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Latest health spending
trends and outlook:
Balancing resilience and
sustainability in challenging
times

**David Morgan,
Michael Mueller**

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Balancing resilience and sustainability in challenging times

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David Morgan, Michael Mueller

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Abstract

Over the last five years, a succession of crises has strongly impacted the financial resources that countries were able and willing to allocate to health, and significant uncertainties continue to weigh on the global economy. As a result, restoring public finances has become a priority in many countries, with implications for health spending patterns. Health policy priorities are shifting towards identifying efficiency gains within health systems as a means of strengthening their resilience. This Health Working Paper summarises the latest health spending trends in OECD countries, highlighting that health spending growth in 2024 is still expected to have remained slightly above pre-pandemic growth reflecting the volatile economic growth patterns across countries in recent years. It also compares the latest trajectory of health spending with government expenditure in other areas, such as education, social protection or defence. Finally, drawing on budget information sourced for a limited number of countries, the paper discusses the likely short-term developments in health spending and provides examples of measures that countries have implemented to make their health spending more financially sustainable.

Resumé

Au cours des cinq dernières années, une succession de crises a fortement affecté les ressources financières que les pays pouvaient et voulaient allouer à la santé, et d'importantes incertitudes continuent de peser sur l'économie mondiale. En conséquence, le rétablissement des finances publiques est devenu une priorité dans de nombreux pays, ce qui a des répercussions sur des dépenses de santé. Les priorités en matière de politique de santé s'orientent désormais vers la recherche de gains d'efficacité au sein des systèmes de santé afin de renforcer leur résilience. Ce document de travail sur la santé résume les dernières tendances en matière de dépenses de santé dans les pays de l'OCDE, soulignant que la croissance des dépenses de santé en 2024 devrait rester légèrement supérieure à celle observée avant la pandémie, reflétant ainsi la volatilité de la croissance économique dans les différents pays ces dernières années. Il compare également la dernière trajectoire des dépenses de santé avec les dépenses publiques dans d'autres domaines, tels que l'éducation, la protection sociale ou la défense. Enfin, s'appuyant sur les informations budgétaires disponibles pour un nombre limité de pays, le document examine l'évolution probable des dépenses de santé à court terme et donne des exemples de mesures mises en œuvre par les pays pour rendre leurs dépenses de santé plus viables financièrement.

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In Brief

In 2024, average health spending growth is estimated to have been around 4% - above pre-pandemic rates. Health spending represented 9.3% of gross domestic product (GDP) on average across OECD countries - below the peak of 2021 (9.6%) but 0.5 percentage points above the level in 2019.

This comes after a volatile period of health spending growth impacted by a succession of health, economic and geo-political crises. On average, **health spending grew by unprecedented rates in 2020 and 2021** (5% and 8%, in real terms, respectively), **before falling back in 2022 (-2%), staying flat in 2023**, and growing again in 2024.

Across OECD countries, **health spending patterns have widely diverged** - much more over the last five years than before the COVID-19 pandemic. Countries were affected by the various crises at different times and to varying degrees, resulting in diverse health financing responses.

In terms of composition of health spending, while spending growth for long-term care was relatively stable throughout this period, there was exceptional volatility in preventive and administrative spending. By 2023, **the share of health spending allocated to prevention was back to a similar level as before the pandemic.**

Ensuring sufficient capital investment is a key component in making health systems more resilient to shocks in the future. This accounts for around 0.6% of GDP, on average, but **investment in ICT equipment and software has outpaced other areas of capital spending** (which include construction and other equipment) in the health sector over the last decade.

Across the OECD, **health is the second largest budget item after social protection**. Compared to other government functions, **health spending has grown stronger than total government expenditure in the years leading up to the pandemic, as well as between 2019 and 2023**. In both periods, health spending growth was above that of education and social protection but below defence spending growth.

This has led to the share of government budgets allocated to health increasing by around 1 percentage point between 2013 and 2023 across the OECD, to stand at around 15%. This points to an overall increase in the prioritisation of health in government budgets, however additional resource availability is no guarantee that money is well spent. It may also point to challenges in managing the health spending path.

The economic outlook remains challenging, impacting the resources that countries will be able (and willing) to mobilise for health. In many countries, economic growth is expected to remain sluggish in the short-term and public deficits, that have strongly increased with rising debt service costs, will further limit the fiscal space for some countries. Hence, **restoring public finances will remain a key policy priority.**

That said, the fiscal position of countries differs widely. Based on an analysis of available budget reports for a small subset of countries, **public spending on health is expected to have recorded robust growth in 2025** (in some countries also in 2026) **before slowing down markedly**, with expected (real term) negative growth in some countries.

For countries with social health insurance systems, **there are some indications that revenues have not caught up with spending growth in recent years**, requiring insurance funds to draw on accumulated reserves or additional government support to fill the deficits.

Ageing populations, rising incomes and technological progress will continue to be the main drivers of health spending growth in the future. ***Enhancing health system efficiency is key to making this path financially sustainable.***

To balance public budgets in the short-term but also to put health spending on a more sustainable long-term path, selected ***ongoing and planned reforms aim to improve health system efficiency and cut wasteful spending, but also try to rebalance the public-private financing split.***

In the long-run, more transformative reforms to increase efficiency include primary healthcare, the hospital landscape and digital health. For some of these initiatives important upfront investments are necessary.

1 Introduction

1. OECD countries have faced a series of crises over the past five years with either a direct or indirect impact on the resources available for health and the trajectory of health spending. From early 2020 onwards, the COVID-19 pandemic presented major challenges to the resilience of health systems, but also economies and societies worldwide. While an unprecedented amount of additional financial resources was mobilised to fight the spread of the SARS-CoV-2 virus and address its consequences, the pandemic led to millions of deaths and had a very harsh impact on population health that can still be felt - for example, for people suffering from “long COVID” (Espinosa Gonzalez and Suzuki, 2024^[1]).
2. At the same time, the pandemic had severe economic implications, leading to one of the worst global recessions in the last 80 years. When countries started to transition out of the pandemic and towards economic recovery in 2022, the war in Ukraine presented a new shock to the world economy. Inflation rates climbed to levels not seen in decades as prices for energy and commodities soared, placing a new financial burden on both governments and households. Increasingly, public spending on health had to compete with new priorities such as support for households and business, the environmental transition, and defence spending. In this climate of uncertainty, economies have underperformed leading to shortfalls in tax income and social contributions to finance public spending – including on health. This in turn has contributed to rising public deficits and debt levels, which limits the fiscal space of policymakers to finance future spending needs. More recently, discussions around tariffs and trade restrictions have added to the economic uncertainty in many countries.
3. Despite the fact that COVID-19 revealed that health systems were underfunded and unprepared to deal with a health crises of this magnitude (OECD, 2023^[2]), as well as mounting health financing needs due to population ageing and other factors, many health and finance ministries are currently faced with a need for fiscal consolidation to balance public finances.
4. This document discusses the most recent health spending data in the context of these recent crises and ongoing challenges. Section 2 analyses in detail how health spending has developed between 2020 and 2024 from a financing and service perspective, also putting the latest trends into a historic context; with a special focus on how capital spending has evolved. Section 3 compares the latest trajectory of health spending to government expenditure in other areas, such as education, social protection or defence to analyse which areas have been given a higher priority in public budgets in the last five years. Finally, Section 4 provides an initial outlook on how health spending is likely to develop in the short-term. It also discusses the current financial challenges faced by OECD health systems and indicates some ongoing or planned reforms to make health systems more efficient and restore public finances.

2 What are the latest trends in health spending?

Health spending growth has been volatile in recent years but growth in 2024 is estimated to have exceeded pre-pandemic rates

5. Across OECD countries, health spending growth has been relatively volatile in recent years compared to historic spending patterns. Since 2020, a succession of events has had a direct (and indirect) impact on the amount of financial resources countries were able (and willing) to mobilise for health. Historically, over the last two decades, the trend in health spending growth has been very much aligned with overall economic growth (Figure 2.1). One exception to this was the economic and financial crisis that commenced in late 2008. While OECD economies sharply contracted in 2009, health spending growth was briefly maintained before slowing to near zero between 2010 and 2012 as measures were introduced to contain public spending. This was followed by a return to moderate growth.

