Higher out-of-pocket costs threaten universal health coverage in 'missing middle' nations

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One in six countries is expected to have substantially high out-of-pocket spending as a proportion of total health expenditures by 2050, according to a new scientific study.

As low-income countries increase their GDP, they often face the "missing middle" problem: As they receive less development assistance, they are not able to fill the resulting gap due to slower growth in government health spending. As a result, many low- and middle-income countries rely more heavily on out-of-pocket spending.

"Reliance on out-of-pocket spending to fund health systems is a major problem, especially for the poor, who are forced to choose between not getting needed care or going more deeply into poverty," said Dr. Joseph Dieleman, a senior author on the study, health economist, and assistant professor at the Institute for Health Metrics and Evaluation (IHME) at the University of Washington School of Medicine. "Increased out-of-pocket spending is a threat to people's financial security, a core component of universal health coverage."

Dieleman emphasized that the study also identifies current gaps in health spending between high- and low-income countries, which are projected to persist, if not widen, by 2050. Published today in the international medical journal *The Lancet*, the annual study examines past, present, and projected future health spending globally.

The study, entitled "Past, present, and future of global health financing: a review of development assistance, government, out-of-pocket, and other private spending on health for 195 countries, 1995-2050," will be presented at a policy roundtable on April 25. Co-hosted by the Kaiser Family Foundation and the Center for Strategic and International Studies, the event will feature keynote remarks from World Health Organization Director-General Tedros Adhanom Ghebreyesus.

The study finds that health spending in the wealthiest countries was 130 times more per person than in low-income countries in 2016. This gap has widened since 1995 and is expected to grow even further by 2050.

Researchers found health spending globally increased from $3.5 trillion in 1995 to $8.0 trillion in 2016, with the largest proportions financed by governments and most of the spending in a handful of high-income countries. Forty-two percent, or $3.3 trillion, of total spending occurred in the United States alone in 2016. In contrast, less than half of one percent (0.4%, or $32 billion) was spent in the 34 low-income countries, despite having 10% of the global population in 2016.

By 2050, projections show health spending will nearly double to $15.0 trillion. Yet again, less than one percent of health spending will occur in currently low-income countries, despite representing an estimated 16% of the global population in 2050.

At $10,271, the United States had the second-highest health spending per person in the world in 2016, after Bermuda ($10,802). By comparison, spending in Somalia and the Democratic Republic of the Congo remained less than $20 per person. By 2050, spending per person in the United States is projected to increase by more than $5,000 per person to $15,825, the highest in the world.

The study finds that the United States, Norway, and Bermuda saw the largest absolute increases in annual health spending per person between 1995 and 2016 (by $4,843, $3,913, and $3,485, respectively). In contrast, spending increased less than $1 per person in 22 countries, the majority of which are in North Africa, the Middle East, and sub-Saharan Africa.

Study authors defined global health spending as the sum of domestic health spending (categorized as government, out-of-pocket, and prepaid private health spending) and development assistance for health. Domestic trends were analyzed from 1995 to 2016, and then projected from 2017 to 2050. Development assistance was examined over a 29-year period, from 1990 to 2018, with estimates projected from 2019

through 2050.

In recent years, development assistance for health has plateaued, growing 5.7% annually from 1990 to 2000, and 10% annually between 2000 and 2010, but leveling off at 1.3% annual growth after 2010. Development assistance for health provided in 2018 was $38.9 billion.

In 2018, $9.5 billion was targeted toward HIV/AIDS, accounting for nearly one in every four dollars of development assistance for health. However, while development assistance for HIV/AIDS grew more than 20% per year between 2000 and 2010, it has since declined annually at the rate of 2.0% per year—representing a total reduction of $1.7 billion since 2012.

"Without new investments, donors and governments face the increasingly difficult challenge of generating meaningful population health gains," Dieleman said. "If nations are to meet the important Sustainable Development Goals by 2030, gains in efficiency and domestic financing will be essential. In the poorest countries, where government budgets are tightest, donor financing will remain critical."

Dr. Christopher Murray, co-author of the study and director of IHME, noted that donors should take into account projections of health financing when making decisions about where to distribute funding.

"Donors, including government agencies, corporations, foundations, and philanthropists, need to prioritize countries expected to have the slowest growth in domestic health spending," he said. "Otherwise, people in many low- and middle-income countries will continue to deplete any savings they may have, and self-reliance will remain unattainable."

Additional findings include:

- The most populous lower-middle-income countries that experienced the "missing middle" phenomenon in 2016 were India, Indonesia, Pakistan, Nigeria, Bangladesh, the Philippines, Egypt, and Vietnam.
- Leading sources of development assistance for health in 2018 were the United States, private philanthropy (excluding corporate donations and the Bill & Melinda Gates Foundation), and the United Kingdom.
- After HIV/AIDS, those conditions receiving the most development assistance were newborn and child health ($7.8 billion), health systems strengthening ($5.6 billion), and reproductive and maternal health ($4.7 billion).

A related study also published today in *The Lancet* addresses spending on HIV/AIDS. It updates and expands upon previous estimates of HIV/AIDS expenditures published last year by Dieleman and colleagues.

Highest health spending per person ($USD), 2016

1. Bermuda: $10,802 per person

2. United States: $10,271

3. Switzerland: $10,036

4. Norway: $8,269

5. Luxembourg: $7,027

6. Iceland: $6,307

7. Denmark: $6,195

8. Sweden: $6,095

9. Australia: $5,563

10. Netherlands: $5,329

Lowest health spending per person ($USD), 2016

1. Somalia: $15 per person

2. Democratic Republic of the Congo: $19

3. Central African Republic: $22

4. Madagascar: $23

5. Niger: $27

6. Burundi: $28

7. The Gambia: $29

8. Eritrea: $30

9. Ethiopia: $31

10. Benin: $32

Highest health spending per person ($USD), 2050 (projected)

1. United States: $15,825

2. Bermuda: $15,572

3. Switzerland: $13,832

4. Norway: $10,668

5. Iceland: $10,390

6. Ireland: $9,839

7. Sweden: $8,909

8. Australia: $8,875

9. Denmark: $8,846

10. Netherlands: $8,805

Lowest health spending per person ($USD), 2050 (projected)

1. Somalia: $19 per person

2. Democratic Republic of the Congo: $33

3. Chad: $35

4. Madagascar: $36

5. Burundi: $37

6. Central African Republic: $38

7. Niger: $38

8. Eritrea: $51

9. Mozambique: $51

10. Mali: $54

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