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## Social Security Abroad

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### International Health Expenditures\*

A private British organization, the Office of Health Economics (OHE), has recently published estimates on health service expenditures for five Western countries. On the basis of these figures it has concluded that health expenditures in each of the countries have grown much more rapidly in the decade of the sixties than in the fifties. Medical expenditures in the United States and the United Kingdom, it further noted, have grown at a slightly slower rate than in the other countries, both in relative and absolute terms. Estimates for the Netherlands and Germany developed by the Office of Research and Statistics are in agreement with the general pattern of rapid growth of health service expenditures.

The OHE derived its estimates from data on health expenditures for the early 1960's prepared by the World Health Organization (WHO).<sup>1</sup> Without going into extensive detail on methodology, OHE explained that these figures were updated by means of index numbers constructed from several series for health expenditures over a period of years in each country. The WHO study, prepared on the basis of exhaustive questionnaires sent to a number of countries, is now somewhat dated but is still widely recognized as the only international study of health costs with adequate comparability of data.

The OHE cautions, however, that not only do its data lack absolute precision but they may also differ from other estimates prepared for individual countries that are based on different but equally valid definitions of what expenditures should be included under medical care. It further warns that variations in price levels and purchasing powers of currencies can render inter-

country comparisons somewhat elusive. Nonetheless, OHE believes that the results reveal differences between the countries that are large enough to be significant.

Table 1 presents a comparison of the WHO figures from the early 1960's and the OHE figures from the late 1960's on health expenditures as a percentage of gross national product (GNP) in the five countries. Data for Germany and the Netherlands have been added on the basis of estimates prepared by the Office of Research and Statistics of the Social Security Administration.<sup>2</sup>

Despite OHE's reservations regarding its results, if the figure for the United States is an indication of the overall estimates, they are probably of a reasonably high order of accuracy. The estimate for the United States of 6.71 percent of GNP spent on national health expenditures for 1968 differs only minimally from the estimate of 6.6 percent prepared by the Social Security Administration.<sup>3</sup>

The discrepancy moreover, seems to be consistent with that introduced by the WHO estimate for the early 1960's when that organization employed a slightly different definition of health expenditure from the Social Security Administration. On this basis it estimated United States medical care costs for fiscal year 1961-62 at 5.8 percent of GNP, compared with the 5.6 percent figure arrived at by the Social Security Administration. The difference in the WHO approach lies principally in including costs of educating medical personnel; the Social Security Administration excludes them from its calculations.

It can be seen that all the countries experienced rising medical expenditures, which outpaced growth in the GNP. The United States is superseded only by Canada in the share of total national production devoted to health expenditures.

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<sup>2</sup> For both Germany and the Netherlands an effort has been made to include the same elements as the WHO study previously cited. The German estimates are based on data from the annual statistical yearbook of the Federal Republic of Germany for 1964 and 1969 and from the German publication *Ersatzkasse*, 8-9 of 1968, p. 351. The Dutch estimates are based on WHO figures and on calculations of Professor Jef van Langendonck of the University of Leuven as given in British Medical Association, *Health Services Financing*, 1970.

<sup>3</sup> See Dorothy P. Rice and Barbara S. Cooper, "National Health Expenditures, 1929-68," *Social Security Bulletin*, January 1970.

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<sup>1</sup> Brian Abel-Smith, *An International Study of Health Expenditures*, WHO Public Health Paper No. 32, Geneva, 1967.

TABLE 1.—Total expenditures for health services as percent of the gross national product, seven countries, selected periods, 1961-68

Country (ranked by percent of GNP)	WHO estimates <sup>1</sup>		OHE estimates <sup>2</sup>	
	Year	Percent of GNP	Year	Percent of GNP
Canada.....	1961	6.0	1968	7.25
United States.....	1961-1962	5.8	1968	6.71
Sweden.....	1962	5.4	1967	6.26
France.....	1963	4.4	1967	4.90
United Kingdom.....	1961-1962	4.2	1968	4.68
ORS estimates				
Netherlands.....	1963	<sup>3</sup> 4.8	1968	4.9
Germany, Federal Republic.....	1961	4.5	1967	5.7

<sup>1</sup> Developed by Brian Abel-Smith, "An International Study of Health Estimates," WHO Public Health Paper No. 32 (World Health Organization), 1967.

<sup>2</sup> Developed by the Office of Health Economics, "International Health Expenditures," OHE Information Sheet No. 6, September 1970.

<sup>3</sup> Netherlands included in WHO estimates (see footnote 1).

The sequence of table 1 changes considerably, as pointed out by OHE, when the countries are ranked according to annual rates of increase rather than actual expenditures (table 2). Although the United Kingdom is still at the bottom of the list, Sweden has risen to the top of the list, reflecting the greatest average rate of increase in health expenditures. The United States meanwhile moves down from its second-place position.

If adjustments are made in these figures to account for changes in the consumer price index, annual percentage increases are obtained that are more accurate reflections of changes in constant prices. The results are shown in the fourth column of table 2. Although there is a slight change in the ranking of the five countries with France moving ahead of Sweden, the United States and the United Kingdom remain last.

As a proportion of GNP, the average annual rate of growth for health service expenditures

TABLE 2.—Average annual rates of increase in expenditures for health services and in consumer price index, seven countries, selected periods, 1961-68

Country (ranked by health services expenditure rate)	Period	Average annual rate of increase		
		Health services expenditures	Consumer price index	Expenditure rate less CPI rate
Sweden.....	1962-67	14.0	4.5	9.5
France.....	1963-67	13.2	2.9	10.3
Netherlands.....	1963-68	12.5	4.5	8.0
Canada.....	1961-68	11.8	2.7	9.1
United States.....	1962-68	10.4	2.4	8.0
Germany, Federal Republic.....	1961-67	10.0	2.1	7.9
United Kingdom.....	1962-68	9.2	3.6	5.6

Source: See table 1.

was slower for the United States and the United Kingdom than for the other three countries for which OHE published estimates. In the United States it was 2.3 percent and in the United Kingdom it was 1.8 percent. For Sweden, Canada, and France the average annual increase in the proportion was 3.0 percent, 2.8 percent, and 2.7 percent, respectively.

In conclusion the OHE notes that health expenditures seemed to rise more rapidly in the 1960's than in the previous decade. During the 1950's, health service expenses rose to the point of taking an extra 1 percent of national income. The experience of these five countries indicates that they closed the 1960's spending about 2 percent more of annual GNP on medical services than they did at the beginning of the decade.

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