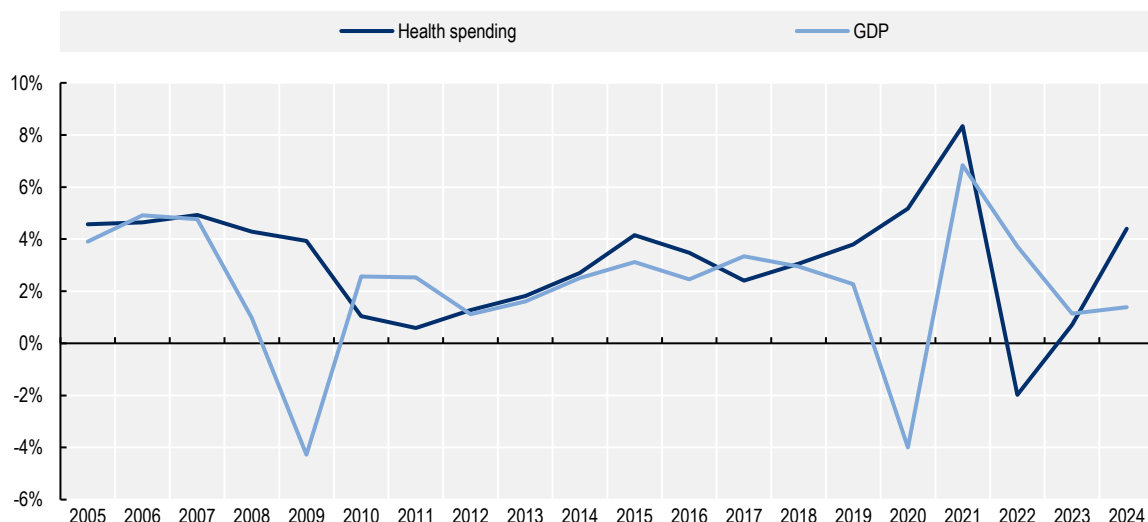
6. During the COVID-19 pandemic in 2020, widespread lockdowns and other public health measures severely restricting economic activity sent many OECD economies into freefall, while health spending soared. Russia's war on Ukraine, the energy crisis, and supply chain disruptions later led to high inflation and slower-than-expected growth in 2022 and 2023. As countries moved beyond the acute phase of COVID-19, health spending declined on average by 2% in 2022 and stagnated in 2023. However, in 2024, health spending returned to (and exceeded) pre-pandemic growth rates, with expenditure estimated to have increased by around 4% in real terms, more than double GDP growth. The 2023/24 health spending growth rate is the first largely unaffected by the exceptional COVID-19-related effects that impacted OECD countries, to different degrees, between 2020 and 2023.

The divergence in growth rates across countries has amplified since 2020

7. This general volatility in health spending growth over the last five years is also fuelled by the diversity of spending trajectories across countries (Figure 2.2). Overall, the "band" of average annual growth rates has widened since 2020, reflecting the fact that OECD countries were confronted by the various crises at different times and to differing degrees, leading to different responses when it came to the mobilisation or generation of financial resources for health.

Figure 2.1. Health spending growth has frequently been in line with GDP growth in the last two decades with two notable exceptions

Annual growth of health expenditure and GDP, in real terms, 2005-2024, OECD average



Note: Health spending in current prices is converted into growth in "real terms" using the deflator for Actual Individual Consumption.

Source: OECD Health Statistics 2025; OECD Economic Outlook 117.

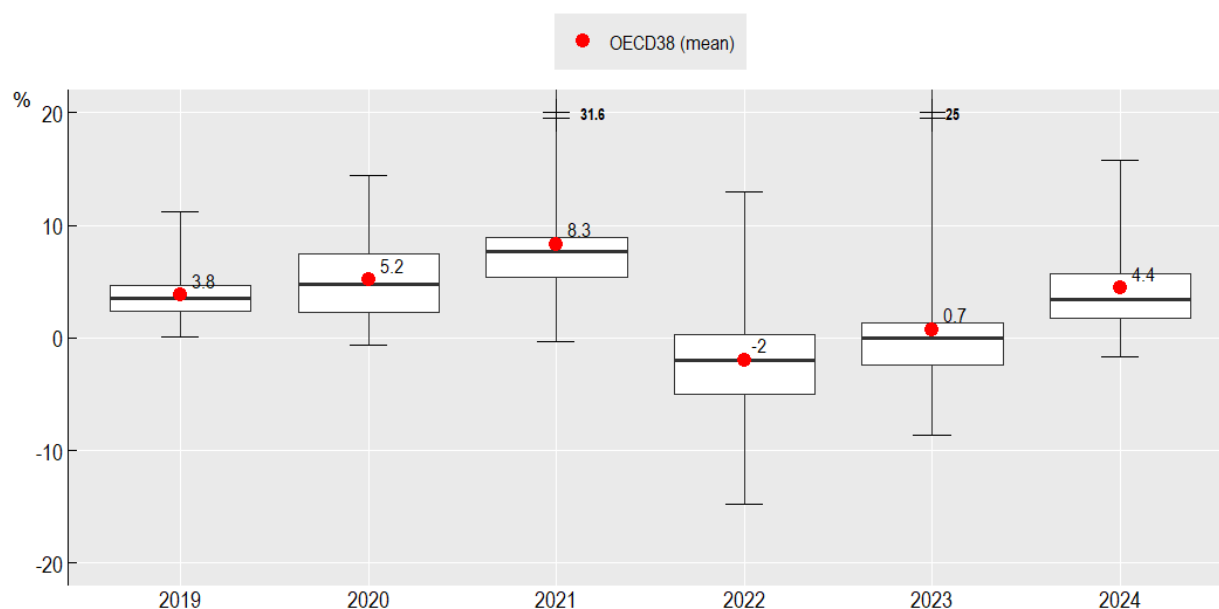
8. For example, in 2020, the first year of the pandemic, the Czech Republic and Hungary recorded annual spending growth of more than 12%, in real terms, while it was slightly negative in Poland and stagnated in Chile and Japan. In 2021, health spending increased by more than 15% in Chile and Colombia¹ but was flat in the United States. Three out of four OECD countries recorded negative health spending growth in 2022 in real terms, when additional COVID-19 spending frequently dried up in a high-inflation environment. However, health spending growth was in the double-digits in New Zealand.² An accelerated unwinding of pandemic measures with stubbornly high inflation continued through 2023 in many countries, as health spending stayed flat overall. Yet, Poland and Türkiye recorded very robust health spending growth that year. Finally, in 2024 health spending growth returned to and exceeded pre-pandemic rates as inflationary pressures softened and many countries were able to generate funds to strengthen health systems. Double-digit growth is estimated for Poland and the Slovak Republic. Latvia followed a very particular spending trajectory - with an astounding real-term spending increase of 30% in 2021, followed by very substantial corrections in the two subsequent years.

¹ In many Latin American countries COVID-19 infections in 2020 were comparably limited.

² The first pronounced wave of COVID-19 infections in New Zealand occurred only in 2022.

Figure 2.2. Health spending trends differed substantially across the 38 OECD countries in recent years

Annual growth in health expenditure 2019-2024, in real terms, OECD average (mean), upper and lower quartiles, median, maximum and minimum



Note: The box describing the upper and lower quartile covers the growth rate range of exactly 50% of OECD countries. The horizontal line inside the box marks the median. Whiskers mark the maximum and minimum growth rates among the 38 OECD countries in any year.

Source: OECD Health Statistics 2025.

Health spending growth is driven by public spending

9. Compared to the pre-pandemic period, the last five years also displayed considerable variation in spending trends across financing schemes. Government spending (such as for a National Health Service) and spending by compulsory insurance schemes (for example by social health insurance) recorded very high real growth of around 8% in both 2020 and 2021, on average across the OECD (Figure 2.3). This is because nearly all of the additional funding mobilised to fight the spread of the SARS-CoV-2 virus and address its consequences, as well as the costs of the immunisation campaigns, were borne by public payers. Subsequently, with the unwinding of pandemic measures and the increased competition for public budgets as a result of the energy and cost-of-living crises, public spending on health fell by 3% in 2022 and was flat in 2023. For 2024, robust growth of around 5% is estimated for public health spending.

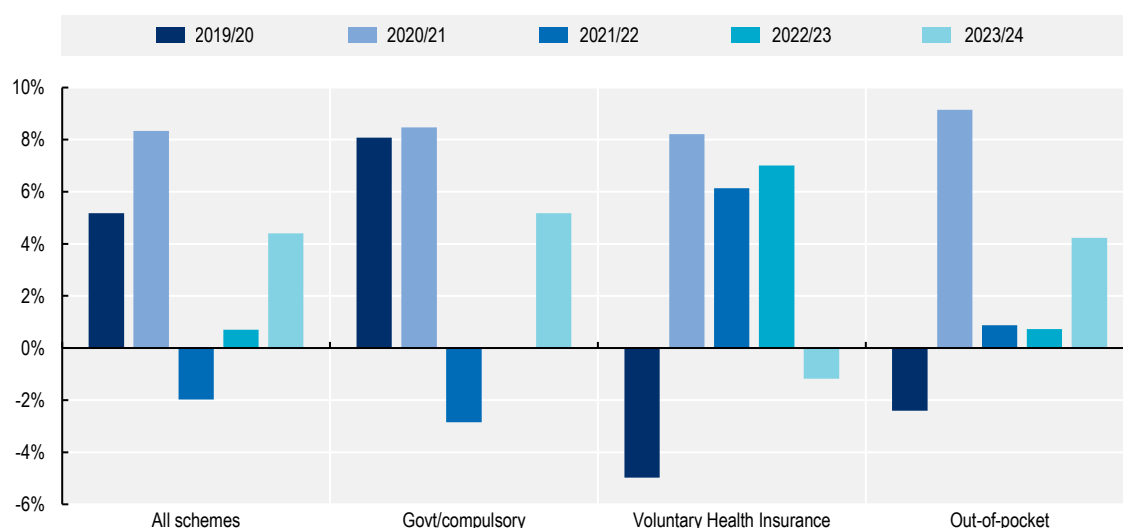
10. The trajectory has been very different for private spending. Spending from voluntary (private) health insurance fell substantially (-5%) in 2020 as non-urgent elective surgery and dental treatment (two popular areas for voluntary insurance coverage) were postponed during peak waves of COVID-19 infections, but spending growth stood between 6-8% between 2021 and 2023 as backlogs of postponed treatments were cleared. Similarly, out-of-pocket spending fell in 2020 with reduced service utilisation, partly out of fear of infection, but returned to strong 9% growth in 2021. Years 2022 and 2023 recorded only modest growth of household spending for health (1%). For 2024, out-of-pocket spending is expected to have returned to growth of around 4%.

