of promoting co-operation between the NHS and local authorities for 44 geographical "footprints". In 2018, 14 of the sustainability and transformation partnerships evolved into the first integrated care systems (ICSs), where the NHS and local authorities take collective responsibility for managing budgets and delivering services. By June 2019, a further three areas were designated as ICSs, meaning that more than one-third of England's population is now covered by an ICS. Health and social care integration has also developed in the devolved administrations of Scotland, Wales and Northern Ireland.

## Government financed the majority of long-term care expenditure

In 2018, around two-thirds (64%) of long-term care was financed through government, while around one-quarter (26%) was financed through out-of-pocket funds. The remaining long-term care expenditure was financed through charities.

While the distribution of the financing of long-term care remained broadly consistent between 2014 and 2018, the share of non-government financing did increase slightly over the period.

Government expenditure was the main means of financing both health- and social-related long-term care in 2018, accounting for 66% and 59% of financing respectively.

Our latest adult social care public service productivity estimates analyse the growth in adult social care inputs, output and productivity for publicly funded, local authority-organised services in England. Public service productivity in adult social care fell by 1.4% in the financial year ending (FYE) 2018 because of increasing inputs and decreasing output.

Outside of government spending, health-related long-term care was mostly funded through out-of-pocket payments, while a larger share of social-related long-term care was financed through charities ( non-profit institutions serving households, NPISH).

Out-of-pocket financing consists of privately purchased services as well as contributions to local authority-organised care. Growth in out-of-pocket long-term care spending generally exceeded growth in government-financed long-term care. This was driven more by growth in spending on self-funded care services, especially residential and nursing care, rather than the increase in client contributions to local authority-funded care, which was more modest.

## Over three-fifths of health-related long-term care expenditure was spent on residential care services

Health-related long-term care can be split by the location in which it is provided: in a residential care setting like a care home; care provided in clients' own homes, either through specialist home care providers or from carers reimbursed through cash benefits; or care provided in other settings such as hospitals or GP practices.

In 2018, 63% of health-related long-term care spending concerned care provided in residential facilities. A further 33% of spending went on care provided to clients in their own homes, consisting of services provided by specialist home care providers (25%) and government spending on the Carer's Allowance (8%), which is a cash benefit paid to carers with full-time caring responsibilities.

Around one-third (32%) of government health-related long-term care spending was on services provided by specialist home care providers, which was substantially higher than the share for non-government financing schemes.

# 7 . Revisions

Overall, improvements to the UK Health Accounts series between 2013 and 2017 have resulted in upward revisions to total current healthcare expenditure of between 3.0% and 3.4% per year. The main sources of revisions were changes made to government expenditure, non-profit institutions serving households (NPISH) expenditure and out-of-pocket expenditure, which are explained in greater detail in this section. There were also smaller revisions made to voluntary health insurance schemes and enterprise-financing schemes. Revisions to private sector data used to estimate insurance premiums resulted in a slight reduction in the size of voluntary health insurance schemes expenditure, while supply–use balancing revisions made to national accounts data resulted in minor revisions to enterprise financing.

## Government expenditure

Government expenditure was revised upwards by £4.6 billion in 2017 (3.0%), with similar upwards revisions to the years 2013 to 2016. These upwards revisions were primarily a result of changes to national accounts data incorporated into the 2019 Blue Book. Part of these changes involved the re-estimation of capital asset lives, which were reduced, resulting in increases in estimates of capital consumption. Over the whole economy, this resulted in capital consumption estimates increasing by 23% in 2017.

Estimates of government healthcare expenditure were also revised upwards following a review of the recording of estimates of Value Added Tax (VAT) refunds within the national accounts, in collaboration with HM Revenue and Customs (HMRC) and HM Treasury. This has improved the recording of refunds associated with the NHS, resulting in an increase in the value of government final and intermediate consumption.

## NPISH expenditure

Charity (NPISH) healthcare expenditure was also revised upwards because of methodological improvements across the series (2013 to 2017). The largest revision was to expenditure in 2017, which was revised upwards by £0.9 billion (or 28.9%) in 2017. There were also smaller upward revisions to NPISH expenditure between 2013 to 2016.

