

How does NHS spending compare with health spending internationally?

20 January 2016

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In 2000, current spending [1 \(#footnote1_48zwzk3\)](#) on health care in the United Kingdom was 6.3 per cent of GDP, and the then Prime Minister Tony Blair committed his government to matching the average for health spending as a percentage of GDP in the 14 other countries of the European Union in 2000 (8.5 per cent) through increases in NHS spending.

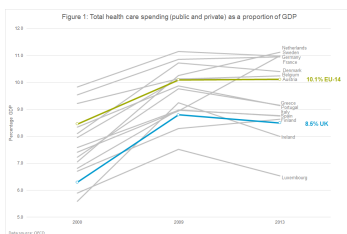
Over the next few years spending on the NHS increased substantially, pushing total (public plus private) spending to 8.8 per cent of GDP by 2009. By then, however, the EU-14 spend (weighted for size of GDP and health spend, and minus the UK) had moved on to 10.1 per cent of GDP. Still, the gap between the UK and its European neighbours was closing.

Since then, however, the gap has started to widen (particularly against countries that weathered the global financial crisis better than the UK) and looks set to grow further. UK GDP is forecast to grow in real terms by around 15.2 per cent between 2014/15 and 2020/21. But on current plans [2 \(#footnote2_am89um6\)](#), UK public spending on the NHS will grow by much less: 5.2 per cent. This is equivalent to around £7 billion in real terms – increasing from £135 billion in 2014/15 to £142 billion in 2020/21. As a proportion of GDP it will fall to 6.6 per cent compared to 7.3 per cent in 2014/15. But, if spending kept pace with growth in the economy, by 2020/21 the UK NHS would be spending around £158 billion at today's prices – £16 billion more than planned.

The growing gap between us and our European neighbours should give pause for thought. Tony Blair's commitment was partly an appeal to 'keeping up with the Schmidts and Lefebvres'. But it also emphasised that spending more on health care was affordable: if the Danes, Swedes, French and Germans can spend more on health care without apparently bankrupting the rest of their economy, why can't we?

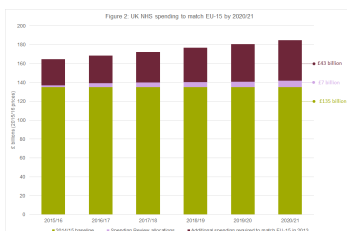
Comparing spending on health care between countries is not straightforward. We have to consider how to deal with differences in the source of funding: public or private (which will include out-of-pocket spending as well as insurance payments, often compulsory in countries with social insurance systems). Given differences in the way countries fund their health care it is usual to compare total spending (public plus private) expressed as a proportion of countries' GDP.

On this basis, [data from the OECD \(http://www.oecd.org/els/health-systems/health-data.htm\)](http://www.oecd.org/els/health-systems/health-data.htm) shows that in 2013 (the latest year for which figures have been published) the UK spent 8.5 per cent of its GDP on public and private health care. (This excludes capital spending equivalent to 0.3 per cent of GDP to make figures comparable with other countries'.) This placed the UK 13th out of the original 15 countries of the EU and 1.7 percentage points lower than the EU-14's level (ie, treating the whole of the EU-14 (ie, minus the UK) as one country with one GDP and one total spend on health care) of 10.1 per cent of total GDP³ ([#footnote3_6p54mu4](#)). (Note: the difference of 1.7ppts is rounded).



If we were to close this gap solely by increasing NHS spending (and assuming that health spending in other UK countries was in line with the 2015 Spending Review plans for England), by 2020/21 it would take an increase of 30 per cent – £43 billion – in real terms to match the EU-15 weighted average spend in 2013, taking total NHS spending to £185 billion (see Figure 2).

And of course we may find that by 2020/21 the EU average has moved on, leaving the UK lagging behind its neighbours once more.



Compared to OECD countries there is also a gap. Omitting the United States (which heavily distorts the weighted average due to its relatively high health spend and its very high GDP), the OECD spend is 9.1 per cent⁴ ([#footnote4_g91ubga](#)). For the UK to match this would require total spending to reach

£163 billion – an additional 15 per cent or £21 billion – by 2020/21 over current spending plans.

Whether funded publicly or privately, spending more on health will necessarily mean less on other things – either less private disposable income (if the additional money comes from additional taxation) or less on other publicly funded services such as education or defence – or indeed, paying down the UK's debt and reducing its deficit. Or it means additional government borrowing (which will have to be paid for by increased tax or less spending on non-NHS services). Historically, increases in NHS spending have in the main been achieved by reduced spending on other public services (such as defence) rather than say borrowing or tax increases per se.

Whatever the flaws of international comparisons, it's clear the UK is currently a relatively low spender on health care – as the [Barker Commission](#) ([/publications/new-settlement-health-and-social-care](#)) pointed out – with a prospect of sinking further down the international league tables. The question is increasingly not so much whether it is sustainable to spend more – after all, many countries already manage that and have done for decades. Rather, it is whether it is sustainable for our spending to remain so comparatively low, given the improvements in the quality of care and outcomes we want and expect from our health services.

1. ([#ExceptWhenIt'sState](#)) Except when it's state, capital spending has been excluded from international comparisons as reporting is not as up to date or comprehensive as for current spending. The final estimates for UK (current plus capital) spending matching EU and OECD averages are therefore slightly underestimated.

2. ([#That'sUsingPublic](#)) That is, using public expenditure statistical analyses for UK NHS spend figures in 2013/14 as a starting point, and assuming spending on the NHS in Scotland, Wales and Northern Ireland grows at the same rate as planned for England and set out in the government's 2015 Spending Review and Autumn Statement.

3. ([#TheSimpleAverage](#)) The 'simple' average for the EU-14 – the average of the percentage health spends – in 2013 was 9.6 per cent.

4. ([#ThisIsBasedOn](#)) This is based on treating the OECD as one country with one GDP and one spend on health. The 'simple' average of percentage spends on health is 8.7 per cent.