11. As a result of these diverging patterns, the overall financing composition has slightly changed over the last five years. In 2024, the share of health spending covered by government and compulsory insurance

schemes is estimated to stand at 75% across OECD countries, roughly 1 percentage point above the share in 2019. The proportion directly borne by households decreased slightly, expected at 19% in 2024, while the financing role of voluntary health insurance remained stable, at around 5% of all health spending.

Figure 2.3. Spending trajectories have diverged widely across the various financing schemes

Annual spending growth by financing scheme, in real terms, OECD average, 2019-2024



Note: Govt/compulsory refers to Government schemes with automatic participation and compulsory insurance schemes. Together they financed around three quarters of all health spending.

Source: OECD Health Statistics, 2025.

Spending on preventive care and administration has been very erratic while long-term care has grown steadily

12. In recent years, the various public health and economic shocks, as well as the geo-political challenges had an impact on health spending patterns in many countries, resulting in notable differences in the spending pattern across services (Figure 2.4). In the pre-pandemic period (2017-19), variation in annual spending growth across services in OECD countries was relatively limited, ranging from around 2% for pharmaceuticals to between 3-4% for inpatient care, outpatient care, long-term care, with spending growth of administrative services slightly exceeding this.

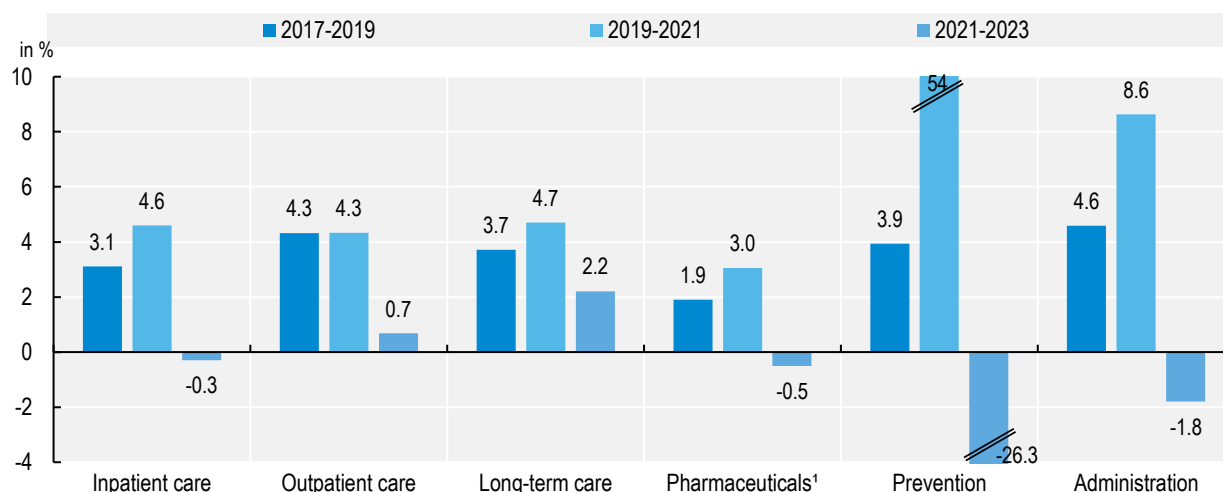
13. The pandemic triggered an acceleration of spending growth across all healthcare functions. Between 2019 and 2021, annual spending growth for inpatient care, long-term care and pharmaceuticals saw important upticks, driven by expenses for additional staff and input costs as well as spending on personal protective equipment (PPE) such as face masks. Spending on preventive care increased by over 50% per year, based on substantial investments in public health measures including vaccination campaigns. At nearly 9% annually, spending on health system administration also recorded strong growth between 2019 and 2021. By comparison, spending on outpatient care and long-term care was relatively stable.

14. The period 2022-23 saw a widespread unwinding of additional COVID-19 spending, which affected all health services, but particularly preventive spending. Moreover, many OECD countries were faced with high inflation and the energy and cost-of-living crises, and health budgets had to increasingly compete with

other priorities. As a result, annual spending growth turned negative for most services in this period in many countries, with long-term care being a notable exception.

Figure 2.4. A correction in health spending growth for all services occurred after the pandemic

Annual growth in health expenditure for selected services (real terms), OECD average, 2017-19, 2019-21, and 2021-23



Note: 1. Includes spending on medical non-durables such face masks.

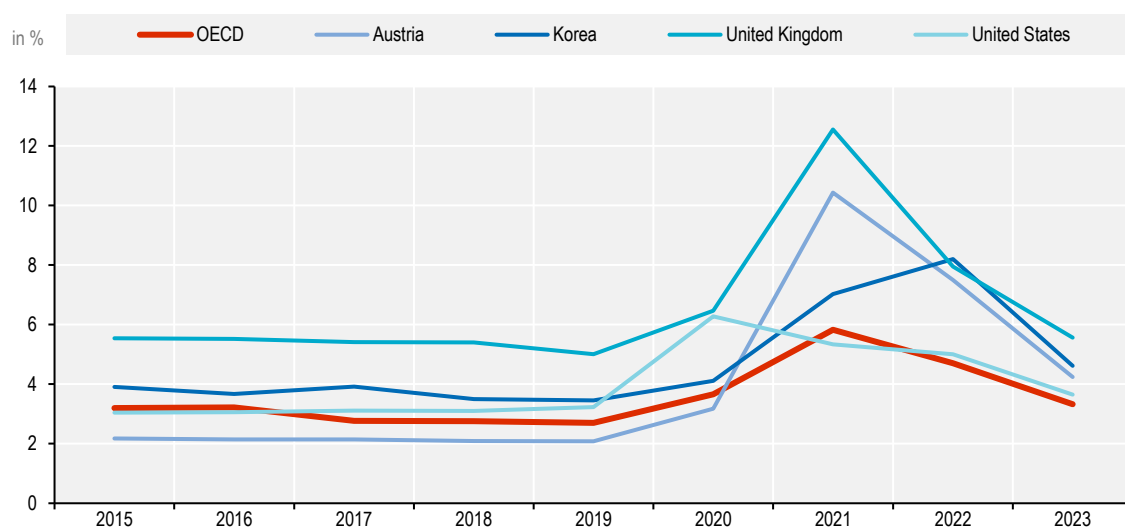
Source: OECD Health Statistics 2025.

15. A preliminary analysis of 2024 health spending data (based on eight countries with the required level of detail) suggests that the above average spending increase in that year was driven by the outpatient care sector while spending on preventive care and administration continued to stagnate or drop after the peaks in spending during the pandemic years.

16. Despite the substantial fluctuation in spending patterns across the different healthcare goods and services, the overall health spending composition in 2023 was very similar to the pre-pandemic situation. Across the OECD, outpatient care represents one-third of all health spending followed by inpatient care (28%), medical goods (18%) and long-term care (14%). Spending on prevention and administration only accounts for around 3%, respectively. Figure 2.5 illustrates how the share of overall health spending allocated to prevention has fluctuated in recent years, across the OECD and for selected countries. On average, the proportion in 2023 is returning to a similar level than before the pandemic.

Figure 2.5. Spending on prevention is returning to pre-pandemic levels

Spending on prevention as share of current health expenditure, 2015-2023, OECD average and selected countries



Source: OECD Health Statistics 2025.