Revisions to NPISH expenditure are a result of an improvement to the method by which NPISH expenditure is calculated. Having previously been based on the growth in general charity income, the measure is now based on the growth in charity final consumption expenditure for health-related industries only, meaning that growth in expenditure more accurately represents growth in the health sector. This has been possible because of methodological improvements to the NPISH sector as reported in last year's annual national accounts, including a classification review of standard industrial classification to non-market charities, which has resulted in better industry level estimates.

Estimates of long-term care (social) expenditure have been revised downwards from previous years, following a review into the charities included under this category. In light of the latest Organisation for Economic Co-operation and Development (OECD) guidance into the measurement of long-term care, we reviewed the primary activities of charities. This resulted in some charities previously included in our long-term care (social) measure being excluded, as their main activities were deemed to not relate to clients with long-term care conditions, as determined by the international guidance. This has resulted in the share of long-term care (social) expenditure for 2017 attributed to NPISH being revised down from 40%, as reported in last year's edition of the UK Health Accounts, to 27% in this year's edition. This should improve the international comparability of the measure.

### Out-of-pocket expenditure

Out-of-pocket expenditure for 2017 was revised upwards by £0.8 billion (2.6%). This primarily consisted of an upward revision of £1.9 billion to medical goods spending and downwards revisions to long-term care (health) and curative and rehabilitative care of £0.8 billion and £0.5 billion respectively.

Medical goods spend is sourced from national accounts estimates of household final consumption expenditure (HHFCE). Overall HHFCE was revised upward in the latest annual national accounts for the post-2008 economic downturn period, from contributing 1.0 percentage point to annual real gross domestic product (GDP) growth over the period 2010 to 2016, to contributing 1.3 percentage points over that period. These increases are reflected in the upwardly revised estimates of medical goods spending in the UK Health Accounts.

Downward revisions to residential and nursing care reflect a re-estimation of occupancy rates of care homes, with fewer residents estimated as pure self-payers as well as smaller revisions to home-based long-term care. Downward revisions to curative and rehabilitative care reflect revised estimates of self-funded acute care in independent hospitals from the latest LaingBuisson data, and more minor changes to a range of other components of curative and rehabilitative care.

## 8 . Healthcare expenditure data

UK Health Accounts reference tables
Dataset | Released 28 April 2020
Tables for the UK Health Accounts.

OECD health accounts dataset
Dataset | Updated as new data become available
Data on health expenditure and financing for Organisation for Economic Co-operation and Development (OECD) member states.

## 9 . Glossary

### Healthcare financing scheme

A healthcare financing scheme is the financing mechanism through which health care is accessed.

### Healthcare function

A healthcare function is the type of care accessed and the mode of provision.

### Healthcare provider

The setting in which healthcare goods or services are delivered is the healthcare provider.

### Revenues of healthcare financing schemes

The revenues of healthcare financing schemes are the sources of funding for financing schemes (for example, public or private revenues).

## 10 . Measuring the data

For more information about the sources and methods used to produce the UK Health Accounts, please see UK Health Accounts: methodological guidance.

## 11 . Strengths and limitations

### System of Health Accounts methodology

This bulletin contains data from the UK Health Accounts, providing figures for 1997 to 2018. Health accounts are a set of statistics analysing healthcare expenditure by three core dimensions:

- financing scheme – the mechanism through which health care is financed
- function – the type of care and mode of provision
- provider organisation – the setting in which health care is delivered

The UK Health Accounts are produced according to the System of Health Accounts 2011 (SHA 2011) framework. This provides internationally standardised definitions both for total current healthcare expenditure and the analysis of this spending by financing scheme, function and provider organisation. Several supplementary dimensions also exist, including the revenues of financing schemes. All EU member states and most other Organisation for Economic Co-operation and Development (OECD) countries measure healthcare expenditure from 2014 onwards using SHA 2011 definitions. Some OECD member states also produce healthcare expenditure statistics to these definitions for years before 2014, but the length of the back series produced to these definitions varies by country. The time series for UK Health Accounts previously ran back to 2013. However, for this year's release, we have extended this to 1997 for healthcare financing schemes and revenues of financing schemes.

