WHO/HA Policy Highlight No.2/ March 2014 (based on 2011 data)

Heavy reliance on out of pocket expenditures leads to financial barriers for poor.

The target for the first goal of the Millennium Declaration is to halve (between 1990 and 2015) the proportion of people with incomes less than one dollar a day. Out of pocket payments lead to financial barriers to access for the poor and for households purchasing medical goods and services result in fall below the poverty line (impoverishment) or suffer severe financial difficulties (i.e. they incur catastrophic expenditures). Household surveys have shown that on average, 100 million individuals are impoverished, and another 150 million individuals face severe financial difficulties during any given year because of these direct health expenditures.

In 2011, the world spent US$6.9 trillion or I$7.2 trillion (international dollars adjusting for differences in purchasing power between national currencies) on health. Low income countries with annual per capita incomes of less than US$1,025 relied most heavily on out of pocket payments to finance health care. In these countries, the share of out-of-pocket payments in total health expenditures measured in US$ terms was 48% compared to only 14% in countries with incomes higher than US$12,476 per capita. Health expenses in most high income countries are raised largely through pre-payment mechanisms such as taxes or health insurance premiums, with potential for cross subsidizing and protecting households from financial catastrophe. These funds are channelled through private insurance, social security and government agencies who purchase or provide health services (see figure below).

Components of health expenditure measured in US$

World Bank country classification by according to 2011 GNI/capita:
High income: US$12,476 or more;  Upper middle income: US$4,036 - $12,475;
Low middle income: US$1,026 - US$4,035;  Low income: US$1,025 or less

Source: WHO Health Accounts unit, Health System Governance and Financing, HGF, World Health Organization
www.who.int/health-accounts/en/