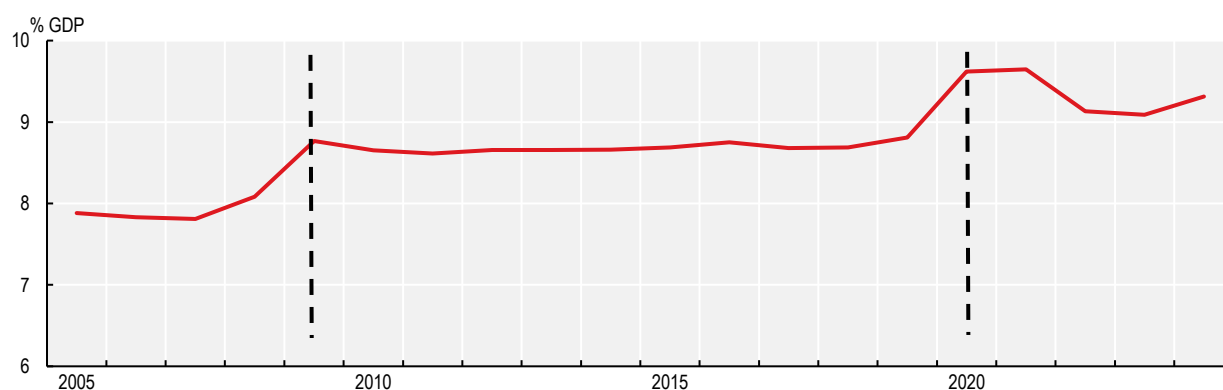
Healthcare consumed a higher proportion of economic output in 2024 than before the pandemic but remains below the peak of 2021

17. As a consequence of above average health spending growth estimated in 2024 combined with a sluggish economic performance, the average share of health spending in GDP is estimated at 9.3% in 2024 (Figure 2.6). This is around 0.3 percentage points down on the peak attained in 2021 but still 0.5 percentage points above pre-pandemic levels. This increase is largely in line with the baseline health spending projections based on pre-pandemic 2019 spending levels, with the main drivers in this medium-term projection model being rising incomes, productivity constraints, demographic changes, and technological innovation. However, this trajectory falls short of the long-term additional resources of the 1.4% of GDP, on average, considered necessary to make health systems more resilient again future health shocks, particularly in key areas such as prevention, core equipment and health workforce (OECD, 2023^[2]). Moreover, even with the additional resources that countries were able to mobilise, it is unclear whether they were invested in those areas that needed strengthening (OECD, 2024^[3]). For prevention, the latest evidence suggests that this is not the case.

18. The resources allocated to health continue to diverge widely across OECD countries, with the United States spending by far the most — equivalent to 17.2% of its GDP in 2024 – and well above the next biggest spenders, Germany, Austria and Switzerland, that followed at around 12% (Figure 2.7). At the other end of the scale, Mexico and Türkiye spent less than 6% of their GDP on health.

Figure 2.6. The economic resources allocated to health are increasing

Health spending as a share of GDP, 2005-2024, OECD average

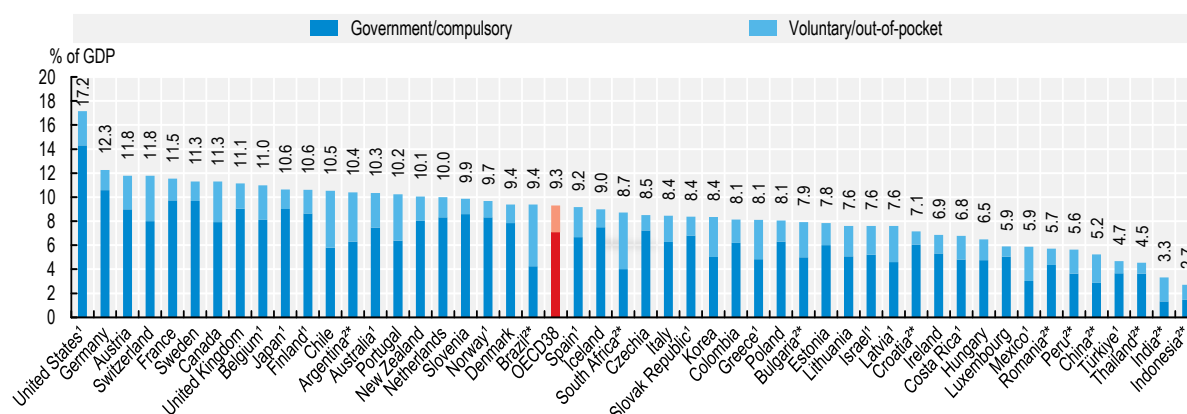


Note: The first dotted vertical line marks the key year of the financial and economic crisis. The second dotted vertical line marks the beginning of the COVID-19 pandemic.

Source: OECD Health Statistics 2025.

Figure 2.7. OECD countries differ widely in the resources allocated to health

Health expenditure as a share of GDP, 2024



Note: 1. OECD estimate for 2024. 2. 2022-2023 data. * Accession/partner country.

Source: OECD Health Statistics 2025; WHO Global Health Expenditure Database.

Capital spending is a key pillar of resilient health systems

19. The analysis presented so far referred to current expenditure, that is, excluding capital investments. However, physical infrastructure and technology play a central role in the delivery of effective health services, and investments in new healthcare facilities, equipment and digital technologies directly influence the ability of health systems to respond to both routine and emergency health demands. Investing in capital is thus fundamental to strengthening resilience across the health sector.

20. Compared to spending on the delivery of care, capital investment can be greatly influenced by short-term macroeconomic conditions, political priorities and legacy infrastructure. Prolonged underinvestment can lead to deteriorating facilities, outdated technology, and fragile infrastructure that is costly to remedy later.

Measuring productivity solely in terms of workforce inputs provides an incomplete picture of efficiency in healthcare delivery. Capital investment, alongside technological adoption and organisational innovation shape how effectively labour inputs are transformed into outputs and outcomes.

21. Between 2021 and 2024, average annual capital expenditure on health across OECD countries stood at around 0.6% of GDP – compared to average current health spending of more than 9% of GDP over the same period. The breakdown of capital spending in the health sector reveals that, on average across OECD countries, construction accounts for the largest share (around half), followed by machinery and equipment, and then intellectual property products such as databases and software.

22. The OECD report *Ready for the Next Crisis? Investing in Health System Resilience* identified “fortifying the foundations of health systems” as one of three core investment pillars for resilience (OECD, 2023^[2]). Within this, two areas are critical:

- Sufficient core equipment and IT infrastructure, including digital hardware and telemedicine capabilities; and
- Well-harnessed health information, encompassing interoperable data systems, analytics, and AI tools to support evidence-based decisions and early warning systems.

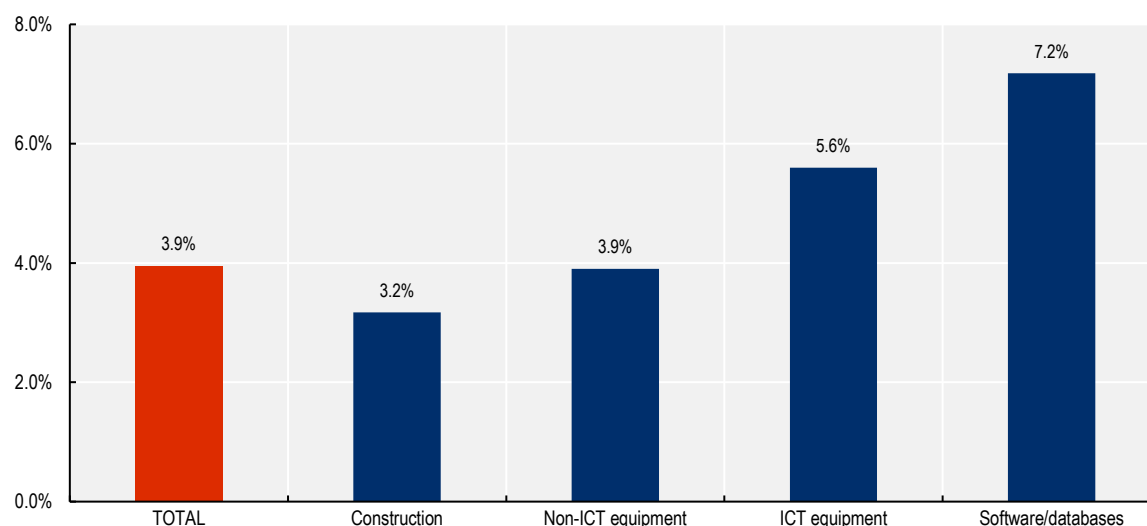
23. The report estimated that increasing capital spending such that all OECD countries meet the 75th percentile level would require an average increase of 0.13 percentage points of GDP (based on 2019 levels), split between additional investments in equipment and IT hardware and digital infrastructure and software/databases.

24. OECD analysis underscored that systemic resilience depends not only on physical assets but also on the intelligent use of data and digital technologies. Health systems have tended to remain “data rich but information poor,” with fragmented systems that limit the ability to make timely, coordinated decisions. It was estimated that operational spending in harnessing and analysing health data - through interoperability, AI-driven analytics, and robust governance could yield a return of roughly 3:1 through efficiency gains, improved outcomes, and avoided crisis costs (OECD, 2019^[4]).

25. This emphasis on digital capital has been reflected to an extent in investment patterns across a group of OECD countries. As shown in Figure 2.8, the average annual growth in capital spending in the health sector on ICT equipment and software/databases between the periods 2011–2013 and 2021–2023 outpaced that of other categories of investment goods. Spending on software and databases grew by 7.2% per year, and on ICT equipment by 5.6%, compared with 3–4% growth for construction and machinery. The average share of these two categories has increased from just over 11% to 15% of total capital spending in the health sector over this ten-year period. This shift suggests a structural reorientation of health investment—from physical expansion alone toward the digital transformation of service delivery, information systems, and data management. However, spending levels on digital infrastructure remain low – and the annual average capital spending on ICT equipment and software/databases for the same set of countries rose by only 0.02 percentage points over the same period– a fraction of the overall 0.13 percentage points increase in capital spending required.