The definition of health care used in health accounts is somewhat broader than that used in other UK healthcare expenditure analyses (including our earlier Expenditure on Healthcare in the UK publication), and it includes a number of services that are typically considered 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 Introduction to health accounts.

The analyses of health spending by function, provider and financing scheme in this bulletin only measure current expenditure on health care. This means that spending on the formation and acquisition of capital items, such as buildings and vehicles, in any given year is not included in these statistics. However, the cost of the consumption of fixed capital, a concept analogous to depreciation, is included. All figures contained in this bulletin are for current expenditure only, except for Annex 1, which contains figures for current and capital expenditure produced using the definitions from our previous Expenditure on Healthcare in the UK analysis.

## Adjusting for inflation

This bulletin reports expenditure in both nominal terms (current prices) and in real terms (2018 prices). Nominal terms refers to the price of goods or services at the time they were purchased, unadjusted for inflation. In this bulletin, we also adjust expenditure for inflation, to give the growth in healthcare expenditure notwithstanding the general increase in prices over time. We give real terms figures expressed in the price of goods and services as they were in 2018.

The gross domestic product (GDP) deflator is used to account for general, whole economy price changes. It is important to note that using a general price deflator will not account for the variation in price inflation across different components of health spending. For example, the price increase in medical goods may be very different from the price increase in long-term care services, but this variation will not be observed using the GDP deflator. Throughout this article, figures adjusted for inflation are termed as being in "real terms" or in "2018 prices", as 2018 is the chosen reference year. Note that growth rates in real terms are subject to revisions of the GDP deflator, which could influence growth in healthcare spending in future editions of this bulletin.

## Quality

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the UK Health Accounts QMI.

More detailed information on methods is available in Introduction to health accounts and UK Health Accounts: methodological guidance.

# 12 . Annex 1: Data from the series 'Expenditure on health care in the UK' from 1997 to 2018

In previous editions of the UK Health Accounts, we have produced a time series for healthcare expenditure beginning in 1997 known as the 'Expenditure on health care in the UK' series. This does not adhere to the definitions of healthcare expenditure as defined under the System of Health Accounts (SHA 2011) framework as it excludes several components, such as long-term care, and includes capital spending on health care.

Previously, this series has been published as an annex to the UK Health Accounts to give users an indication of how healthcare expenditure has changed over a longer time period than was previously available using our health accounts statistics, which began in 2013. However, our new health accounts time series running from 1997 onwards now supersedes this series, and 'Expenditure on health care in the UK' is being produced as an annex to this year's health accounts for the purpose of comparison only.

