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PAC/COM/NEWS(2006)4

Paris, 9 February 2006

Study projects growing pressure on public health spending over and above effects of ageing society

Public spending on health and long-term care in OECD countries will double by 2050, if present trends continue, reaching an average level equivalent to nearly 13% of GDP compared with 6.7% today. Even if governments manage to contain rising costs, spending would still amount to the equivalent of around 10% of GDP by the middle of the century.

The projections are from a new OECD report that looks at the main factors driving up healthcare spending over the long-term. It finds that apart from the upward pressure on costs due to the demands of older and wealthier populations, government spending on health is growing 1 %-point faster than OECD countries' overall incomes. Advances in medical technology and rapid increases on health services are the main causes. Even where new technology brings down the cost of a treatment, public spending may rise as demand for the treatment increases.

It is these factors, which are not specifically related to ageing populations, that will put the most pressure on health spending over the long term, the paper suggests.

Projecting OECD health and long-term care expenditures: what are the main drivers? presents two main long-term scenarios. The first "cost-pressure" scenario assumes that spending continues to grow over and above income growth as it has done in the past. In the second "cost-containment" projection, governments take measures to curb this extra spending growth caused by price rises and new technology so that it is eliminated by 2050.

The projections reveal wide differences between countries. In the cost-containment scenario, spending on health and long-term care continues to rise most quickly in countries with rapidly ageing populations such as Italy, Japan and Spain. Sweden, which already spends a relatively high share of GDP on health and long-term care, has the slowest rise in additional spending. The main results by country are shown in the table herewith, with a breakdown of spending into health care and long-term care available in Table 1.1 from the report at the following address: <http://www.oecd.org/dataoecd/57/7/36085940.pdf>

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JT00200748

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Projections of total public health and long-term care expenditures (in % GDP)

	2005	2050	
		Cost-pressure scenario	Cost-containment scenario
Australia	6.5	12.6	9.9
Austria	5.1	10.9	8.2
Belgium	7.2	12.4	9.8
Canada	7.3	13.5	10.8
Czech Republic	7.4	13.2	10.7
Denmark	7.9	12.9	10.3
Finland	6.2	12.2	9.3
France	8.1	13.4	10.8
Germany	8.8	14.3	11.8
Greece	5.0	11.6	8.9
Hungary	7.0	12.6	9.5
Iceland	9.6	15.2	12.3
Ireland	6.7	14.5	11.3
Italy	6.6	13.2	10.7
Japan	6.9	13.4	10.9
Korea	3.3	11.9	9.1
Luxembourg	6.8	13.7	10.6
Mexico	3.1	11.7	8.7
Netherlands	6.8	12.5	9.9
New Zealand	6.4	12.6	10.0
Norway	9.9	15.0	12.4
Poland	4.9	12.2	8.5
Portugal	6.9	13.1	10.4
Slovak Republic	5.4	12.3	9.4
Spain	5.6	12.1	9.6
Sweden	8.6	12.9	10.1
Switzerland	7.4	12.3	9.7
Turkey	6.0	11.7	8.9
United Kingdom	7.2	12.7	10.0
United States	7.2	12.4	9.7
Average OECD	6.7	12.8	10.1

Source : OECD Secretariat calculations.