Figure 2.8. Spending on ICT equipment and software has grown faster than other areas of capital spending in the health sector

Average annual growth in capital spending in health for a set of OECD countries from 2011-2013 to 2021-23



Note: Compares the total spending during the period 2021-23 with 2011-13 for a set of 16 OECD countries by subcategory of fixed assets. Growth is based on chained linked volume measures and refers to the Health and Social sector.

Source: OECD National Accounts Database 2025.

3 Which government functions have a higher priority than health in public budgets?

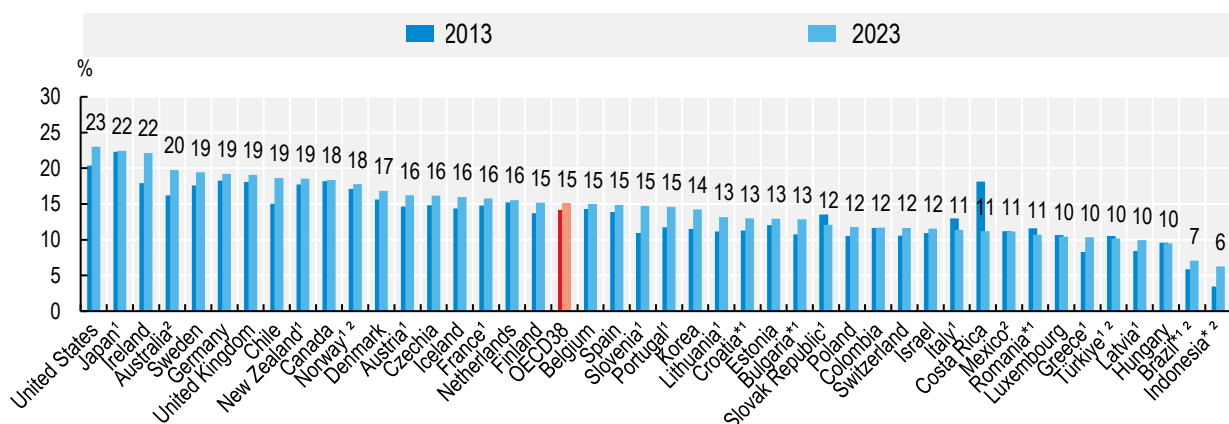
Health has taken a greater share of government budgets over the last decade

26. As a result of frequent and recurring investments in health systems, the share of health in total government budgets has increased slightly over the last decade. In 2023, health spending accounted for an average of 15.1% of total government expenditure across OECD countries; an increase of 1 percentage point compared to 2013 (Figure 3.1).

27. During the initial phase of the pandemic, many OECD countries were obliged to substantially increase the public resources allocated to health. As a result, the share of government expenditure dedicated to health increased, peaking at 15.6% in 2021. However, 2022 saw new economic and geopolitical challenges. Russia's war on Ukraine disrupted global energy markets and fuelled inflationary pressures, while many countries dealt with growing fiscal deficits fuelled by the economic consequences of the pandemic. These constraints and the winding down of the extraordinary spending brought on by the pandemic saw the share of government expenditure dedicated to health decline in 2022 and 2023 across many OECD countries— while still remaining above pre-pandemic levels.

Figure 3.1. Health spending is taking a larger share of government budgets in most countries

Health expenditure from public sources as a share of total government expenditure, 2013 and 2023 (or nearest year)



Note: 1. Public funding is estimated by summing up spending by government schemes and social health insurance. 2. Latest data from 2020-22. ³⁸Accession/partner country. Sources: OECD Health Statistics 2025, OECD National Accounts Database.

How does the spending trajectory of health compare with other government functions?

28. Allocating financial resources for the provision of healthcare for its citizens is a key function of governments or public agencies such as social health insurance funds across all OECD countries. Yet, ensuring population health is only one of many different government responsibilities. Governments also need to provide public goods such as internal security and defence, and other priorities such as providing economic subsidies to businesses, affordable housing, education or social protection. These objectives compete for public funding as part of the annual budget cycle, drafted by governments and voted in parliaments, and can reflect temporal shifts in priorities.

29. On average across OECD countries, health accounts for a slightly higher share of public expenditure than general public services, economic affairs and education but much less than the share spent on social protection, which typically accounts for more than a third of the total public budget of a country.³ Government spending on public order and safety, defence, housing, environment protection and recreation is much smaller by comparison (with no item exceeding 4% of the budget on average).⁴

30. Figure 3.2 shows that, across the OECD, the average annual growth rate of health spending in public budgets between 2019 and 2023 was very close to the pre-pandemic period at around 3%. By comparison, public spending with the purpose of economic support (e.g. subsidies to businesses), environmental protection and housing recorded much higher spending growth through the pandemic and the cost-of-living crises. Spending on recreation and culture on the other hand, has seen a drastic reduction in spending growth. The budgets allocated to education were growing at lower rates than health during both periods also reflecting demographic trends in most countries. The opposite is true for defence budgets; they were already growing more dynamically than health between 2015 and 2019 as well as between 2019 and 2023, albeit from a lower base.

31. The calculation of a compound annual growth rate for the years between 2019 and 2023 masks important annual differences across the various government budget areas since this period covers the pandemic, the energy and cost-of-living crises and geo-political challenges with the war in Ukraine which all had impact on the budgetary responses. As described earlier, public health spending growth was exceptionally high in 2020 and 2021 before falling back in 2022 and staying flat in 2023.⁵ The deep economic recession in 2020 required exceptional government subsidies to keep businesses afloat (+43% on average) before measures were dropped over the subsequent years (Figure 3.3). Social protection showed a similar spending pattern, with extraordinary growth in 2020 (due to furlough schemes) and negative or only moderate growth in the following years. Throughout this period, the budgets on education increased only marginally (if at all). By contrast, average annual budget increases for defence stood at around 5% in 2022 and reached 11% in 2023, a response in many OECD countries to the war in Ukraine.

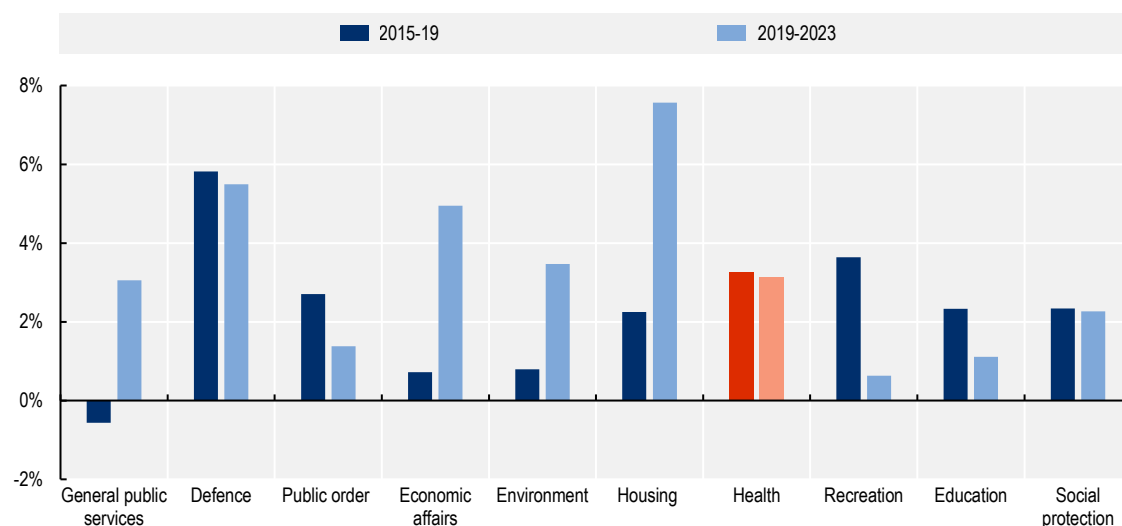
³ This analysis is based on an analysis of total government expenditure according to the Classification of Functions of Governments (COFOG). This is a different perspective than the analysis based on the System of Health Accounts used to inform Section 2 and the first part of Section 3. The definition of “Health” in COFOG excludes most of long-term care (which is considered under Social Protection in COFOG). Moreover, SHA defines health spending as the final consumption of healthcare goods and services which is missing some expenditure included under total government expenditure.

⁴ Figure 3.4 compares the exact composition of total government expenditure between 2019 and 2023

⁵ A return to robust growth in 2024 is projected but this year is not yet available for COFOG data.