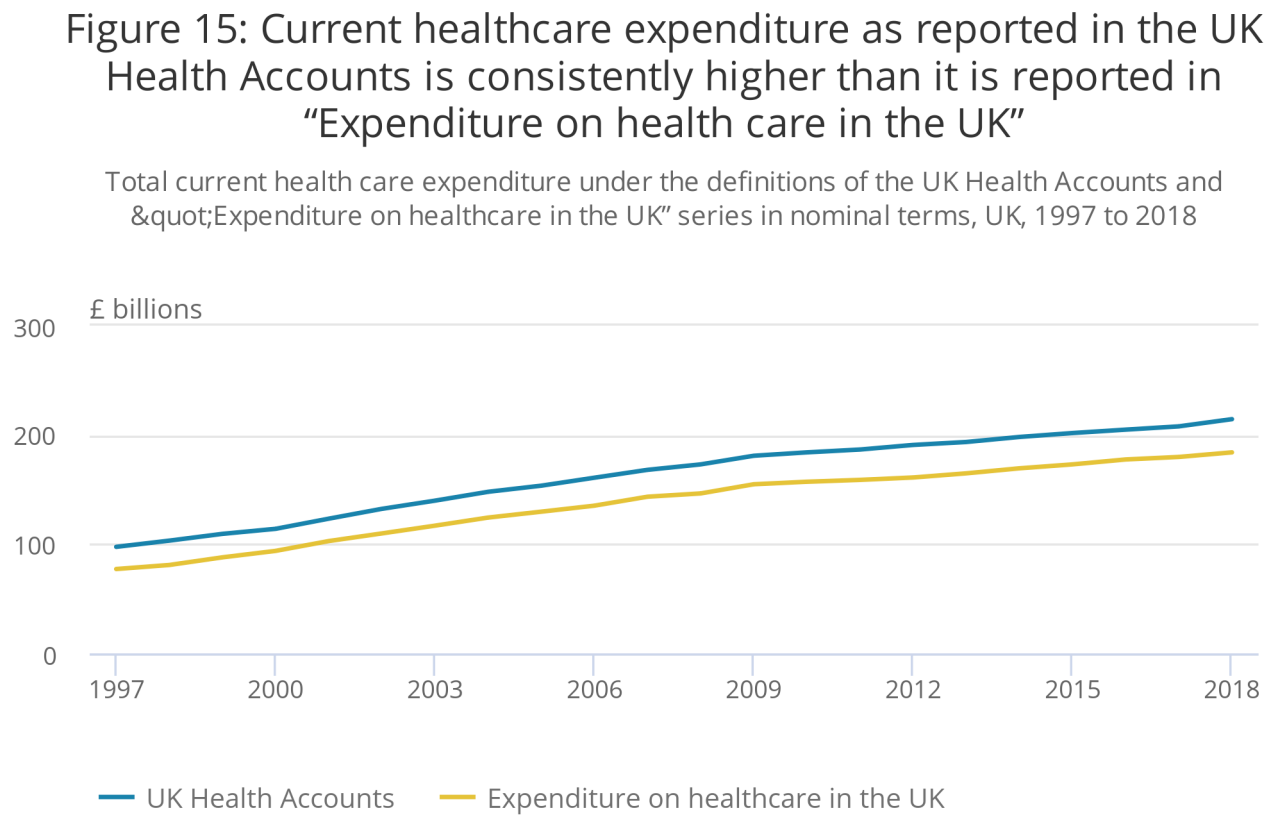
## Comparing current healthcare expenditure

Under the definitions of the 'Expenditure on health care in the UK' series, healthcare expenditure was £191.6 billion in 2018, consisting of £184.0 billion of current healthcare expenditure and £7.5 billion of capital spending.

Figure 15 shows the difference in current healthcare expenditure between the UK Health Accounts and the 'Expenditure on health care in the UK' series. Current healthcare expenditure was around £30.0 billion more as reported in the UK Health Accounts than when using the 'Expenditure on health care in the UK' definitions, the latter excluding most long-term care spending.

**Figure 15: Current healthcare expenditure as reported in the UK Health Accounts is consistently higher than it is reported in "Expenditure on health care in the UK"**

**Total current health care expenditure under the definitions of the UK Health Accounts and "Expenditure on healthcare in the UK" series in nominal terms, UK, 1997 to 2018**