Figure 3.2. Compared to other government functions, average health spending growth has been relatively stable overall but masks important annual variations in recent years

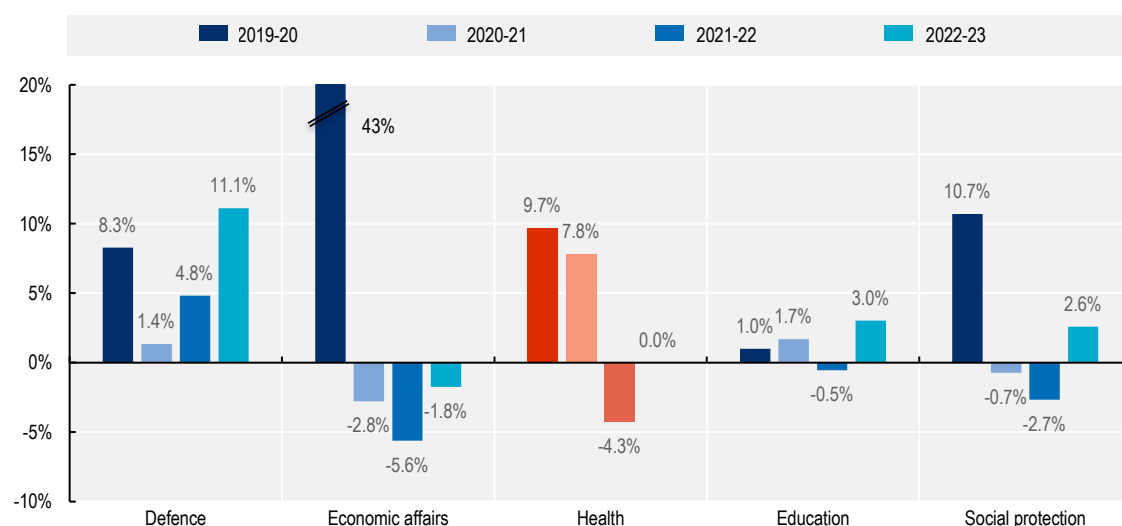
Average real annual growth in total government expenditure by function of government (COFOG), real terms, OECD average, 2015-19 and 2019-2023



Note: Data refers to total government expenditure by COFOG. All functions are deflated with the GDP-Deflator.
Source: OECD National Accounts database.

Figure 3.3. Health budgets grew strongly in 2020 and 2021 while defence budgets saw robust increases in 2022 and 2023

Annual growth in spending, real terms, OECD average, selected functions of government, 2019-2023

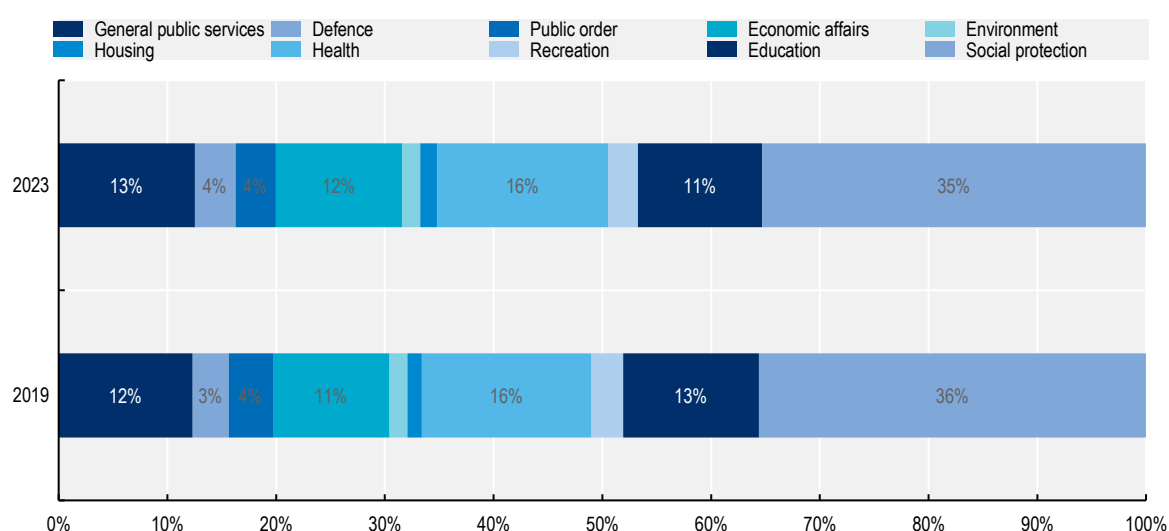


Note: Data refers to total government expenditure by COFOG. All functions are deflated with the GDP-Deflator.
Source: OECD National Accounts database.

32. This analysis highlights the difficult decisions governments need to make when defining how public budgets are allocated across functions. Since the scope to increase overall government expenditure is limited in many countries, tough negotiations within governments and across ministries take place to define government priorities. As shown by Figure 3.1 and Figure 3.2, health ministries were more successful to mobilise additional funds than many other departments, including education or social protection. Yet, when comparing the average budget composition before and after the pandemic the structure was relatively similar (Figure 3.4). The largest increase can be observed for economic affairs, which gained on average 1 percentage point to reach 12% of total public spending, while budgets for education were reduced from 13% in 2019 to 11% in 2023, on average.

Figure 3.4. The composition of government budgets in 2023 was similar to 2019

Total government expenditure by function of government, OECD average, 2019 and 2023



Note: Data refers to total government expenditure by COFOG.

Source: OECD National Accounts database.

4 The short-term outlook for health spending

33. As highlighted in Section 2, after two years (2022 and 2023) of adjustment to the exceptional financial resources dedicated to COVID-19, health spending returned to robust growth in 2024, exceeding pre-pandemic levels. However, it remains unclear at this stage whether this increase in resources is being directed to those areas needed to strengthen health system resilience. While Section 3 showed that over the longer term the importance of health in total government budgets has generally increased (but peaked in 2021), other government functions, such as defence or housing, have been seeing their relative importance in government budgets rise in most recent years. Moreover, the challenging economic and geo-political context is placing additional pressure on the fiscal position in many OECD countries (which will eventually require a consolidation of government budgets).

34. In this context, this section explores the outlook for public spending on health in 2025 and beyond. Preliminary analysis of selected budget data suggests that while public health spending growth is expected to remain robust in 2025, the longer-term outlook is likely to be more modest.

35. To balance public budgets in the short-term but also place health spending on a more sustainable long-term path, ongoing and planned reforms can look to improve health system efficiency and cut wasteful spending, while also considering how some (low value) spending can be shifted to private sources (OECD, 2024^[3]). Some more transformative reforms that countries are currently exploring to increase efficiency in the long run include primary healthcare, the hospital landscape and digital health. For some of these initiatives important upfront investments are necessary to potentially reap efficiency gains.

Fiscal consolidation is high on the agenda in many OECD countries

36. New risks to the global economy emerged in 2025, potentially affecting the resources available for countries to finance their health systems. Although the global economy has proved more resilient than expected in 2025, underlying fragilities around trade barriers and policy uncertainty remain, with potential impact on economic activity. GDP growth across the OECD is projected to stand at moderate 1.7%-1.8% between 2025 and 2027 -on the same level as in 2024 but below the pre-pandemic average of 2.3% (OECD, 2025^[5]). And while labour markets are still relatively tight, they are showing signs of easing, as job openings have fallen back to their pre-pandemic levels of 2019. (OECD, 2025^[5]). Consequently, these trends may reduce expected tax revenues for governments to finance public spending.

37. At the same time, fiscal risks are increasing. Public deficits have risen again since 2022, to stand at 4.7% of GDP in 2024 across the OECD and are projected to remain at this elevated level until 2027 (Figure 4.1). Levels of public debt are already high but expected to rise further with multiple spending pressures, including population ageing and commitments to increase defence spending. Fiscal space is further limited due to rising debt service costs (OECD, 2025^[5]). Across the OECD, debt levels are projected

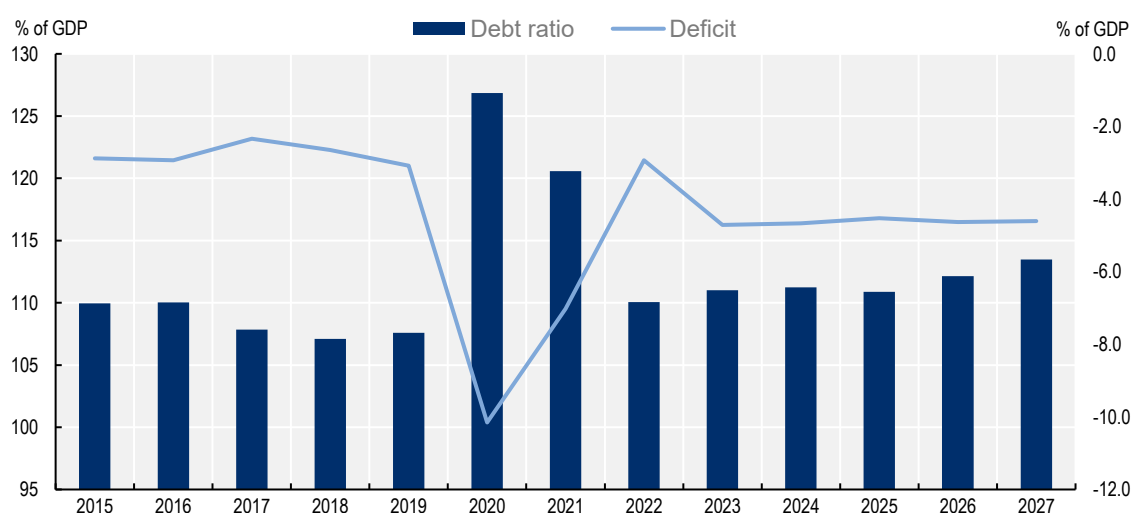
to stand at 113% of GDP in 2027, 5.9 percentage points above the level of 2019 and 2.2 points above the 2024 level (Figure 4.1).

38. Within the European Union, there are currently nine countries (seven of which are OECD countries) that face a Excessive Deficit Procedure (EDP) since their government deficits exceed the ceiling set by EU legislation (European Commission, 2025^[6]). The procedure encourages EU Member States to get their budget deficits under control.

39. In this context, many OECD countries will need to focus again on the consolidation of their public finances, adopting policies to promote economic growth while cutting spending in some areas. It is unlikely that health budgets will remain unaffected by these discussions. Refocusing health spending where it creates most value, reducing wasteful spending and finding efficiency gains in the system will most likely dominate the agendas in the coming years. However, these efforts are not only crucial to stabilise budgets in the short-term but also critical to make health spending sustainable in the long run, given the upward pressures related to population ageing, rising incomes and technological progress.

Figure 4.1. The debt-to-GDP ratio is increasing as a results of excess budget deficits limiting countries' fiscal space

Debt as a share of GDP (left scale) and deficit as share of GDP (right scale), OECD, 2015-2027



Note: Debt refers to general government gross financial liabilities as a percentage of GDP (dark blue bars on left scale). Deficit refers to general government net lending as a percentage of GDP (light blue line and right scale).

Source: OECD Economic Outlook 118.

While increases in health budgets in some countries this year and next are baked in, scope for further increases beyond that appears limited

40. The state of public finances differs between OECD countries. In some, the need for fiscal consolidation -which can potentially impact resources available for health- is more pressing than in others.

41. The short-term outlook of health spending across Europe varies:

- **Ireland** has seen robust increases in its 2025 and 2026 health budgets. Compared to 2024 spending (including additional allocations throughout the year), the 2025 voted current expenditure

of the Department of Health was 5.3% higher (Government of Ireland, 2024^[7]).⁶ The voted 2026 health budget foresees a further 5.5% increase (Government of Ireland, 2025^[8]).

- Health spending growth has already been strong in **Poland** in 2023 and 2024 and the planned budget for 2025 included a further 16% increase (Chancellery of the Prime Minister of the Republic of Poland, 2024^[9]). The 2026 draft budget foresees another 11% growth (Notes from Poland, n.d.^[10]). Yet, since the government plans to reduce the anticipated public deficit from 6.5% in 2026 to 2.9% by 2028, it will be unlikely that spending increases for health at that pace are sustainable.
- In **Germany**, expenditures of the Social Health Insurance scheme are projected to increase by 7.8% in 2025 and 6.5% in 2026 in nominal terms but with revenues growing at slower rates (Bundesamt für Soziale Sicherung, 2025^[11]).
- In the **United Kingdom (England)**, the 2025 spending review foresees planned nominal increases in the Departmental Expenditure Limits for Health and Social Care of between 4.4% and 5.1% in the Financial Years 2024-25 through 2028-29 in nominal terms (HM Treasury, 2025^[12]). Based on forecast inflation, this equates to an estimated average annual growth rate of 2.6% in real terms over this period.
- In **Italy**, after some slowdown in public health spending in 2022 and 2023, growth picked up again in 2024 and projected spending growth for 2025 and 2026 is between 3.5%-4.5% before slowing down in 2027 (Table 4.1). The share of GDP allocated to public health spending in 2025 and beyond is projected to be on the same level as before the pandemic (at 6.4%)

Table 4.1. Share of public expenditure on health of GDP in Italy 2025-2027 expected to return to pre-pandemic levels

Public health spending in Italy, in EUR million, current prices, 2019-2027

	2019	2020	2021	2022	2023	2024	2025*	2026*	2027*
Health spending (in EUR million)	114,936	122,469	128,393	131,260	131,842	138,335	143,372	149,820	151,635
In % of GDP	6.4%	7.3%	7.0%	6.6%	6.2%	6.3%	6.4%	6.4%	6.4%
change per year	1.0%	6.6%	4.8%	2.2%	0.4%	4.9%	3.6%	4.5%	1.2%

Note: *projections

Source: (Ministero dell'Economia e delle Finanze, 2025^[13])

- In **Portugal**, the planned budget for 2025 included a 9% increase in the consolidated expenses for health (República Portuguesa, 2024^[14]). For 2026, planned growth is much more moderate, at 1.5% in nominal terms (República Portuguesa, 2025^[15]).
- In **France**, the 2025 national spending objective for social health insurance (“ONDAM”) was increased by 3.4% compared to 2024 in the “*Loi du 28 février 2025 de financement de la sécurité sociale pour 2025*”. In October 2025, the government had proposed a 1.6% increase of the ONDAM for 2026 (Gouvernement Français, 2025^[16]).⁷

42. Similar patterns of an expected reduction in health spending growth commencing in about 2-3 years can also be observed outside Europe:

⁶ Compared with the voted 2024 budget, the voted 2025 budget for health was nearly 15% higher.

⁷ In late December 2025, parliament passed the “*Loi de financement de la sécurité sociale pour 2026*” which finally foresees an increase in the ONDAM by 3.1% for 2026 and by 2.9% for 2027 (Journal Officiel de la République Française, 2025^[47]).

- In **Australia**, government spending on health for the Fiscal Year 2024-25 is expected to have increased by nearly 10% in nominal terms compared to the previous year and is estimated to increase by another 6.6% in 2025-26 before markedly slowing from 2026-27 onwards (Table 4.2).

Table 4.2. Important increase in government spending in Australia estimated for 2025 and 2026 before growth slows down

Estimates of Australian Government general government sector expenses in million AUD, current prices, fiscal years 2023-24 to 2028-29

	Actual	Estimates				
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Total health	106,589	117,067	124,803	125,901	130,423	134,767
annual growth		9.8%	6.6%	0.9%	3.6%	3.3%

Source: (Government of Australia, 2025^[17])

- In **New Zealand**, core crown expenses for health are forecast to have increased by 3.1% in nominal terms for the Fiscal Year 2025⁸, with a further increase of 5.7% in FY 2026 and 4.1% in FY 2027 before dropping to an annual growth rate of 0.4% in FY 2028 and 2029 (New Zealand Treasury, 2025^[18]). With assumed inflation above this rate, this would translate into annual real term health spending decreases by the end of this decade.
- In **Chile**, the initial 2025 budget planned for an increase of 4.2% of public health spending (including spending of the national health insurance fund FONASA) compared to the initial 2024 budget (Gobierno de Chile, 2025^[19]), although the latter has been amended in the meantime. The planned 2025 budget increase is below that observed in previous years.
- In **Korea**, the 2025 budget of the National Health Insurance Fund (accounting for around 80% of public and compulsory health spending) foresees a 6.6% increase overall, compared to 2024 (National Health Insurance Service, 2025^[20]). However, this growth rate is below the ones observed in 2023 and 2022.

43. Overall, this limited number of examples suggests that robust public health spending growth is maintained in 2025 and a slow-down from 2026 onwards is indicated. This might be interpreted as a signal that many governments are currently in the process to consolidate their public finances.

In countries with social health insurance, recent spending has often outpaced revenues with deficits covered by a mix of accumulated reserves, exceptional government transfers and cost-cutting measures

44. One area where relatively urgent needs to balance budgets occurred in recent years refer to social health insurance schemes. Across various OECD countries, these schemes have been experiencing difficulties to align expenditure growth with that of revenues and were facing substantial deficits as a result. In some instances, the challenges are still ongoing. To cope with the shortfall of funding, these schemes typically either need to tap into their accumulated reserves, receive exceptional government transfers, find alternative financing options and/or have to cut costs, if increases in revenues via a rise in social contribution rates are not an option.

⁸ In New Zealand, Fiscal Year 2025 ended on 30 June 2025.

- In Estonia, Poland and Germany, **health insurance funds have (or had) to cover part of their deficits out of their accumulated reserves**. In Estonia, the 2025 budget for the health insurance fund (EHIF) foresaw a 5.9% increase in expenses while its revenues decreased by 2.2% (Tervisekassa, n.d.^[21]). This meant that only 93% of all planned expenses were financed out of current revenues. In Poland, the deficits in 2023 and 2024 (PLN 16.4 billion in 2023 and PLN 7.7 billion in 2024) were covered from the scheme's financial reserves (Narodowy Fundusz Zdrowia, 2025^[22]). For 2025, a smaller deficit of PLN 7.7 billion is currently expected (Narodowy Fundusz Zdrowia, 2025^[23]).
- France had planned to **introduce costs saving measures** to reduce the deficit of social health insurance in 2026 to EUR 12.5 billion.⁹ The deficit of all social security schemes is expected to reach EUR 23 billion in 2025, up from EUR 15.3 billion in 2024. The vast majority of this deficit (EUR 17.2 billion) is due to health insurance (Gouvernement Français, 2025^[16]). The German government also announced some costs saving measures for 2026 to avoid deficits of social health insurance funds and to stabilise social contribution rates (Bundesministerium für Gesundheit, 2025^[24]). Measures include limiting the increase of hospital and administrative spending and to reduce the available funds to test innovate models of care.
- To balance the social health insurance budget, the German federal government also decided to **increase its transfers to health insurers** to refinance hospital transformation costs in 2025 and 2026. Moreover, for both years, the federal government will **provide loans** (EUR 2.3 billion) to the central health fund to be repaid between 2029 and 2033 (Bundesamt für Soziale Sicherung, 2025^[25]).
- Increasing contribution rates was used as an option to secure the financial sustainability of the social health insurance in **Austria**. In this country, the contribution rates of pensioners were increased in June 2025 – from 5.1% to 6.0%. For some groups this increase has been deferred to January 2026 (SVS, 2025^[26]). However, measures have been taken to limit this additional burden for people with low pensions by increasing the tax deductibility of these contributions.