**Source: Office for National Statistics – UK Health Accounts and Expenditure on health care in the UK**

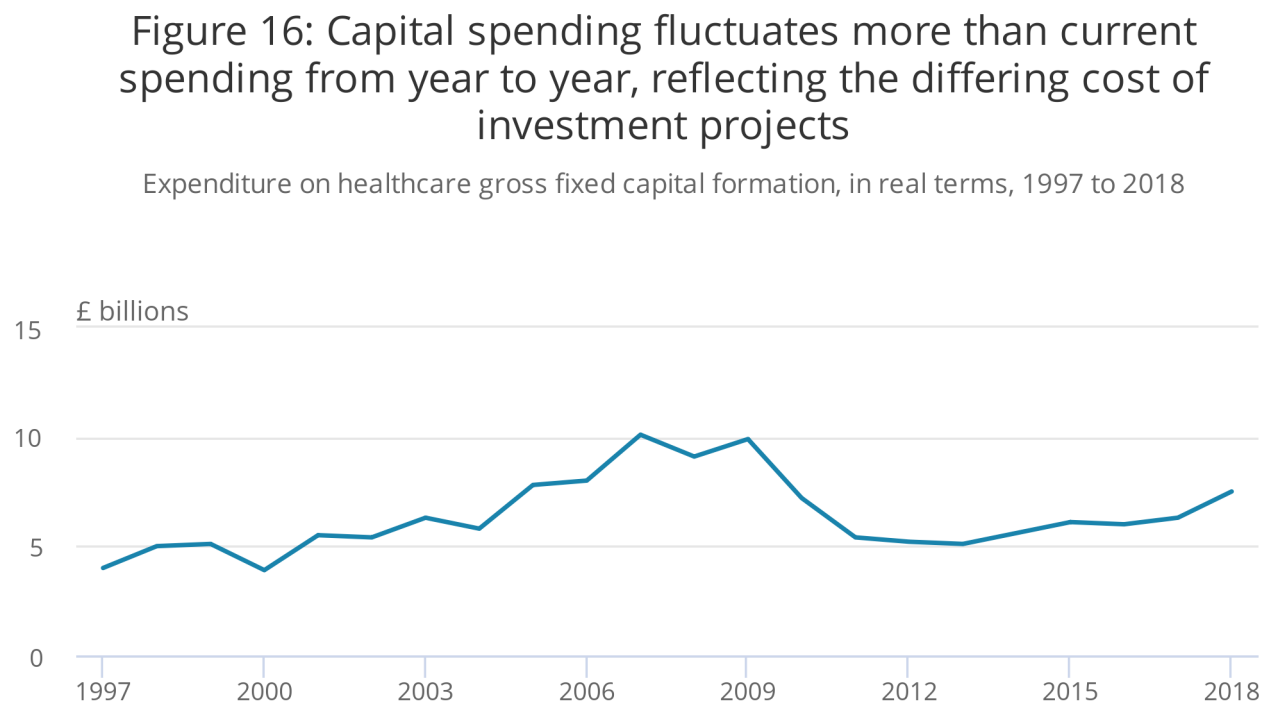
Despite differences in the magnitude of figures, differences in the average annual rate of growth between 1997 and 2018 are modest. The average annual rate of growth in current healthcare expenditure, in real terms, was 3.8% in the UK Health Accounts, compared with 4.2% in the 'Expenditure on health care in the UK' series. Between 2009 and 2018, the average annual rate of growth for both series was 1.9%, showing that the overall difference in growth was largely attributed to growth during the period 1997 and 2009. This largely reflects the slightly lower growth in long-term care services over this period, compared with the growth in healthcare services.

## Capital expenditure

Capital expenditure (gross fixed capital formation, GFCF), is an estimate of net capital expenditure by both the public and private sectors in the UK. Capital expenditure on health care in 2018 was £7.5 billion. Unlike capital consumption, which relates to the estimated use of capital over a given year and is measured as depreciation within current healthcare expenditure, GFCF concerns the net acquisition of capital in a given year. When looking at capital outlay over time, the series is substantially more volatile than current healthcare expenditure. These data will continue to be produced within future editions of this bulletin as a measure separate to the headline current healthcare expenditure statistics.

**Figure 16: Capital spending fluctuates more than current spending from year to year, reflecting the differing cost of investment projects**

**Expenditure on healthcare gross fixed capital formation, in real terms, 1997 to 2018**




**Source: Office for National Statistics – UK Health Accounts**

**Notes:**

1. Figures are presented in real terms, adjusted for inflation using the gross domestic product (GDP) deflator (series: IHYS).

## Reconciliation between UK Health Accounts and ‘Expenditure on health care in the UK’

Table 2 presents the differences between healthcare expenditure from the UK Health Accounts series and ‘Expenditure on health care in the UK’ for 2018.

Table 2: Reconciliation between the UK Health Accounts and “Expenditure on healthcare in the UK” series for 2018

**2018**

| | **£ billions** | **% of GDP** |
|---|---|---|
| Expenditure on healthcare in the UK | 191.6 | 8.9% |
| Capital expenditure | -7.5 | -0.4% |
| Changes to government expenditure | | |
| Addition of healthcare services provided by government bodies other than health departments | 0.4 | 0.0% |
| Addition of health-related social care | 14.0 | 0.7% |
| Addition of Carer’s Allowance | 3.2 | 0.1% |
| Addition of compensation recovery scheme income from private revenues | 0.2 | 0.0% |
| Other changes to government expenditure | -0.5 | 0.0% |
| Changes to out-of-pocket expenditure | | |
| Transfer of health insurance claims from out-of-pocket expenditure to insurance expenditure | -2.8 | -0.1% |
| Addition of long-term care (health) | 11.4 | 0.5% |
| Other change to out-of-pocket expenditure | 0.8 | 0.0% |
| Changes to voluntary health insurance expenditure | | |
| Transfer of health insurance claims from out-of-pocket expenditure to insurance expenditure | 2.8 | 0.1% |
| Other changes to insurance expenditure | 1.1 | 0.1% |
| Changes to other financing schemes | | |
| Changes to expenditure by NPISH | -1.3 | -0.1% |
| Addition of Enterprise financing | 1.0 | 0.0% |
| UK Health Accounts | 214.2 | 10.0% |