Reforms to make health systems more efficient are ongoing - including initiatives to strengthen primary healthcare, change the hospital landscape and harness the use of digital tools

45. Ageing societies and the associated rise in chronic conditions will continue to increase demand for healthcare in the decades to come, placing upwards pressure on health spending. Yet, as seen in previous sections, the options to further increase health spending in the long-term by an **overall increase in government expenditure**, or a further **prioritisation of health within existing budget envelopes** can be limited.

46. Two alternative options – **rebalancing public and private health spending** and exploring the **scope for efficiency gains** in the health system – are expected to become the focus of policies to meet spending pressures.

47. A number of countries are **increasing the participation of private households** in the financing of their healthcare (or are considering this). Exploring this option can be a short-term measure to tackle budget deficits but some countries may view this as a longer-term strategy with the hope to make public health spending more sustainable. While these measures may help to reduce public spending for health, they come at the potential risk of impeding access to care – in particular among low-income households -

⁹ With the “Loi de financement de la sécurité sociale pour 2026” passed in late December 2025, the social health insurance deficit in 2026 is projected to be at EUR 13.8 billion (Journal Officiel de la République Française, 2025^[47])

unless mechanisms have been put in place to exempt people in need for treatment from co-payments if they cannot afford it. **Higher cost-sharing of patients has been introduced by increasing co-payment for outpatient and inpatient consultations, for pharmaceuticals and by raising the overall co-payment ceilings:**

- In an attempt to raise additional funds, Estonia increased co-payments in 2025 (European Observatory on Health Systems and Policies, 2025^[27]). For example, co-payments for inpatient care were raised from EUR 2.50 to EUR 5 per day, from EUR 5 to EUR 20 for outpatient specialist visits, and the fixed prescription fee for pharmaceuticals was increased from EUR 2.50 to EUR 3.50, although exemptions continue to apply. At the same time, the new coalition agreement for 2025-27 sets a reform agenda focusing on improving quality of care, system efficiency and financial sustainability (European Observatory on Health System and Policies, 2025^[28]).
- In France, the proposed social security budget for 2026 in October 2025 included measures to reduce the deficit of the health insurance pillar by EUR 4.7 billion (to EUR 12.5 billion) (Gouvernement Français, 2025^[16]). These included, for example, the doubling of co-payments for pharmaceuticals (from EUR 1 to EUR 2) and outpatient consultations (from EUR 2 to EUR 4), as well as an increase of the annual co-payment ceiling for these services (from EUR 50 to EUR 100), and other measures such as price reductions for pharmaceuticals and a lowering of the ceiling of sickness payments. However, in the budget finally adopted by parliament in December 2025, the measures to increase co-payments and the annual co-payment ceilings were dropped.
- To strengthen long-term fiscal sustainability and address rising pharmaceutical costs, in July 2025 Sweden introduced a major reform of the medicine cost-sharing system. The annual cost-sharing ceiling increased from SEK 2 900 (~EUR 260) to SEK 3 800 (~EUR 345) and the reimbursement structure was redesigned so that patients initially bear a higher share of medicine costs before receiving gradually increasing subsidies (OECD/European Observatory on Health Systems and Policies, 2025^[29]).

48. **Longer-term reforms to make health systems more efficient can be more transformative in nature.** Frequently, they are also associated with important up-front investments with the hope of generating efficiency gains and savings down the line. Current initiatives in this area include **strengthening primary healthcare systems, recalibrating the hospital landscape and harnessing the use of digital tools and Artificial Intelligence:**

- **Strengthening primary healthcare** has been at the centre of many reform initiatives in OECD countries in recent years. Generally, **these reforms aim to increase access to services and quality, but can also improve health system efficiency, by reducing costly hospitalisations.** Primary care reforms frequently combine various different measures and can include an augmentation in service availability by increasing the number of primary care workers, the roll-out of digital services, the development of team-based care delivery models, the enhancing of public coverage for primary health care, the integration and co-ordination of care, the governance of primary health care and changes in the way primary healthcare providers are paid. Ongoing reforms in Denmark (OECD/European Observatory on Health Systems and Policies, forthcoming^[30]), Slovenia (Polin, Poldrugovac and Albreht, 2024^[31]) and Portugal (European Observatory on Health Systems and Policies, 2024^[32]), for example, are consistent with this trend. **They all touch on reforms to the organisational, management and government structure of primary care for better co-ordination and efficient use of resources. They also attempt to enhance access to primary care.** Denmark, for example, aims to expand the number of GPs to at least 5 000 by 2035 (from 3 500 in 2024), supported by measures to redistribute resources to underserved areas (OECD/European Observatory on Health Systems and Policies, forthcoming^[30]), which represents a significant financial commitment. Similarly, the Australian Government is expanding its bulk-billing programme in 2025. In total, AUD 7.9 billion will be

invested to improve access to care for Medicare patients (Australian Government, 2025^[33]). These investments hope to achieve efficiency gains in the years to come. **Reforming how primary care providers are paid is also on the agenda.** In Slovenia, a payment reform for the delivery of GP services in 2025 increased the role of capitation payments. In Switzerland, a new fee schedule will become effective in 2026 where the role of flat fees (unrelated to activity) will be strengthened in the outpatient sector (Bundesamt für Gesundheit, 2025^[34]) as one measure to contain costs.

- While in some OECD countries, such as in Ireland or Norway, **increases in hospital capacity to reduce waiting times** remain high on the agenda (Irish Department of Health, 2025^[35]; Regjeringen, 2024^[36]), for several other countries with relatively hospital-centred health systems a key focus of hospital reform lies on **a more efficient provision of care by reducing inpatient activity and payment reforms to disincentivise supply-induced demand.** In Germany, for example, key components of the 2025 hospital reform include an overhaul in the way hospital services are paid and changes to hospital planning, which will be centred around “service groups” into which hospitals will be assigned based certain minimum requirements. The federal and state governments will provide up to EUR 50 billion between 2026-2035 to support the transformation process (Bundesministerium für Gesundheit, 2025^[37]). In Austria, hospitals are encouraged since 2024 to reduce the number of inpatient admissions by introducing specialised and primary care outpatient departments, as well as day clinics (European Observatory on Health Systems and Policies, 2024^[38]). The federal government provides EUR 600 million annually to the states to support the development of these structures, among other things. Moreover, a reform to the DRG payment model was introduced in the country in 2025. Similar to Germany, the **payment reform** increased the “global budget” or “readiness” component to decouple treatment volume from reimbursement. A payment reform to reduce the share of activity-based hospital funding has also been introduced in Norway in 2025 (Regjeringen, 2024^[36]).
- All OECD countries will look to **foster the use of digital health**, but their focus can vary substantially. They include, for example, supporting service delivery, expanding digital health infrastructure, training healthcare professionals or empowering digital health literacy and patient-centred care or the use of Artificial Intelligence. Again, **these reforms are typically associated with significant upfront investment before potential efficiency gains in the medium to long-run.** For example, Korea and France are both **building up digital capacity in the health workforce to improve productivity.** France has just introduced mandatory digital health training, including AI, for all undergraduate healthcare programmes (Gouvernement Français, 2025^[39]), while Korea offers specialised AI in health programmes backed by dedicated government funding, with the intention to train and graduate more than 1,000 healthcare AI professionals by 2029 (Korean Ministry of Health and Welfare, 2025^[40]). There is **scope for digital tools to reduce the administrative burden** of health professionals. In the Netherlands, for example, there is the ambition to substantially reduce the time health providers spend on administrative tasks to 20% of their working hours by 2030. In the country, there is broad consensus that digitisation is one of the solutions for reducing administrative burdens, for example through the accelerated and responsible use of AI and the accelerated implementation of data exchange (Ministerie van Volksgezondheid, Welzijn en Sport, 2025^[41]). Finally, initiatives to strengthen **health data governance, coherent data-sharing processes and secure infrastructure are investments with the purpose to enhance health system efficiency.** This can be seen, for example, in Australia, where the National Digital Health Strategy and Interoperability Roadmap aim to strengthen data governance and interoperability, with the expansion of the My Health Record platform, a standardization of data exchange, and an alignment of digital frameworks across jurisdictions (Australian Digital Health Agency, n.d.^[42]), or in the United Kingdom, where the Enterprise Data and Analytics Platform (EDAP) introduced by UK Health Security Agency Data Strategy enables faster, more consistent access to high-quality data for surveillance, modelling, and public health responses (UK Health Security Agency, 2023^[43]).

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