Source: Office for National Statistics - UK Health Accounts

Notes

1. The pre-existing healthcare expenditure series published by the ONS. Back to table

2. Capital spending is not included in the health accounts, which is a measure of current healthcare expenditure. Back to table

3. Net addition of providers of preventive care and services provided by government bodies whose purpose is not primarily to provide healthcare (for example,. Health and Safety Executive, police healthcare spending, and so on). Back to table

4. Health-related elements of social care spending are included in health accounts but not part of the Expenditure on Healthcare in the UK series. Back to table

5. State welfare payments to carers looking after someone with significant personal care needs are included in long-term care in the SHA 2011 definitions, but not in Expenditure on Healthcare in the UK. Back to table

6. Includes revisions to the measurement of education and training, and research and development expenditure deducted from health accounts. Back to table

7. Includes data source changes. Back to table

8. 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. Back to table

9. 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- voluntary donations, grants and investment income, excluding charity expenditure funded through client contributions and purchases of care. Back to table

10. Enterprise financing schemes were not part of 'Expenditure on Healthcare in the UK. Back to table

The largest item excluded from the UK Health Accounts but included within 'Expenditure on health care in the UK' is capital expenditure, which was £7.5 billion in 2018.

The largest items included within the UK Health Accounts but excluded from 'Expenditure on health care in the UK' concern health-related long-term care. This includes local authority-funded social care, spending on the Carer's Allowance and long-term care financed by individuals. In total, these items equate to an additional £28.5 billion measured as healthcare spending in the UK Health Accounts.

Other changes relate to the definitions of certain financing schemes within the UK Health Accounts. Under the SHA 2011, non-profit institutions serving households (NPISH) only covers expenditure funded through donations, grants and investment income and not expenditure financed by sales and charges. As a result of this, NPISH expenditure measured in the UK Health Accounts is £1.3 billion less than the 'Expenditure on health care in the UK' figure. Enterprise-financing schemes do not form part of the 'Expenditure on health care in the UK' series.

While both the UK Health Accounts and 'Expenditure on health care in the UK' reconcile closely to national accounts definitions of final consumption expenditure on health and HM Treasury's Public Expenditure Statistical Analyses (PESA) statistics on health expenditure, there are slight variations in how spending is allocated. For calendar years 2017 and 2018 and financial years ending (FYEs) 2018 and 2019, the interest payable to private sector organisations as part of NHS Private Finance Initiative schemes has been separately identified and is reported with other government debt payments instead of being under healthcare expenditure in the UK National Accounts and PESA respectively. This means that growth in healthcare spending over the most recent periods will differ slightly between the UK Health Accounts and the UK National Accounts.

# 13 . Related links

Public service productivity, healthcare, England: financial year ending 2018
Article | Released 8 January 2020
This article provides further analysis of public service healthcare productivity for England only and on a financial year basis.

Public service productivity, adult social care, England: financial year ending 2019
Article | Released 5 February 2020
Trends in the inputs, output and productivity of publicly funded adult social care.

UK Health Accounts: methodological guidance
Article | Released 19 May 2016
This guidance note explains the methodology used to calculate healthcare expenditure for government and non-government financing schemes of health accounts.

Introduction to health accounts
Article | Released 12 May 2016
This article explains what health accounts are and how they differ from the previous Office for National Statistics (ONS) analysis ‘Expenditure on health care in the UK’.

System of Health Accounts 2011
Framework | Released 10 October 2011
A systematic description of the financial flows related to the consumption of healthcare goods and services.

# 14 . Authors and acknowledgements

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